

Fund Manager Report

Product Details¹

Fund Assets	\$9,200,748,266.88
Fund Inception Date	28/02/1991
Number of Securities Including Cash	267
Bloomberg	TEMGINI LX
ISIN	LU0029871042
Base Currency	USD
Investment Style	Government
Benchmark	JP Morgan Global Government Bond Index
Morningstar Category™	Global Flexible Bond

Asset Allocation²

Market Value—Percent of Total	%
Fixed Income	87.88
Cash & Cash Equivalents	12.12

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 31/08/2020 (Dividends Reinvested) (%)³

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (Mdis) USD	-0.59	-0.84	-5.24	-3.48	-1.03	0.76	1.73	5.83
Net of Sales Charge - A (Mdis) USD	-5.56	-5.80	-9.98	-8.31	-2.71	-0.27	1.21	5.65
A (Mdis) SGD	-1.51	-4.53	-4.16	-5.38	-0.93	0.04	1.77	3.23
Net of Sales Charge - A (Mdis) SGD	-6.43	-9.31	-8.95	-10.11	-2.61	-0.98	1.25	2.82
JP Morgan Global Government Bond Index USD	-0.63	3.17	7.39	5.41	4.13	4.13	2.28	5.39
JP Morgan Global Government Bond Index SGD	-1.48	-0.76	8.59	3.31	4.17	3.37	2.32	2.92

Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception
A (Mdis) USD	-0.59	-0.84	-5.24	-3.48	-3.07	3.87	18.68	431.96
Net of Sales Charge - A (Mdis) USD	-5.56	-5.80	-9.98	-8.31	-7.91	-1.32	12.75	405.36
A (Mdis) SGD	-1.51	-4.53	-4.16	-5.38	-2.77	0.19	19.16	50.55
Net of Sales Charge - A (Mdis) SGD	-6.43	-9.31	-8.95	-10.11	-7.63	-4.81	13.20	43.02
JP Morgan Global Government Bond Index USD	-0.63	3.17	7.39	5.41	12.91	22.45	25.29	371.08
JP Morgan Global Government Bond Index SGD	-1.48	-0.76	8.59	3.31	13.05	18.05	25.74	44.82

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	Norwegian Krone	Short-Term US Treasuries	—
	Swedish Krona	Indonesia	—
	Swiss Franc	Latin America	—
HURT	Australian Dollar (Net-Negative Position)	South Korea	—
	Euro (Net-Negative Position)	—	—
	Latin America	—	—

- Major developed market currencies continued to retain strength against the US dollar in August, while emerging market currencies were more mixed, with exchange rate weakness showing in areas of Latin America. Currency positions in Latin America detracted from absolute fund performance. However, positions in northern European currencies (the Norwegian krone and Swedish krona) contributed to absolute results, as did the fund's position in the Swiss franc.
- The fund's net-negative positions in the Australian dollar and the euro detracted from absolute performance. The negative exposure to the Australian dollar is intended to hedge against broad-based beta risks in emerging markets, as the currency shares emerging market risk factors, including linkages to China's economy and commodity markets. Our net-negative position in the euro is intended to hedge against the risk of broad-based US dollar strength and against political and structural vulnerabilities in the eurozone.
- The fund's exposure to short-term US Treasuries contributed to absolute results, as did select duration exposures in Latin America. Select duration exposures in Asia ex Japan had mixed results (South Korea detracted, while Indonesia contributed). We held select duration exposures in countries with relatively higher yields that we believe have compelling valuations and varying degrees of economic resilience to external shocks.
- Strategically, we continue to maintain low portfolio duration. We are significantly underweight developed market duration, preferring to hold short- to intermediate-term US Treasuries, while holding no exposure to the long end of the curve. We hold no duration exposure in the eurozone. Instead, we continue to emphasise select local-currency positions outside of the major developed markets, in countries that we view as having resilient fundamentals and attractive risk-adjusted yields. We are counter-balancing those various risk exposures with perceived safe-haven investments, such as the Japanese yen and Swiss franc, and we are hedging a substantial amount of local-currency risk through proxy hedges (negative Australian dollar) and direct hedges (Indian rupee, South Korean won, Mexican peso and Brazilian real). We are avoiding credit markets, which we view as significantly overstretched and vulnerable to insolvencies and bankruptcies. Overall, we are aiming the strategies to be a portfolio diversifier against overvalued asset classes that remain vulnerable to ongoing economic shocks.

Outlook & Strategy

- We remain cautious on the risk profiles across global fixed income markets as the COVID-19 pandemic continues to impact economic activity around the world. While some resistance levels began to develop across financial markets in August, the broad rallies in risk assets to date reflect an underappreciation of the likelihood for successive waves of infections, growing insolvencies and deepening economic hardship, in our view. We see elevated risks for a correction in financial markets given the extreme dislocations between asset prices and macroeconomic fundamentals.
- Our aim is to position our strategies to be uncorrelated to vulnerable asset classes while delivering high income and defending capital. We're currently focusing on specific perceived safe-haven investments, while emphasising a select set of higher-yielding emerging markets that have relatively resilient domestic economies. We're aiming to derive alpha from different sources than the low-to-negative yielding developed fixed income markets, which have limited upside potential left and asymmetric interest-rate risks as yields grind to historic lows.
- We are expecting a gradual global economic recovery with the potential for multiple stages of relief rallies and corrections in financial markets before a more sustainable growth recovery takes hold. There are still unknowns over how long the pandemic will last and what the impacts will be as governments struggle to effectively reopen economies.
- There are also uncertainties over what society will look like when we get to the other side, given elevated unemployment, significant economic hardship and unprecedented fiscal intervention. Widening economic inequality in the US was already a source of social strife at low unemployment levels (3.5%) before the crisis—a constrained economy will only exacerbate the issue. It remains to be seen whether people will ultimately be brought together by adversity, or further polarised.
- We currently remain cautious on the broad outlook for emerging markets as a whole, but we see risk-adjusted value in specific countries. It remains crucial to be selective. Tragically, the COVID-19 pandemic will be significantly worse for many emerging markets than advanced economies due to weaker health care systems and less-developed infrastructure. Countries that were in stronger fundamental shape before the crisis generally have better prospects to endure the substantial economic headwinds. A number of countries have inherent economic resiliencies while others remain highly vulnerable to external and internal shocks. On the whole, several domestically oriented economies have comparatively better prospects than externally dependent economies, given the collapse in global aggregate demand and diminished levels of trade. We continue to monitor conditions and expect that the impacts of the COVID-19 pandemic could persist for multiple quarters, potentially pushing out the timeline for when certain investment opportunities may become suitable.

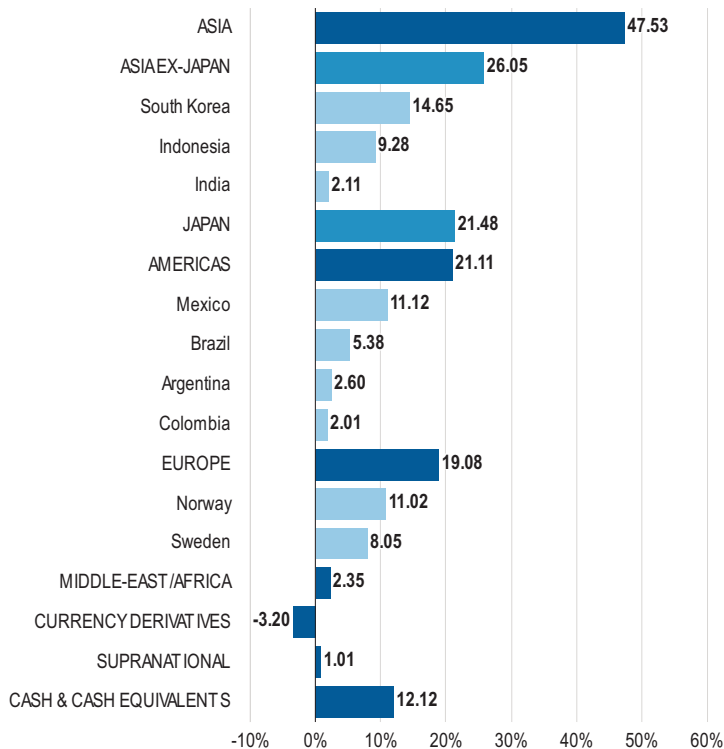
Portfolio Characteristics^{4,5,6}

	Portfolio	JP Morgan Global Government Bond Index
Yield to Maturity	1.93%	0.32%
Yield to Worst	1.93%	0.32%
Average Credit Quality ⁷	A+	AA
Average Duration	1.61 Yrs	8.77 Yrs
Average Weighted Maturity	1.84 Yrs	10.49 Yrs

Portfolio Diversification⁵

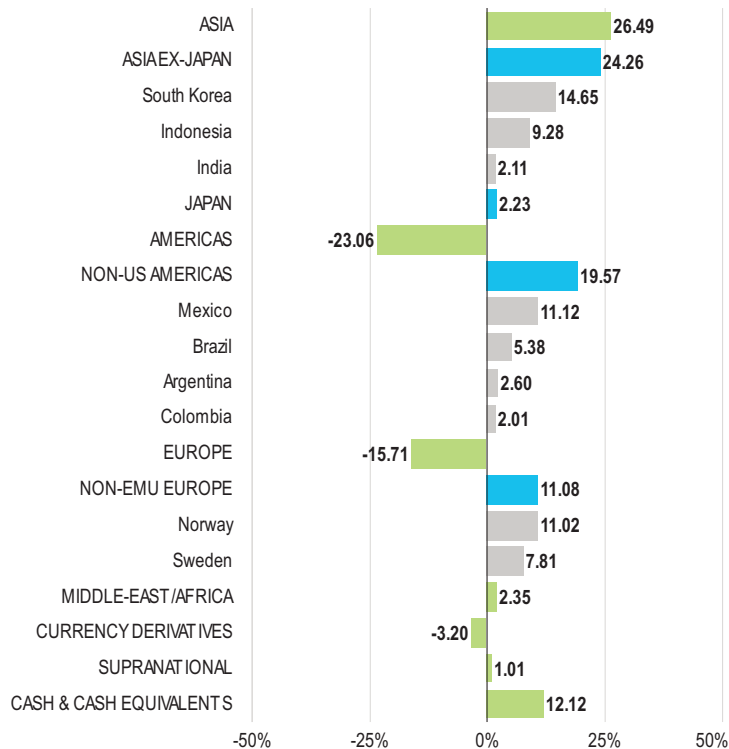
Geographic Allocation²

Market Value—Percent of Total



Geographic Allocation vs. JP Morgan Global Government Bond Index²

Market Value—Percent of Total

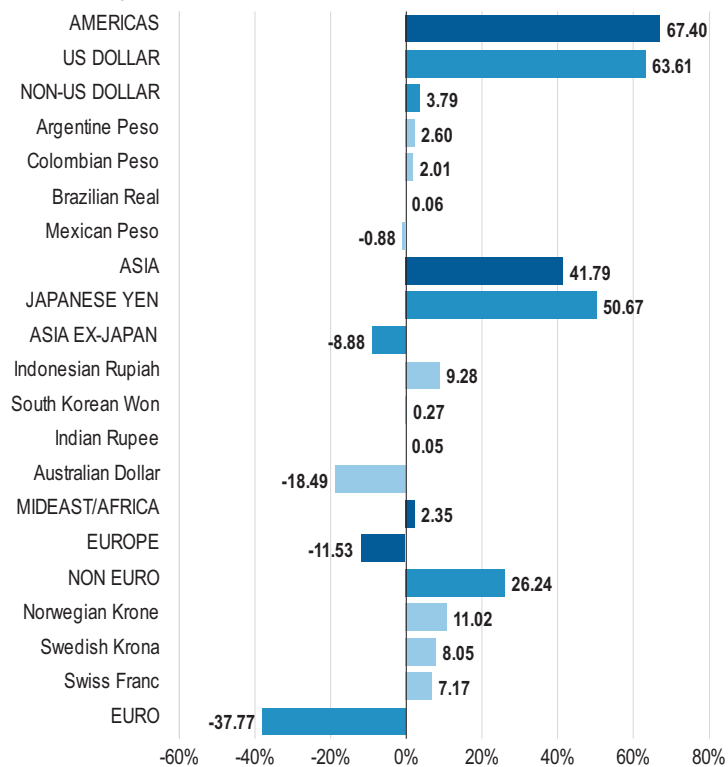


7. The average credit quality (ACQ) rating may change over time. The portfolio itself has not been rated by an independent rating agency. The letter rating, which may be based on bond ratings from different agencies (or internal ratings for unrated bonds, cash and equivalents), is provided to indicate the average credit rating of the portfolio's underlying investments and generally ranges from AAA (highest) to D (lowest). For unrated bonds, cash and equivalents, ratings may be assigned based on the ratings of the issuer, the ratings of the underlying holdings of a pooled investment vehicle, or other relevant factors. The ACQ is determined by assigning a sequential integer to all credit ratings AAA to D, taking a simple, asset-weighted average of investments 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 may be lower if cash and equivalents are excluded from the calculation. The ACQ is provided for informational purposes only. Derivative positions are not reflected in the ACQ.

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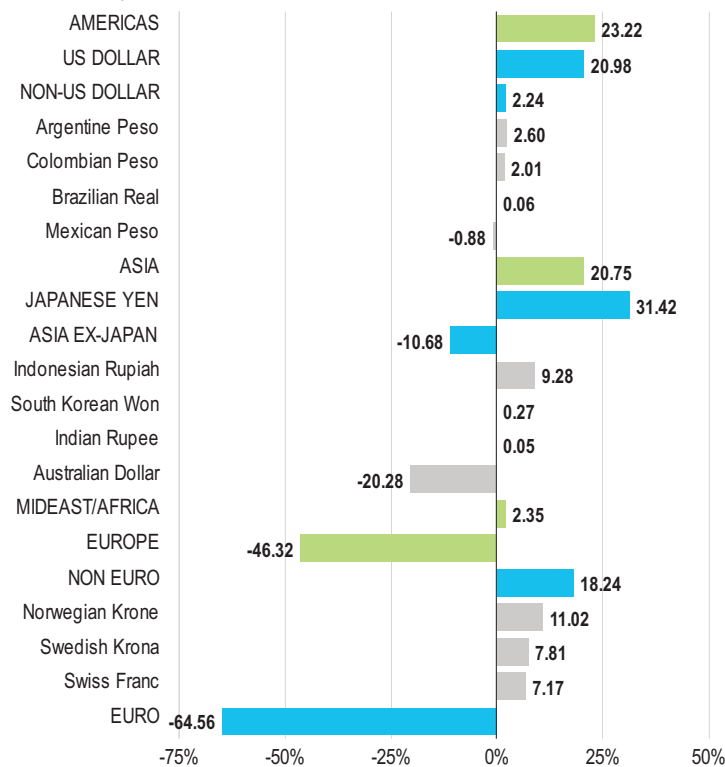
Currency Exposure⁸

Notional Exposure—Percent of Total



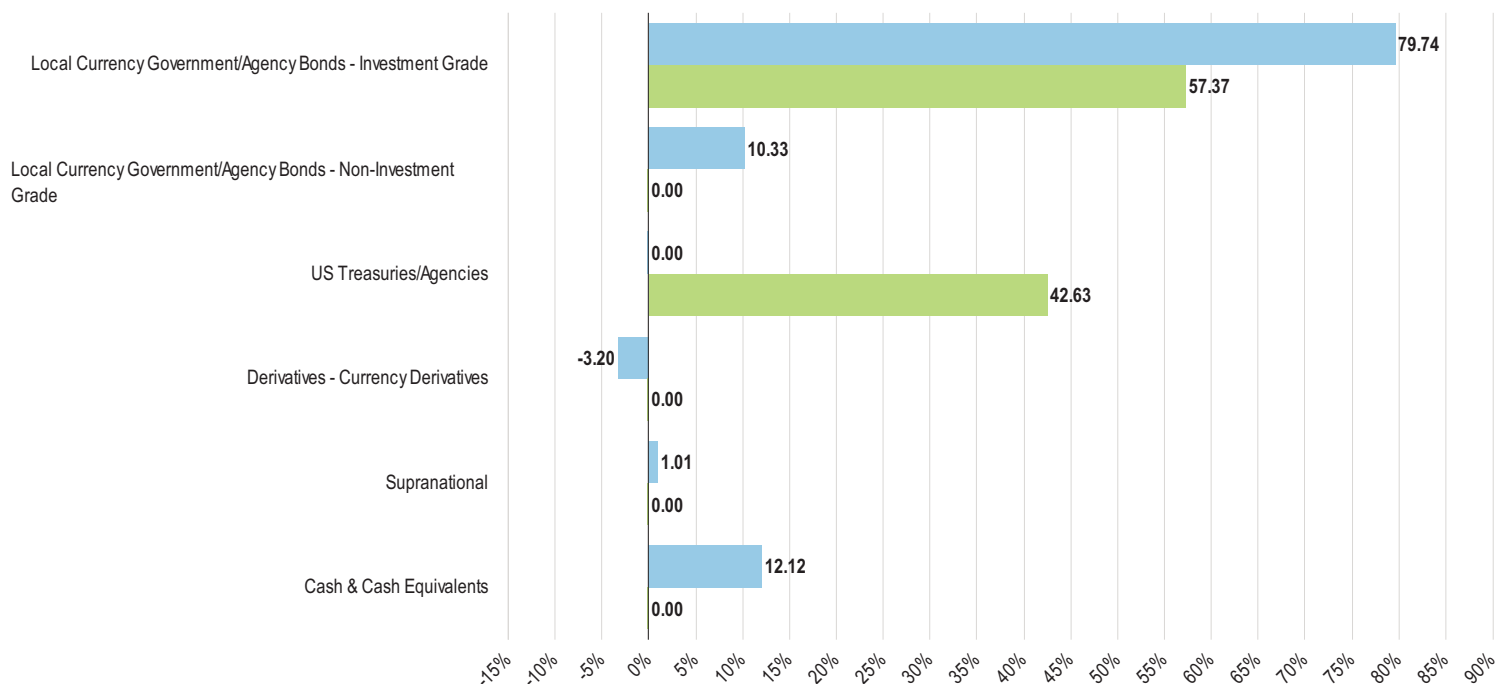
Currency Exposure vs. JP Morgan Global Government Bond Index⁸

Notional Exposure—Percent of Total



Sector Allocation vs. JP Morgan Global Government Bond Index²

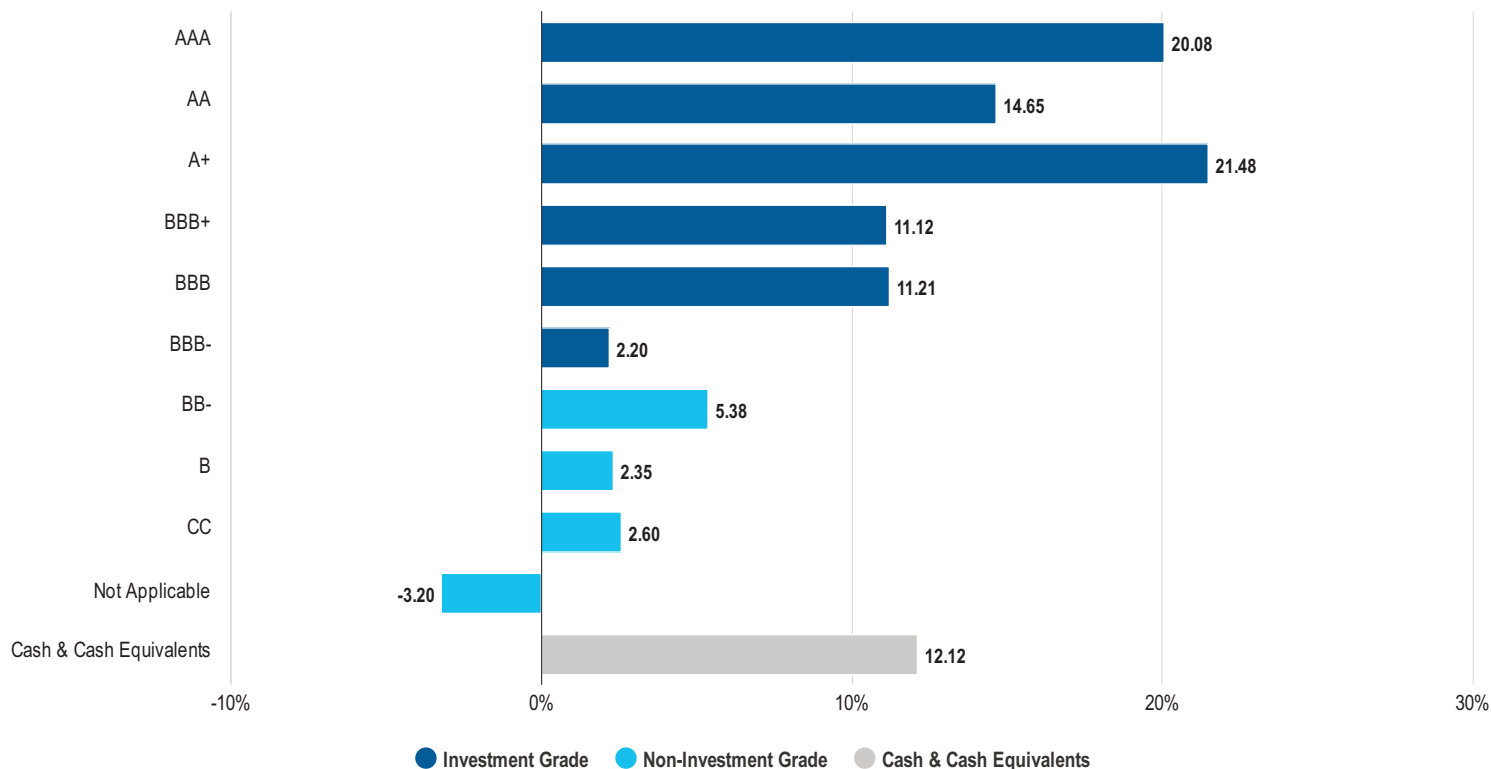
Market Value—Percent of Total



● Templeton Global Bond Fund
● JP Morgan Global Government Bond Index

Credit Quality Allocation^{9,2}

Market Value—Percent of Total



Supplemental Performance Statistics

Supplemental Risk Statistics¹⁰

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Templeton Global Bond Fund	6.19	6.65	7.42	7.21
JP Morgan Global Government Bond Index	4.43	5.19	5.00	6.16
Tracking Error (%)	8.55	9.79	8.94	6.97
Information Ratio¹¹	-0.60	-0.34	-0.06	0.06
Sharpe Ratio				
Templeton Global Bond Fund	-0.42	-0.05	0.15	0.45
JP Morgan Global Government Bond Index	0.57	0.58	0.34	0.46

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

9. 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. The Not Rated category consists of ratable securities that have not been rated by an NRSRO. The Not Applicable category consists of nonratable securities (e.g., equities). Cash includes equivalents, which may be rated.

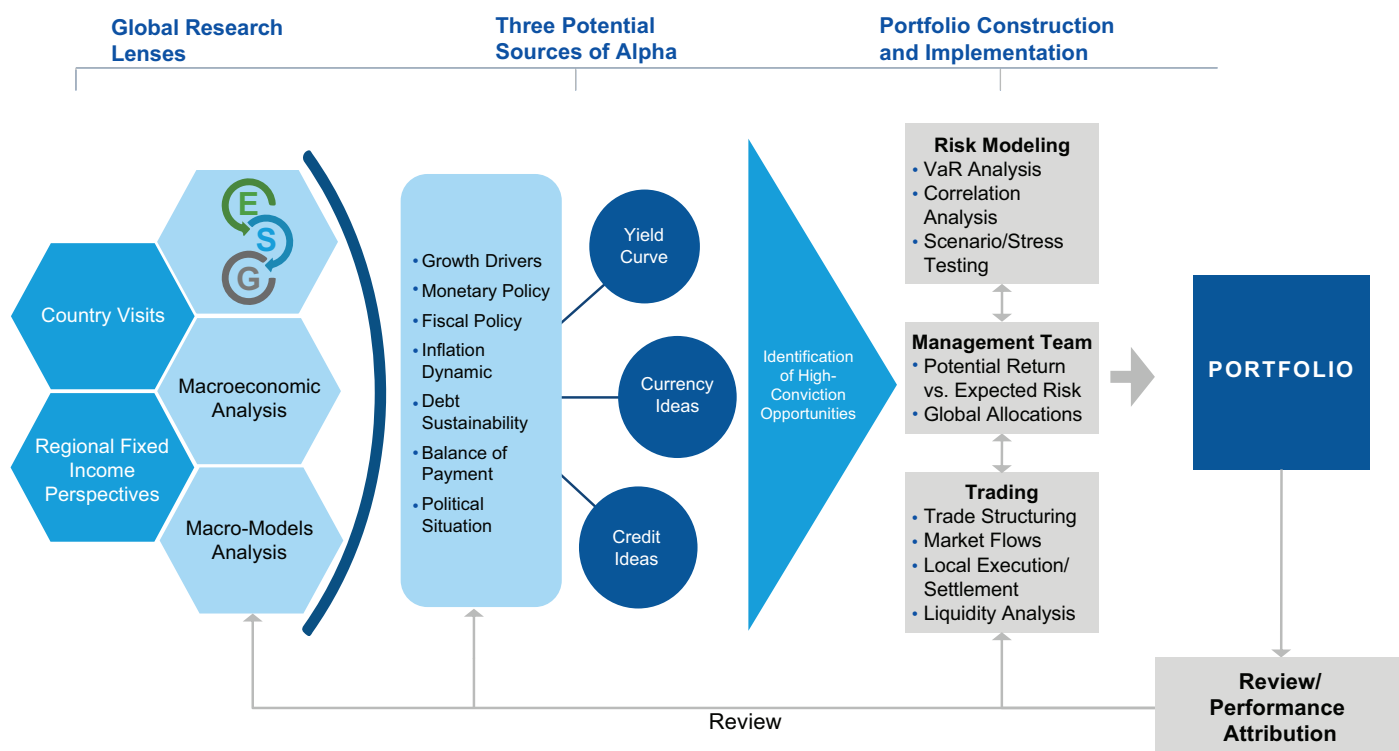
10. Information Ratio and Tracking Error information are displayed for the product versus the JP Morgan Global Government Bond Index.

11. 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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Investment Process

Multiple Research Lenses Can Lead to High-Conviction Opportunities^{12,13}



12. 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.

13. The Regional Fixed Income is comprised of investment professionals located in affiliates of and joint venture partners with Franklin Templeton.

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Michael Hasenstab, Ph. D.	21	25
Calvin Ho, Ph. D.	15	15

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: Chinese market risk, credit risk, foreign currency risk, derivatives instruments 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.

Important Legal Information

Templeton Global Bond Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

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Any prediction, projection or forecast on the economy, stock market, bond market or the economic trends of the markets is not necessarily indicative of the future or likely performance.

Past performance or any prediction or forecast is not necessarily indicative of future performance of the Fund. Subscriptions may only be made on the basis of the most recent Prospectus and Product Highlights Sheet which is available at Templeton Asset Management Ltd or our authorised distributors. Potential investor should read the details of the Prospectus and Product Highlights Sheet before deciding to subscribe for or purchase the Fund. This shall not be construed as the making of any offer or invitation to anyone in any jurisdiction in which such offer is not authorised or in which the person making such offer is not qualified to do so or to anyone to whom it is unlawful to make such an offer. In particular, this Fund is not available to U.S. Persons and Canadian residents.

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.

Securities mentioned in this report are not a solicitation to purchase those securities, and are examples of some securities which performed well. Not all securities in the portfolio performed well. These securities do not represent all the securities purchased, sold or recommended for advisory clients, and the reader should not assume that investment in the security listed was or will be profitable. Holdings are subject to change, holdings of the same issuer have been combined. The information provided is not a recommendation to purchase, sell or hold any particular security. The security identified does not represent the Fund's entire holdings and in the aggregate, may represent a small percentage of such holdings. There is no assurance that security purchased will remain in the Fund, or that security sold will not be repurchased. In addition, it should not be assumed that any securities mentioned were or will prove to be profitable. For the most current information on the fund, please contact your Franklin Templeton marketing representative.

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. Market value figures reflect the trading value of the investments. Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

3. 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.

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

5. All holdings are subject to change.

6. Yield figures quoted should not be used as an indication of the income that has or will be received. Yield figures are based on the portfolio's underlying holdings and do not represent a payout of the portfolio. **Past performance is not an indicator or a guarantee of future performance.**

8. Notional exposure figures are intended to estimate the portfolio's exposure, including any hedged or increased exposure through certain derivatives held in the portfolio (or their underlying reference assets). Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

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