

Product Details¹

Fund Assets	\$380,681,540.09
Fund Inception Date	29/08/2003
Number of Securities Including Cash	464
Bloomberg	FRASTBALX
ISIN	LU0170467566
Investment Style	Multi-Sector
Benchmark	Hybrid: Bloomberg Barclays US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg Barclays US Government & Credit (1-3 Y) Index
Morningstar Category™	USD Diversified Bond – Short Term

Asset Allocation²

Market Value—Percent of Total

	%
Fixed Income	91.94
Cash & Cash Equivalents	8.06
Equity	0.00

Fund Description

The fund's investment objective is to provide as high a level of current income as is consistent with prudent investing, while seeking preservation of shareholders' capital.

Performance Data
Performance Net of Management Fees as at 31/07/2020 (Dividends Reinvested) (%)³

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (29/08/2003)
A (Mdis) USD	0.59	6.23	-0.31	0.65	1.13	1.17	1.17	1.59
Net of Sales Charge - A (Mdis) USD	-4.44	0.92	-5.29	-4.38	-0.59	0.13	0.65	1.28
Hybrid: Bloomberg Barclays US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg Barclays US Government & Credit (1-3 Y) Index USD	0.19	0.72	3.07	4.46	2.85	2.13	1.46	2.30

Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (29/08/2003)
A (Mdis) USD	0.59	6.23	-0.31	0.65	3.43	5.97	12.34	30.64
Net of Sales Charge - A (Mdis) USD	-4.44	0.92	-5.29	-4.38	-1.75	0.67	6.72	24.11
Hybrid: Bloomberg Barclays US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg Barclays US Government & Credit (1-3 Y) Index USD	0.19	0.72	3.07	4.46	8.79	11.12	15.59	46.86

1. All holdings are subject to change.

Portfolio Manager Insight

Performance Review

ONE-MONTH KEY PERFORMANCE DRIVERS

	Sector Exposure	Duration/Yield Curve
HELPED	Corporate Credits: Exposure to Senior Secured Floating-Rate Bank Loans, High-Yield (HY) Corporate Bonds, Collateralised Loan Obligations (CLOs) and Investment-Grade (IG) Corporate Bonds	Non-US Duration Positioning
	Overweight Allocation to US Treasury Inflation-Protected Security (TIPS) and Commercial Mortgage-Backed Securities (CMBS); Exposure to Taxable Municipal Bonds; Security Selection in Agency Mortgage-Backed Securities (MBS)	US Duration Positioning
	Exposure to Sovereign Emerging-Market (EM) Debt; Allocation to Non-US Dollar Denominated Developed-Market and EM Debt; Security Selection in Sovereign Developed-Market Debt	—
HURT	Overweight Allocation to Non-Agency Residential Mortgage-Backed Securities (RMBS), primarily in Credit Risk Transfer Securities (CRTs)	—
	Security Selection in CMBS	—
	—	—

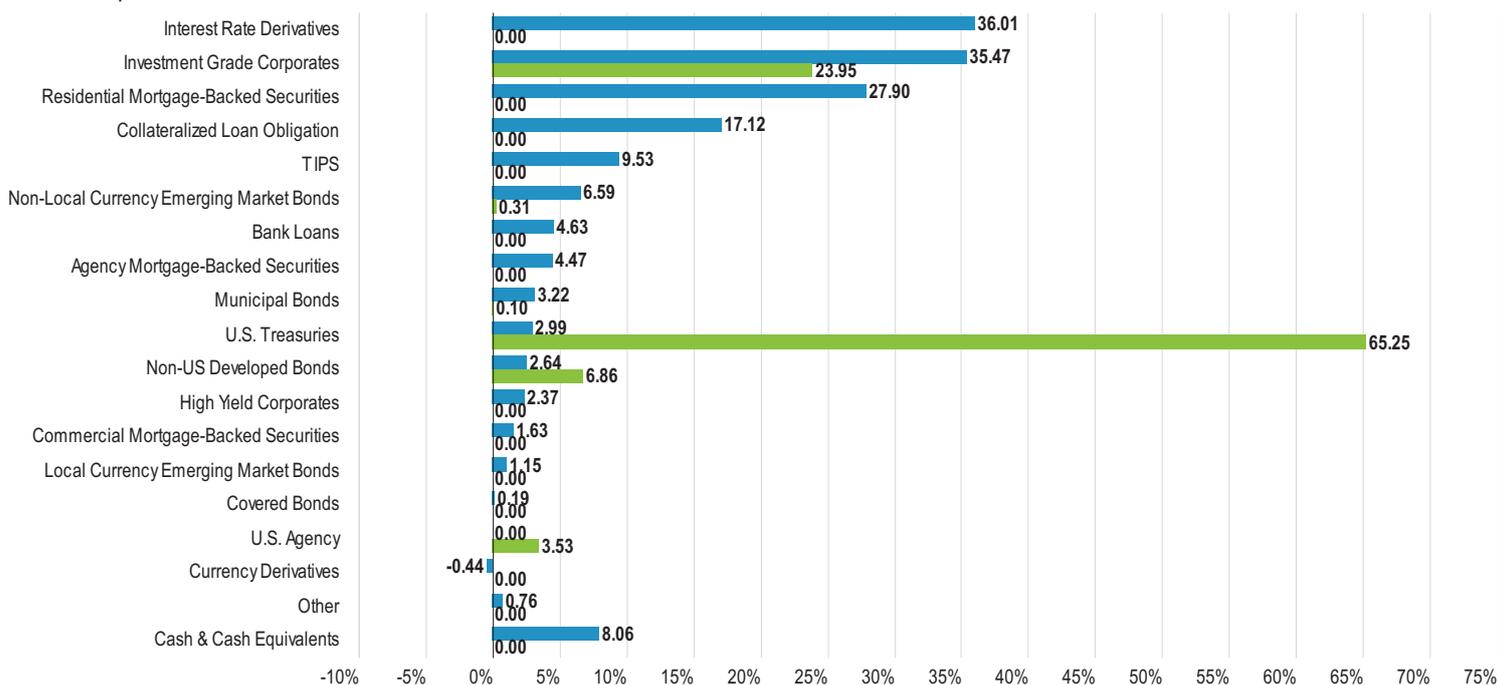
- As credit markets posted another month of strong performance, the portfolio's overweight allocation across credit sectors (inclusive of senior secured floating rate loans, IG and HY corporate bonds and CLOs) benefitted relative performance. Additionally, security selection in IG corporate bonds, CLOs and senior secured floating-rate bank loans was positive for returns. IG corporate bonds remains the fund's largest allocation and we added to the sector over the month. While we believe that the potential for additional spread tightening is limited, strong demand has supported the market, despite heavy new issue supply, as investors look to IG bonds as a relative safe source of yield. US Federal Reserve (Fed) buying has also bolstered the asset class and supported the view that their presence will limit downside volatility. Given the risk for spread widening, we reduced our HY corporate bond allocation and, while we continue to believe that senior CLO tranches remain conservatively positioned, we also pared exposure over the month.
- TIPS performance benefitted returns over the month and we reduced exposure over the period as inflation expectations have recovered significantly since their March lows. Our non-US and US duration positioning contributed to performance. We added to duration during the month and are slightly long the benchmark. The portfolio's duration moved from 2.13 years at the end of June to 2.37 years at July month-end, including both US and non-US duration. Our foreign-currency exposure had a largely neutral effect on performance. Performance gains mainly from our long Japanese yen position were offset by negative returns mainly from short Australian, Singapore and Canadian dollar positions. Over the month we reduced our long Japanese yen and decreased our short exposure in Singapore, Australian and Canadian dollar positions.
- Our overweight allocation to RMBS was the primary detractor from performance as sector spreads moved wider in July. A majority of the exposure is in CRTs, which generally underperformed in July. Within the CRT sector, we have exposure to the last cash flow tranches of 2013 and 2014 issued fixed severity transactions which also underperformed other CRTs due to the lack of language relating to natural disasters. Although we still expect non-agency RMBS to provide strong risk-adjusted returns, from a broader perspective the potential economic headwinds and generally supportive valuations balance each other out. We continue to hold our current positioning, overweight relative to the benchmark, but do not anticipate increasing our exposure.

Outlook & Strategy

- In such unprecedented times, attempts to plot the precise path of the US economy's recovery are of limited value, in our view, due to the high level of uncertainty. The resurgence of coronavirus infections in many parts of the US indicates that the economic impact of the pandemic may linger longer than initially expected.
- From mid-June, widespread optimism about a V-shaped recovery began to be dented by an upsurge in coronavirus infection rates. The areas affected included California, Florida and Texas, and together represented a sizable part of the country's economy. Certain states were forced to reimpose lockdowns, which threatened to pause or even reverse the improvement in data in recent months. It remained unclear whether the renewed threat would prompt another federal response, with disagreement in the US Congress about the scope of any extension of the emergency fiscal stimulus.
- When adding in the unknown impact of recent protests, geopolitical tensions and the upcoming US elections, predicting the economic outlook becomes even more challenging, particularly since the policy platform of Democratic presidential candidate Joe Biden is yet to be outlined. Over the next few months, as more details of the candidates' policy proposals emerge and polls become clearer, the domestic political backdrop should become more distinct, although if the successful candidate fails to win majority control of the US Congress, his room to maneuver would be limited.
- While the trajectory of the global economic recovery is uncertain, the continued support from the Fed (and some other central banks) appears assured. And though politicians will certainly have a lot to say about any further stimulus packages, we believe congress is sensitive to the need for additional stimulus. We are optimistic that over time the global economy will recover, albeit with significantly more debt on government balance sheets and a host of related problems to address.

Portfolio Characteristics^{4,5,6,7}

	Portfolio	Hybrid: Bloomberg Barclays US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg Barclays US Government & Credit (1-3 Y) Index
Yield to Maturity	2.75%	0.32%
Yield to Worst	2.72%	0.29%
Average Credit Quality ⁸	A-	AA
Average Duration	2.34 Yrs	1.83 Yrs
Average Weighted Maturity	3.27 Yrs	1.87 Yrs

Portfolio Diversification⁶Sector Exposure vs. Hybrid: Bloomberg Barclays US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg Barclays US Government & Credit (1-3 Y) Index^{9,10}
Notional Exposure—Percent of Total

● Franklin U.S. Low Duration Fund

● Hybrid: Bloomberg Barclays US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg Barclays US Government & Credit (1-3 Y) Index

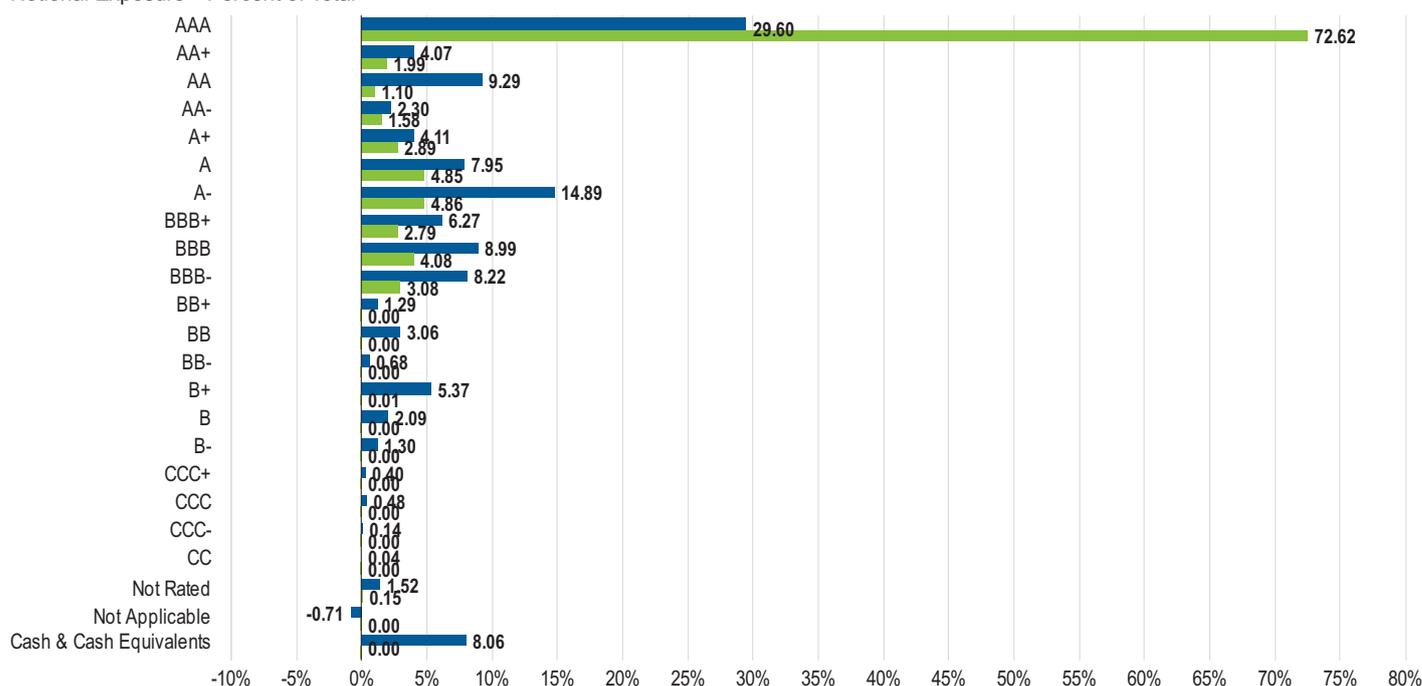
5. Average Credit Quality figures are intended to estimate the portfolio's exposure to issuer credit risk, including any hedged or increased exposure through credit derivatives held in the portfolio (or their underlying reference assets). Any credit derivatives are assigned the ratings of their underlying reference assets.

8. 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.

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Credit Quality Exposure vs. Hybrid: Bloomberg Barclays US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg Barclays US Government & Credit (1-3 Y) Index^{11,12}

Notional Exposure—Percent of Total



● Franklin U.S. Low Duration Fund

● Hybrid: Bloomberg Barclays US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg Barclays US Government & Credit (1-3 Y) Index

Supplemental Performance Statistics

Supplemental Risk Statistics¹³

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Franklin U.S. Low Duration Fund	5.57	4.37	3.23	2.59
Hybrid: Bloomberg Barclays US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg Barclays US Government & Credit (1-3 Y) Index	1.02	0.96	0.81	1.26
Tracking Error (%)	5.59	4.40	3.25	2.85
Information Ratio¹⁴	-0.31	-0.22	-0.09	-0.25
Sharpe Ratio				
Franklin U.S. Low Duration Fund	-0.09	0.01	0.18	0.12
Hybrid: Bloomberg Barclays US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg Barclays US Government & Credit (1-3 Y) Index	1.21	1.06	1.08	0.80

Investment Philosophy

Franklin Templeton Fixed Income believes that integrating top-down macroeconomic views, bottom up fundamental research, and quantitative science provides us with a competitive edge to navigate challenging investment environments, pursue consistent alpha, and better serve our clients.

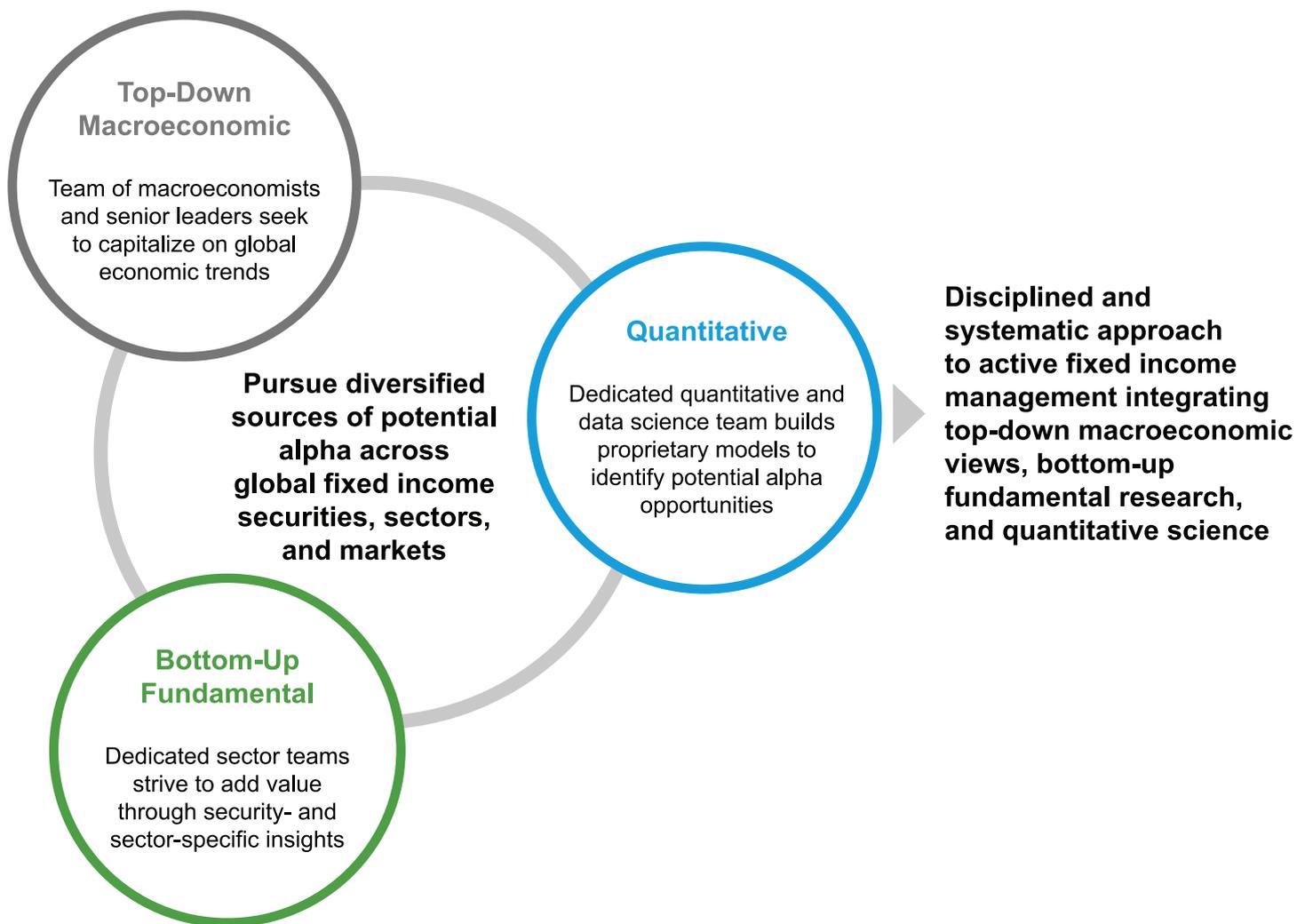
11. Notional exposure figures are intended to estimate the portfolio's exposure to issuer credit risk, including any hedged or increased exposure through credit derivatives held in the portfolio (or their underlying reference assets). Any credit derivatives are assigned the ratings of their underlying 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.

12. 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.

13. Information Ratio and Tracking Error information are displayed for the product versus the Hybrid: Bloomberg Barclays US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg Barclays US Government & Credit (1-3 Y) Index.

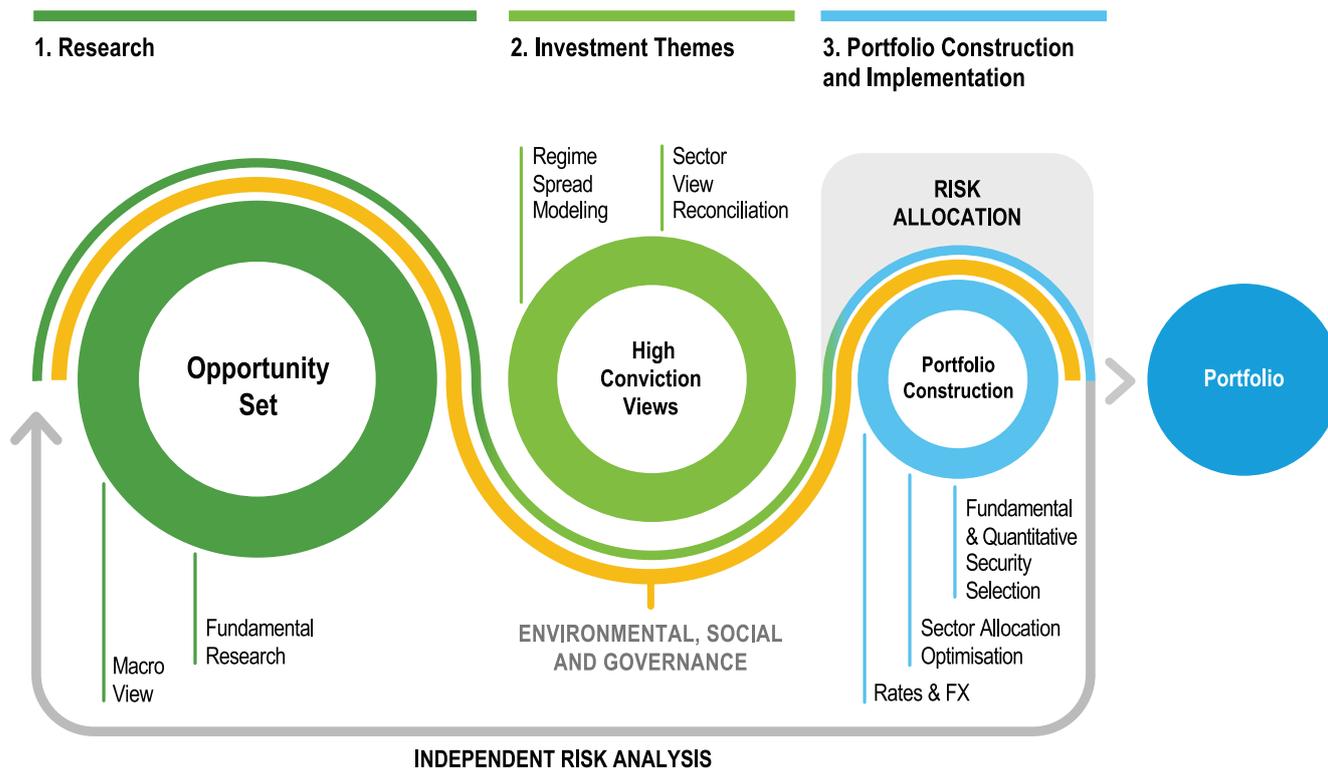
14. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) 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

Our investment process marries independently-derived macroeconomic and fundamental sector-specific research with quantitative insights.



Research

The Quarterly Research and Strategy Forum is the starting point for our investment process. Investment teams present and debate independently derived macro, fundamental, and quantitative research, establishing key investment themes.

Individual sector teams dedicated to global sovereigns, corporate credit, securitised debt, and municipal bonds are responsible for preparing and presenting independent research which culminates in a fundamentals-driven outlook and recommendation for their sectors.

Investment Themes

Our proprietary model provides unbiased forecast of spreads in each sector. Applying economic forecasts and machine learning, the model maps this forecast to an historic economic regime /environment considering how spreads in different sectors have behaved.

We perform a reconciliation between the macro views, quantitative input, fundamental views, and cross sector considerations to arrive at high conviction spread forecasts across all sectors.

Comparing expected spreads with prevailing market spreads identifies which sectors look expensive relative to our forecast 'fair value' and which sectors have more promising relative value and expected return.

The goal of this process is to provide the investment team with a high conviction view of expected spreads, to aid in the portfolio optimising process.

Portfolio Construction and Implementation

We use a sophisticated portfolio optimisation in our aim to maximise expected excess return for a given level of risk. Sector allocation, coupled with our top-down macro views, drive the final allocations for each strategy.

We conduct a 'neighbourhood analysis' to determine optimal allocation bands. This process seeks to ensure that risk is efficiently allocated to our highest conviction views in a way that is consistent, repeatable, and designed for accountability.

Each sector allocation is then populated with the highest conviction securities of each sector team. This process brings together factor-based quantitative security rankings and active fundamental credit recommendations into prioritised, potential buy and sell lists at the security level.

Material environmental, social, and governance (ESG) issues are an integral component of our bottom-up research and risk/return forecasts. Analysts have access to multiple ESG data sources to help build a qualitative view of each issuer and security.

Risk Management

Throughout the portfolio construction process, portfolio managers collaborate with our independent Investment Risk Management Group, using a mosaic of risk metrics, to monitor and evaluate the level and sources of risk in each portfolio, and to ensure the allocation of risk is commensurate with the forward-looking views of the investment team, level of conviction, and the portfolio's investment objectives and guidelines.

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Investment Team

Portfolio Manager	Years with Firm	Years Experience
Sonal Desai, Ph. D.	10	26
David Yuen, CFA	24	32
Tina Chou	15	17
Kent Burns, CFA	26	27

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 in relatively short-term debt securities mainly in the U.S., but may invest up to 25% in non-U.S. issuers. Such securities have historically been subject to price movements, generally due to interest rates or movements in the bond market. As a result, the performance of the Fund can fluctuate to a small degree over time. Other significant risks include: credit risk, foreign currency risk, mortgage and asset-backed securities risk, derivative instruments 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.

Important Legal Information

Franklin U.S. Low Duration Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

This document is for information only and does not constitute investment advice or a recommendation and was prepared without regard to the specific objectives, financial situation or needs of any particular person who may receive it. Any research and analysis contained in this presentation has been procured by Franklin Templeton Investments for its own purposes and may be acted upon in that connection and, as such, is provided to you incidentally. Any views expressed are the views of the fund manager and do not constitute investment advice. The underlying assumptions and these views are subject to change. Franklin Templeton Investments accepts no liability whatsoever for any direct or indirect consequential loss arising from the use of any information, opinion or estimate herein. **The value of investments and the income from them can go down as well as up and you may not get back the full amount that you invested.**

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).

6. All holdings are subject to change.

7. 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.**

9. Interest Rate Derivatives sector consists of Treasury, interest rate and other derivatives that are primarily used for duration management; a negative number indicates that we are seeking to hedge interest rate risk.

10. 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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