



FRANKLIN TEMPLETON INVESTMENTS

Templeton Emerging Markets Bond Fund—A (Qdis) USD

Franklin Templeton Investment Funds

Fund Manager Report

Unconstrained
Fixed Income
30 November 2018

Product Details¹

Fund Assets	\$9,774,934,530.81
Fund Inception Date	05/07/1991
Number of Securities Including Cash	160
Bloomberg	TEMEMFI LX
ISIN	LU0029876355
Base Currency	USD
Investment Style	Unconstrained
Benchmark	JP Morgan EMBI Global Index
Morningstar Category™	Global Emerging Markets Bond

Asset Allocation²

Market Value—Percent of Total	%
Fixed Income	86.50
Cash & Cash Equivalents	13.50
Equity	0.00

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 and floating-rate debt securities and debt obligations issued by government and government-related issuers or corporate entities located in developing or emerging-market countries.

Performance Data

Performance Net of Management Fees as at 30/11/2018 (Dividends Reinvested) (%)⁴

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (05/07/1991)
A (Qdis) USD	0.15	3.23	-6.58	-7.18	3.14	0.53	7.60	8.11
Net of Sales Charge - A (Qdis) USD	-4.85	-1.93	-11.25	-11.82	1.40	-0.50	7.05	7.91
JP Morgan EMBI Global Index USD	-0.39	-0.89	-5.98	-5.39	3.71	4.00	8.44	9.78

Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (05/07/1991)
A (Qdis) USD	0.15	3.23	-6.58	-7.18	9.73	2.65	108.02	747.56
Net of Sales Charge - A (Qdis) USD	-4.85	-1.93	-11.25	-11.82	4.24	-2.48	97.62	705.18
JP Morgan EMBI Global Index USD	-0.39	-0.89	-5.98	-5.39	11.55	21.69	124.88	1,189.30

Portfolio Manager Insight

Performance Review

ONE-MONTH KEY PERFORMANCE DRIVERS

	Currencies	Duration	Credit
HELPED	Indian Rupee	Indonesia	—
	Indonesian Rupiah	Brazil	—
	—	India	—
HURT	Argentine Peso	Argentina	—
	Brazilian Real	Negative Duration Exposure to US Treasuries	—
	Australian Dollar (Net-Negative Position)	—	—

- A number of currencies appreciated against the US dollar in November, notably the Indian rupee and Indonesian rupiah. However, the Argentine peso, Brazilian real and Japanese yen depreciated against the US dollar. Currency positions in Asia ex Japan (the Indian rupee and Indonesian rupiah) contributed to absolute fund performance, while currency positions in Latin America (the Argentine peso and Brazilian real) detracted. 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.
- The yield on the 10-year US Treasury note declined 16 basis points to end the month at 2.99%. Negative duration exposure to US Treasuries detracted from absolute fund results. Overall, we expect US Treasury yields to rise as the US Federal Reserve unwinds its balance sheet and continues to tighten policy while US inflation pressures pick up.

1. All holdings are subject to change.

- Yields broadly decreased across core Europe and much of Asia ex Japan and Latin America. Select duration exposures in Asia ex Japan (Indonesia and India) contributed to absolute fund performance, while select duration exposures in Latin America had a largely neutral effect (Argentina detracted, while Brazil contributed). 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.

Outlook & Strategy

- Overall, our investment convictions remain largely unchanged, despite the escalation in emerging-market risk aversion in August and September. Many of the countries that we believed were undervalued earlier this year became even more undervalued during 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. Tariff tensions between the US and China are likely to impact costs to consumers in upcoming months, but the larger impacts to global growth are relatively contained, in our view.
- 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 Characteristics^{5,6}

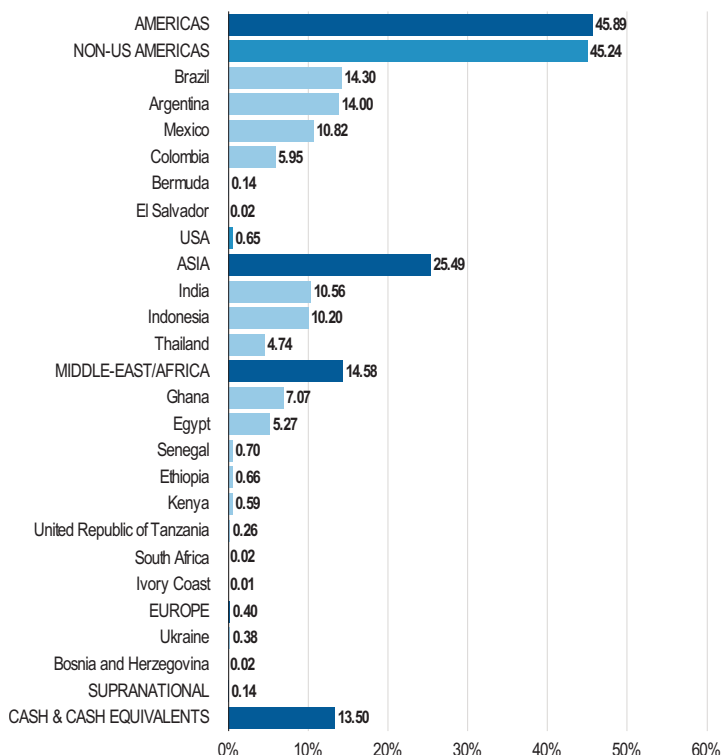
	Portfolio	JP Morgan EMBI Global Index
Yield to Maturity	12.60%	6.97%
Yield to Worst	12.60%	6.96%
Average Duration	0.95 Yrs	6.58 Yrs
Average Credit Quality ⁷	BBB-	BB+
Average Weighted Maturity	3.24 Yrs	11.27 Yrs

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.

Portfolio Diversification⁶

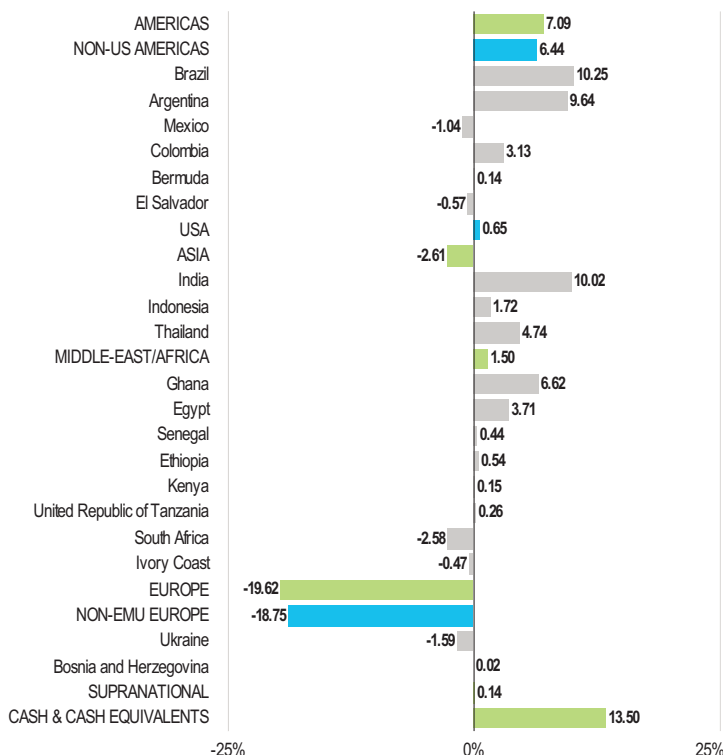
Geographic Allocation²

Market Value—Percent of Total



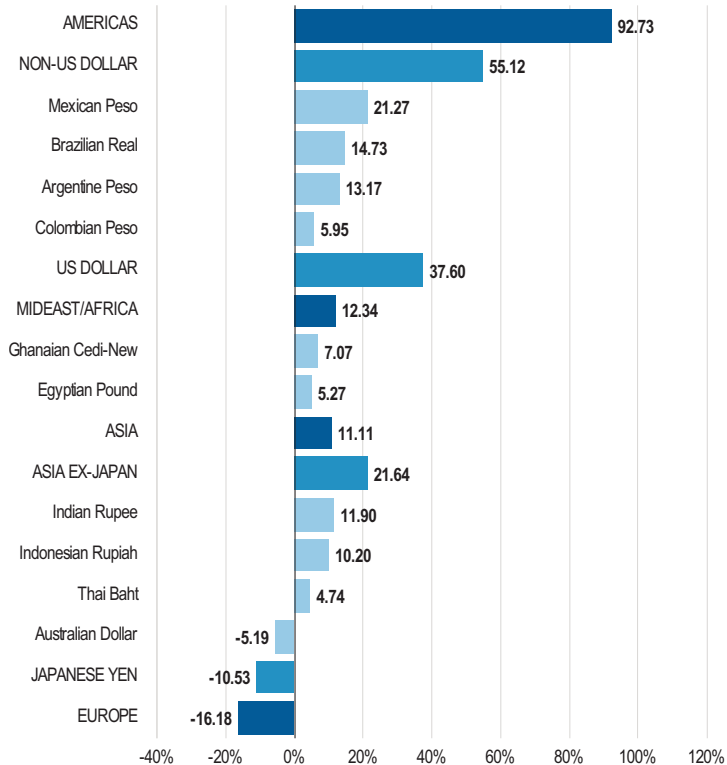
Geographic Weightings vs. JP Morgan EMBI Global Index²

Market Value—Percent of Total



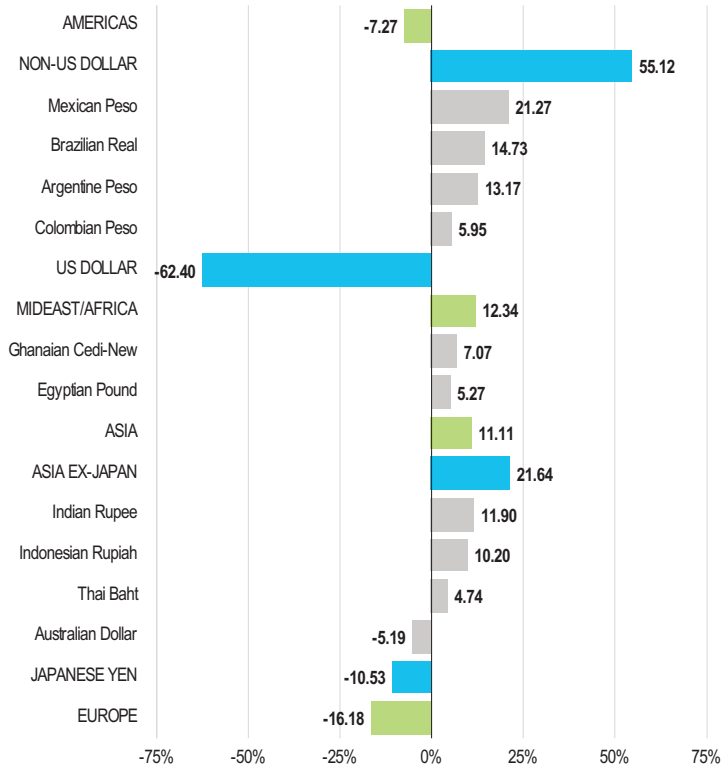
Currency Exposure⁸

Notional Exposure—Percent of Total



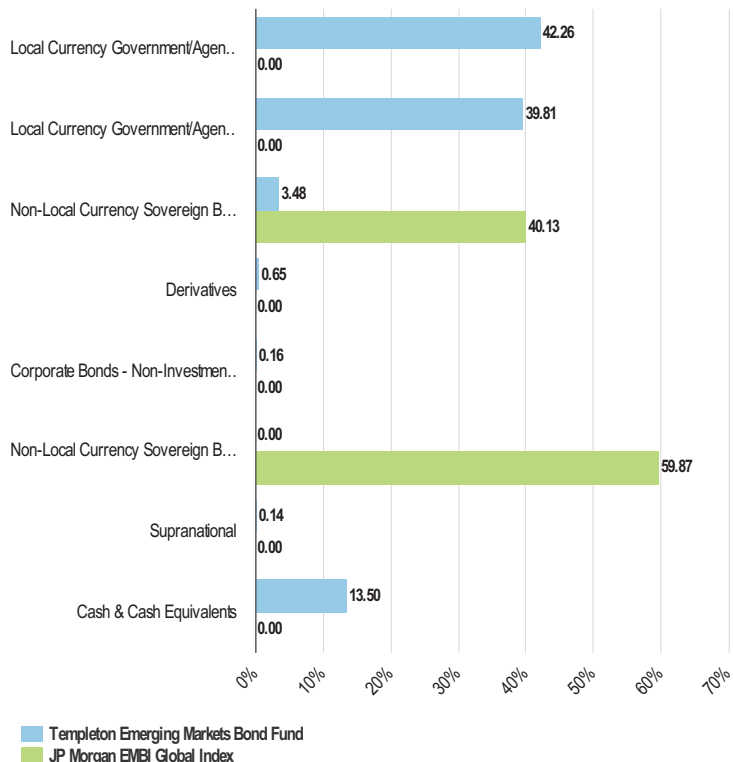
Currency Exposure vs. JP Morgan EMBI Global Index⁸

Notional Exposure—Percent of Total



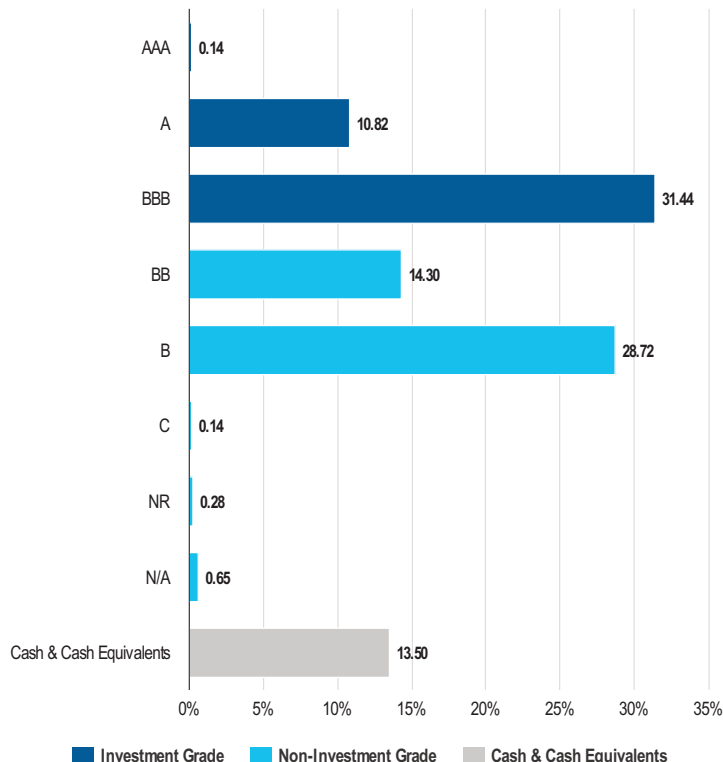
Sector Weightings vs. JP Morgan EMBI Global Index²

Market Value—Percent of Total



Credit Ratings Quality^{2,9}

Percent of Total



Supplemental Performance Statistics

Supplemental Risk Statistics¹⁰

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Templeton Emerging Markets Bond Fund	9.05	8.62	9.90	11.83
JP Morgan EMBI Global Index	5.69	5.65	7.14	11.93
Tracking Error (%)	7.59	6.72	6.40	6.02
Information Ratio¹¹	-0.07	-0.52	-0.13	-0.28
Sharpe Ratio				
Templeton Emerging Markets Bond Fund	0.24	-0.01	0.73	0.46
JP Morgan EMBI Global Index	0.48	0.60	1.14	0.60

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Michael Hasenstab, Ph. D., Executive VP & Chief Investment Officer	19	23
Laura Burakreis, Portfolio Manager, Research Analyst	12	31
Sonal Desai, Ph. D., Senior VP, Portfolio Manager, Director of Research	8	24

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 NR category consists of ratable securities that have not been rated by an NRSRO. The N/A 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 EMBI Global Index.

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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 of any quality issued by entities located in developing and emerging markets. Such securities have historically been subject to price movements, generally due to interest rates, market factors 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, derivatives risk, emerging markets risk, liquidity 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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The indices include a greater number of securities than those held in the Fund.

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

6. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

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.

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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