



FRANKLIN TEMPLETON INVESTMENTS

Templeton Global Bond Fund–A (Mdis) USD

Franklin Templeton Investment Funds

Fund Manager Report

Unconstrained
Fixed Income
31 October 2018

Product Details¹

Fund Assets	\$14,663,455,734.07
Fund Inception Date	28/02/1991
Number of Securities Including Cash	172
Bloomberg	TEMGINI LX
ISIN	LU0029871042
Base Currency	USD
Investment Style	Unconstrained
Benchmark	JP Morgan Global Government Bond Index
Morningstar Category™	Global Bond

Asset Allocation²

Percent of Total	%
Fixed Income	84.14
Cash & Cash Equivalents	15.86

Overall Morningstar Rating™³



Fund Description

The fund aims to maximise total investment return consisting of a combination of interest income, capital appreciation and currency gains by investing principally in a portfolio of fixed or floating-rate debt securities and debt obligations issued by government or government-related issuers worldwide.

Performance Data

Performance Net of Management Fees as at 31/10/2018 (Dividends Reinvested) (%)⁴

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (Mdis) USD	1.83	-0.39	1.47	0.12	2.27	0.81	5.20	6.39
Net of Sales Charge - A (Mdis) USD	-3.26	-5.37	-3.60	-4.88	0.54	-0.22	4.66	6.20
A (Mdis) SGD	3.21	1.43	5.17	1.83	1.92	3.05	4.50	4.36
Net of Sales Charge - A (Mdis) SGD	-1.95	-3.64	-0.09	-3.26	0.19	1.99	3.97	3.88
JP Morgan Global Government Bond Index USD	-0.94	-2.10	-3.53	-2.15	1.19	0.08	2.53	5.15
JP Morgan Global Government Bond Index SGD	0.39	-0.41	-0.04	-0.54	0.81	2.31	1.82	2.11

Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (Mdis) USD	1.83	-0.39	1.47	0.12	6.98	4.11	65.98	455.43
Net of Sales Charge - A (Mdis) USD	-3.26	-5.37	-3.60	-4.88	1.63	-1.09	57.68	427.66
A (Mdis) SGD	3.21	1.43	5.17	1.83	5.86	16.18	55.35	60.11
Net of Sales Charge - A (Mdis) SGD	-1.95	-3.64	-0.09	-3.26	0.57	10.37	47.58	52.11
JP Morgan Global Government Bond Index USD	-0.94	-2.10	-3.53	-2.15	3.61	0.42	28.39	301.78
JP Morgan Global Government Bond Index SGD	0.39	-0.41	-0.04	-0.54	2.45	12.12	19.81	25.81

The Inception Date for the A (Mdis) USD share class and A (Mdis) SGD share class is 28/02/1991 and 25/10/2007 respectively.

1. All holdings are subject to change.

Portfolio Manager Insight

Performance Review

ONE-MONTH KEY PERFORMANCE DRIVERS

	Currencies	Duration	Credit
HELPED	Brazilian Real	Brazil	—
	Euro (Net-Negative Position)	Negative Duration Exposure to US Treasuries	—
	Argentine Peso	Argentina	—
HURT	Mexican Peso	—	—
	Colombian Peso	—	—
	Indian Rupee	—	—

- The euro depreciated against the US dollar in October, while the Japanese yen appreciated. The fund's net-negative positions in the euro and the Australian dollar contributed to absolute performance, while its net-negative position in the Japanese yen detracted. We expect highly accommodative monetary policies from the European Central Bank and the Bank of Japan to weaken the euro and yen as US Treasury yields rise.
- Yields broadly decreased across core Europe and increased across much of Asia ex Japan and Latin America. Select duration exposures in Latin America (Brazil and Argentina) contributed to absolute fund results. We held select duration exposures in specific countries that we believe have attractive risk/return profiles, relatively higher yields and favourable macro conditions for yields to remain relatively stable or shift lower.
- Most emerging-market currencies continued to weaken against the US dollar, with a few notable exceptions. Currency positions in Asia ex Japan (the Indian rupee and Indonesian rupiah) detracted from absolute fund performance, while currency positions in Latin America had a largely neutral effect (the Mexican peso and Colombian peso detracted, while the Brazilian real and Argentine peso contributed). We expect the recent periods of volatility in emerging-market currencies to diminish longer term as fundamentals in select countries are repriced in the markets.

Outlook & Strategy

- Overall, our investment convictions remain largely unchanged, despite the escalation in emerging-market risk aversion in recent months. Many of the countries that we believed were undervalued earlier this year have become even more undervalued with the recent "risk-off" cycle. Longer term we continue to have a positive outlook on a number of local-currency markets that we believe are fundamentally stronger than markets have been indicating.
- We continue to have a positive outlook for US growth and the global economy for the upcoming year, but we're continuing to watch for potential economic disruptions. Overall, we expect US Treasury yields to continue rising as the US Federal Reserve unwinds its balance sheet and tightens policy, while inflation pressures build on exceptional strength in the US labour market and resilient expansion of the US economy.
- In the major developed economies, we anticipate continued monetary accommodation and low rates in Japan and the eurozone while rates rise in the US—those increasing rate differentials should depreciate the yen and euro against the US dollar, in our view.
- Outside of the developed markets, we are focused on specific emerging markets that are less externally vulnerable and more domestically driven, and that have responsible, credible central banks that consistently respond with appropriate monetary policies.
- We continue to hold select local-currency duration exposures in countries that we believe have healthy fundamentals and significantly higher yields than those available in developed markets. We also expect currency appreciation across a select subset of emerging markets.

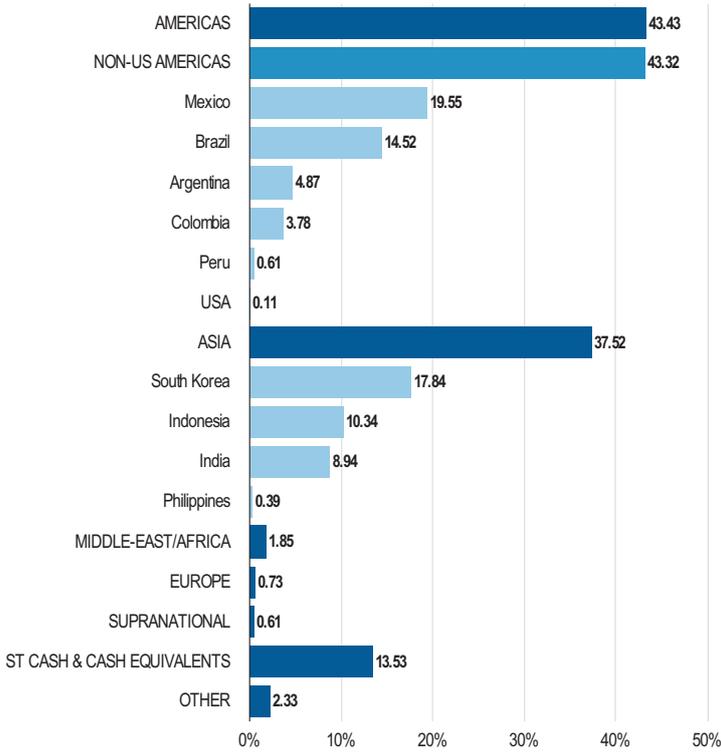
Portfolio Characteristics⁵

	Portfolio	JP Morgan Global Government Bond Index
Yield to Maturity	9.51%	1.76%
Yield to Worst	9.51%	1.76%
Average Duration	-1.16 Yrs	7.84 Yrs
Average Credit Quality ⁶	BBB+	AA
Average Weighted Maturity	2.80 Yrs	9.82 Yrs

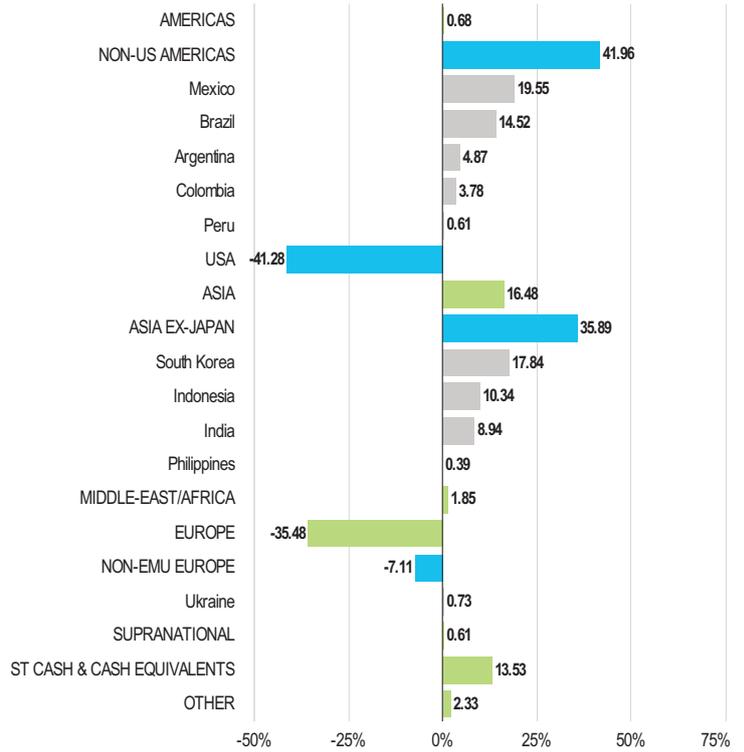
6. The average credit quality (ACQ) rating may change over time. The portfolio itself has not been rated by an independent rating agency. The letter rating, which may be based on bond ratings from different agencies, is provided to indicate the average credit rating of the portfolio's underlying bonds and generally ranges from AAA (highest) to D (lowest). The ACQ is determined by assigning a sequential integer to all credit ratings AAA to D, taking a simple, asset-weighted average of debt holdings by market value and rounding to the nearest rating. The risk of default increases as a bond's rating decreases, so the ACQ provided is not a statistical measurement of the portfolio's default risk because a simple, weighted average does not measure the increasing level of risk from lower rated bonds. The ACQ is provided for informational purposes only. Derivatives are excluded from this breakdown.

Portfolio Diversification

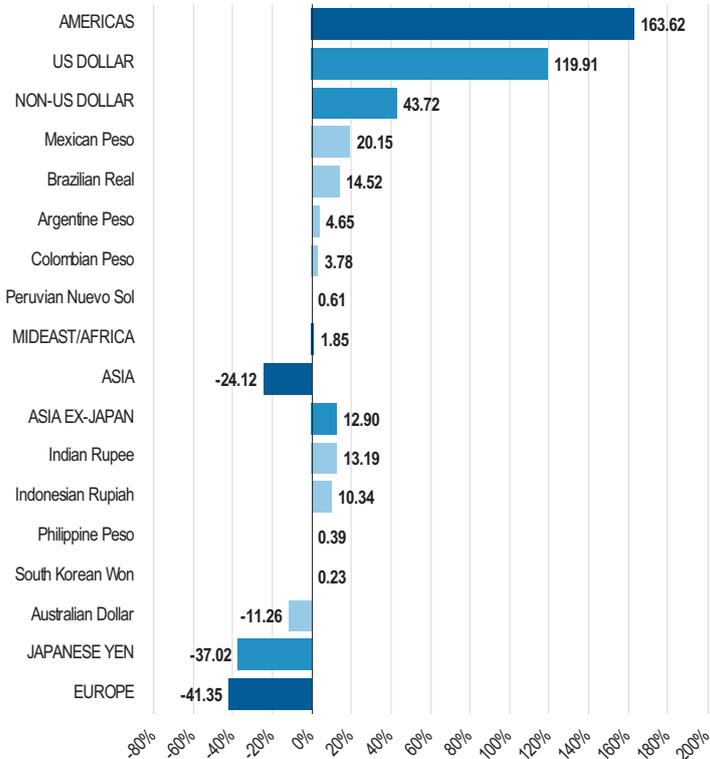
Geographic Allocation²
Percent of Total



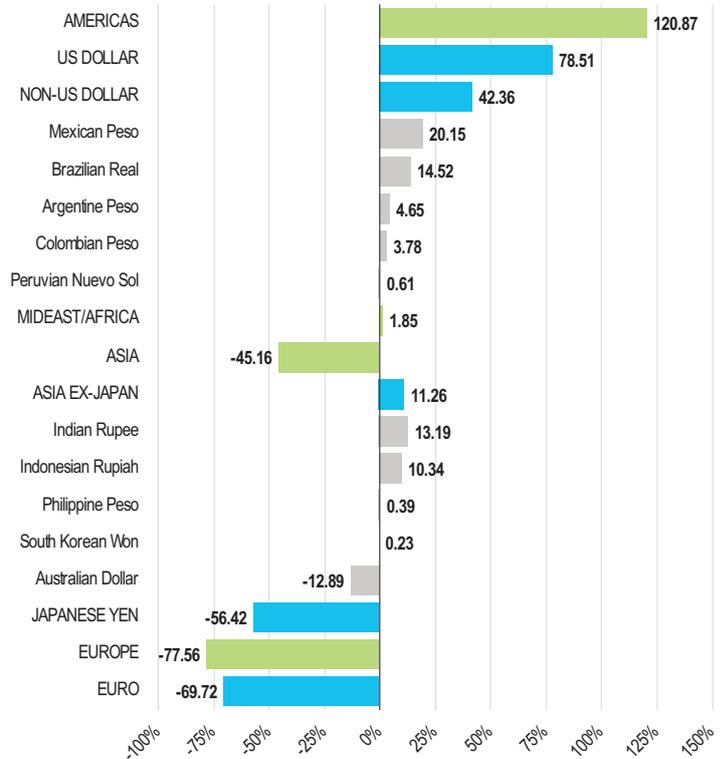
Geographic Weightings vs. JP Morgan Global Government Bond Index²
Percent of Total



Currency Allocation²
Percent of Total

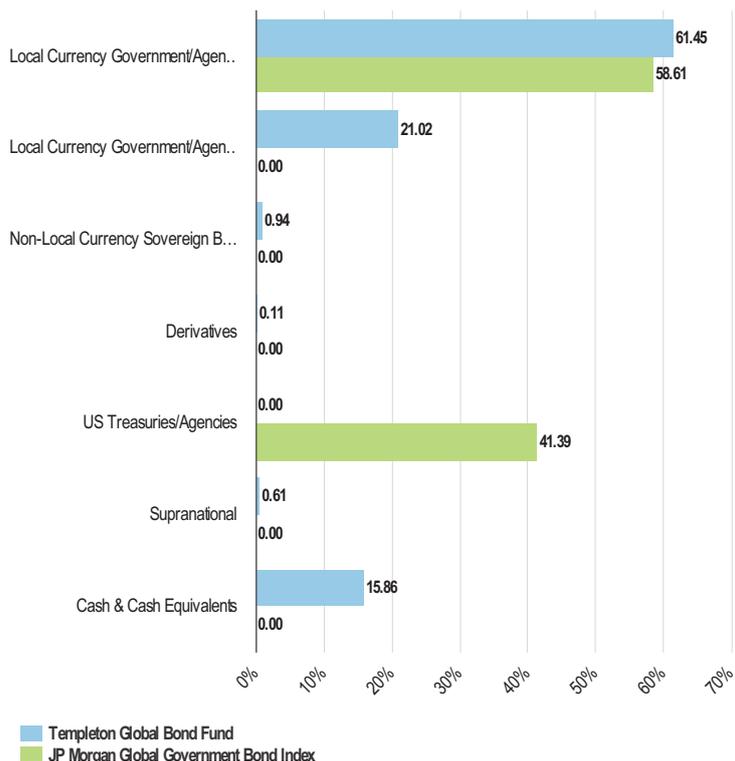


Currency Weightings vs. JP Morgan Global Government Bond Index²
Percent of Total



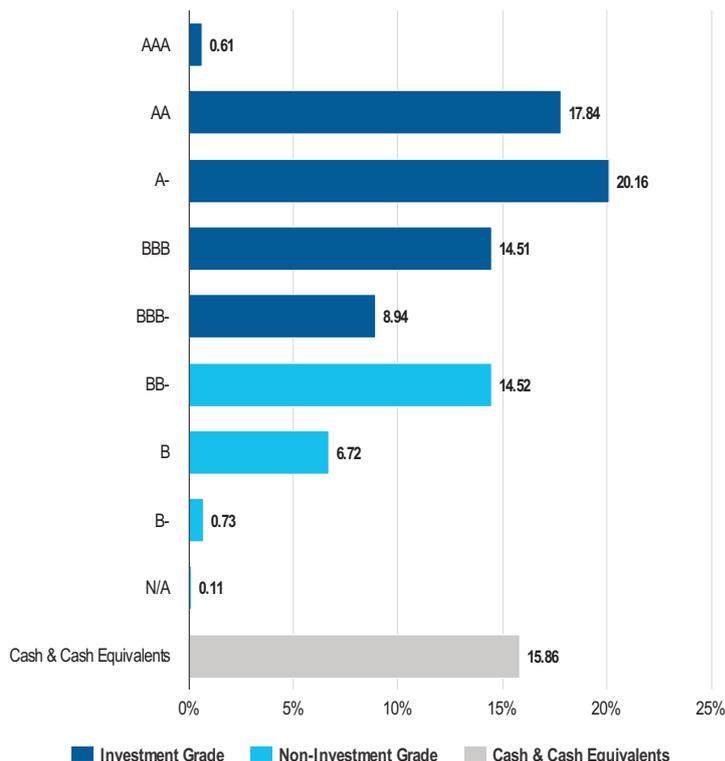
Sector Weightings vs. JP Morgan Global Government Bond Index²

Percent of Total



Credit Quality Ratings⁷

Percent of Total



Supplemental Performance Statistics

Supplemental Risk Statistics⁸

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Templeton Global Bond Fund	6.66	6.35	8.39	7.26
JP Morgan Global Government Bond Index	5.53	4.91	6.14	6.25
Tracking Error (%)	10.00	8.97	9.23	6.78
Information Ratio⁹	0.11	0.08	0.29	0.18
Sharpe Ratio				
Templeton Global Bond Fund	0.21	0.04	0.58	0.52
JP Morgan Global Government Bond Index	0.05	-0.09	0.36	0.40

Investment Philosophy

Beliefs and Guiding Principles

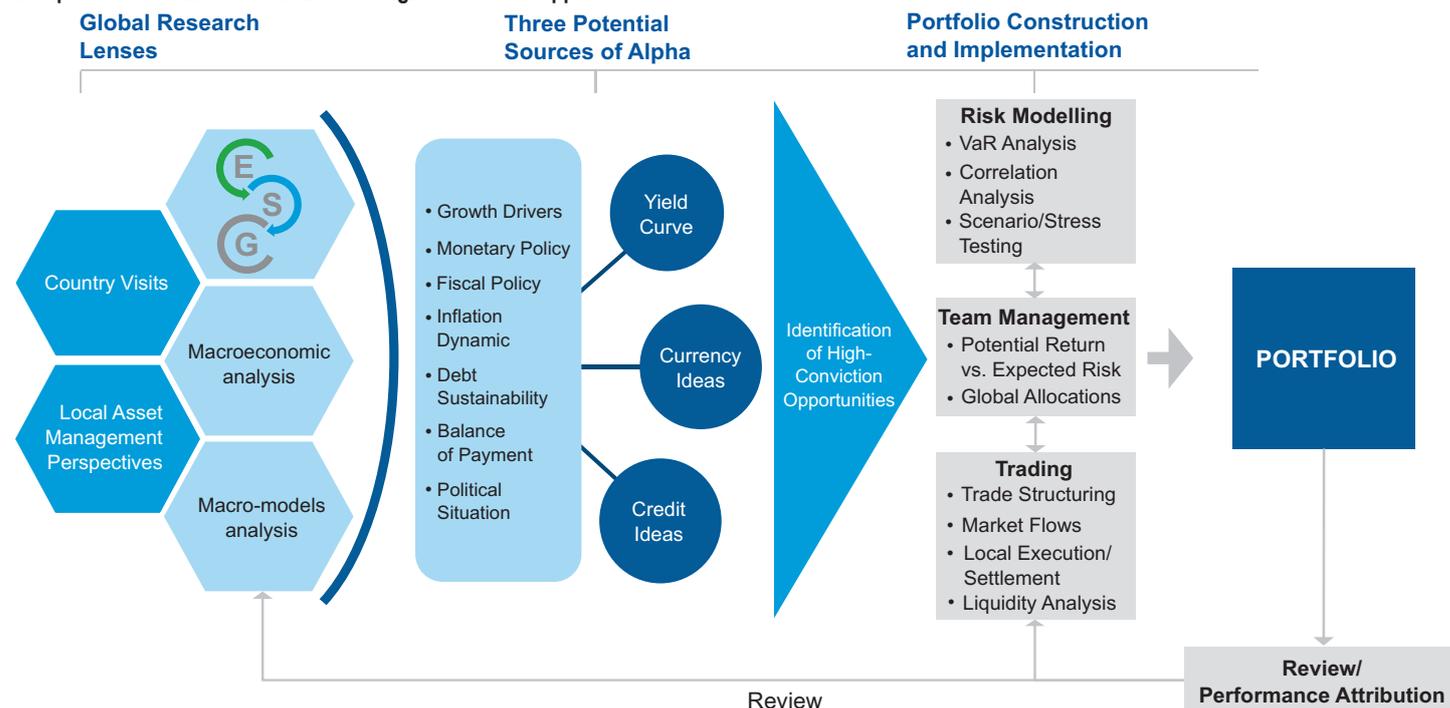
- An unconstrained approach to global fixed income investing can lead to long-term value potential
- Integrating global macroeconomic analysis with in-depth country research can help identify long-term economic imbalances
- Actively allocating risk across three independent potential sources of alpha can deliver diversification benefits and the potential for more consistent returns in diverse markets

8. Information Ratio and Tracking Error information are displayed for the product versus the JP Morgan Global Government Bond Index.

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Investment Process

Multiple Research Lenses Can Lead to High-Conviction Opportunities^{10,11}



10. The above chart is for illustrative and discussion purposes only. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions.

11. The Local Asset Management Group is comprised of investment professionals located in affiliates of and joint venture partners with Franklin Templeton Investments.

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Michael Hasenstab, Ph. D., Executive VP & Chief Investment Officer	19	23
Sonal Desai, Ph. D., Senior VP, Portfolio Manager, Director of Research	8	24

What Are the Key Risks?

The value of shares in the Fund and income received from it can go down as well as up and investors may not get back the full amount invested. Performance may also be affected by currency fluctuations. Currency fluctuations may affect the value of overseas investments. The Fund invests mainly in debt securities issued by government or government-related entities in any country and in derivatives. Such securities and derivatives have historically been subject to price movements, generally due to interest rates, foreign exchange rates or movements in the bond market. As a result, the performance of the Fund can fluctuate over time. The Fund may distribute income gross of expenses. Whilst this might allow more income to be distributed, it may also have the effect of reducing capital. Other significant risks include: credit risk, currency risk, derivatives risk, liquidity risk, emerging markets risk. For full details of all of the risks applicable to this Fund, please refer to the "Risk Considerations" section of the Fund in the current prospectus of Franklin Templeton Investment Funds.

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Investors may wish to seek advice from a financial adviser before making a commitment to invest in shares of the Fund. In the event an investor chooses not to seek advice from a financial adviser, he/she should consider whether the Fund is suitable for him/her.

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The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes.

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Performance figures are not based on audited financial statements and assume reinvestment of interest and dividends. When comparing the performance of Franklin Templeton Investment Funds (the "Fund") with a benchmark index, it is important to note that the securities in which the Fund invests may be substantially different than those represented by the benchmark index. Furthermore, an investment in Franklin Templeton Investment Funds represents an investment in a managed investment company in which certain charges and expenses, including management fees, are applicable. These charges and expenses are not applicable to indices. Lastly, please note that indices are unmanaged and are not available for direct investment. Certain data and other information shown have been supplied by outside sources. While we consider that information to be reliable, we give no assurance that such data and information is accurate or complete.

The indices include a greater number of securities than those held in the Fund.

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2. Figures reflect certain derivatives held in the portfolio (or their underlying reference assets) and may not total 100% or may be negative due to rounding, use of derivatives, unsettled trades or other factors. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

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4. Source for all information is Franklin Templeton Investments. Benchmark related data provided by FactSet. Fund performance computed in share class currency, on NAV-NAV basis and dividends reinvested. Net of Sales Charge figures are after 5% sales charge. Past performance is no guarantee of future results. Portfolio holdings are subject to change. Periods greater than one year are shown as average annual total returns. Other commissions, taxes and other relevant costs paid by investor are not included.

5. Yield to Maturity, Yield to Worst, Average Duration and Average Weighted Maturity reflect certain derivatives held in Portfolio (or their underlying reference assets).

7. Ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations ("NRSRO"), such as Standard & Poor's, Moody's and Fitch. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from all three agencies are available, the middle rating is used; when two are available, the lowest rating is used; and when only one is available, that rating is used. Foreign government bonds without a specific rating are assigned the country rating provided by an NRSRO, if available. If listed, the NR category consists of rateable securities that have not been rated by an NRSRO. The N/A category consists of nonrateable securities (e.g., equities). Cash includes equivalents, which may be rated. Derivatives are excluded from this breakdown. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

9. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).



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