

Fund Manager Report

Product Details

Fund Assets	\$1,788,886,727.78
Fund Inception Date	15/09/2014
Number of Securities Excluding Cash	1740
Bloomberg	FKASAAU LX
ISIN	LU1093756168
Base Currency	USD
Investment Style	Multi Strategy
Benchmark	HFRX Global Hedge Fund Index
Morningstar Category™	Alt - Multistrategy
Value-at-Risk (VAR)	-3.75

Fund Description

The Fund's investment goal is to seek capital appreciation with lower volatility relative to the broad equity markets. The Fund seeks to achieve its investment goal by allocating its assets across multiple non-traditional or "alternative" strategies.

Performance Data

Performance Net of Management Fees as at 30/11/2020 (Dividends Reinvested) (%)¹

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Inception (15/09/2014)
A (acc) USD	3.90	3.81	4.08	4.54	2.61	2.91	2.95
Net of Sales Charge - A (acc) USD	-1.29	-1.38	-1.12	-0.69	0.87	1.86	2.11
ICE BofA US 3- Month Treasury Bill Index USD	0.01	0.03	0.66	0.80	1.64	1.20	0.97
HFRX Global Hedge Fund Index USD	2.82	2.42	4.26	5.53	2.09	2.52	1.25

Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Inception (15/09/2014)
A (acc) USD	3.90	3.81	4.08	4.54	8.03	15.42	19.81
Net of Sales Charge - A (acc) USD	-1.29	-1.38	-1.12	-0.69	2.63	9.65	13.82
ICE BofA US 3- Month Treasury Bill Index USD	0.01	0.03	0.66	0.80	5.00	6.16	6.18
HFRX Global Hedge Fund Index USD	2.82	2.42	4.26	5.53	6.41	13.24	8.02

Portfolio Manager Insight

Performance Review

ONE-MONTH KEY PERFORMANCE DRIVERS

	Strategy	Manager	Sectors/Currencies/Index Hedges (Fund Level)
HELPED	Long/Short Equity	Electron (Long/Short Equity)	Information Technology (Long)
	Relative Value	Wellington (Long/Short Equity)	Industrials (Long)
	Event Driven	Lazard (Relative Value)	Health Care (Long)
HURT	—	Chatham (Relative Value)	Equity Index Hedges
	—	—	Currency Exposure (Long)
	—	—	—

- Fourteen of the 15 underlying subadvisors delivered absolute gains in November.
- Both equity and credit positioning were significant contributors to absolute returns. Long equity positioning was a substantial driver of gains. In terms of sectors, information technology was the largest contributor, but gains were widespread, with strength in industrials and health care as well as consumer discretionary and financials, some of which lagged the previous month. Gains were partially offset by detraction from equity index hedges on the US and other developed markets, particularly the S&P 500® Index, which reached new record highs during the month. Corporate bonds, and particularly high-yield paper, which broadly led credit markets, also drove advances across the portfolio, with additional contribution from credit swaps.

Portfolio Characteristics

Portfolio Exposure³

Percent of Total

	%
Gross Exposure	156.69
Net Exposure	69.74
Long Exposure	113.22
Short Exposure	-43.48

Portfolio Diversification

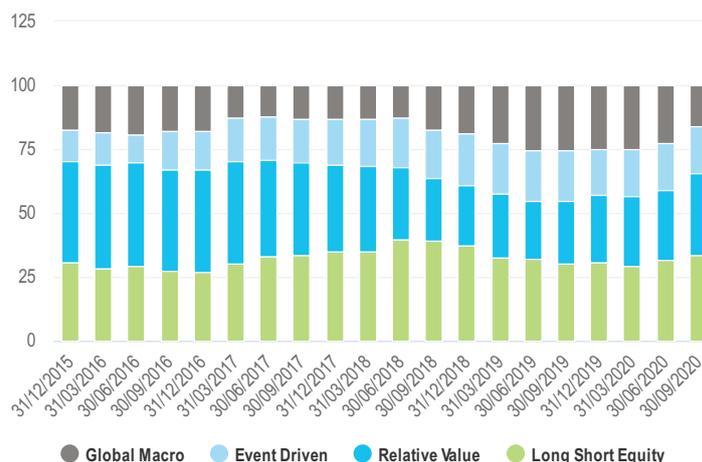
Strategy Allocation⁴

Percent of Invested Capital

	Target (%)	%
Global Macro	0 - 30	15.44
Event Driven	10 - 30	18.33
Long Short Equity	25 - 40	34.48
Relative Value	30 - 45	31.74

Historical Strategy Allocation⁵

Percent of Invested Capital



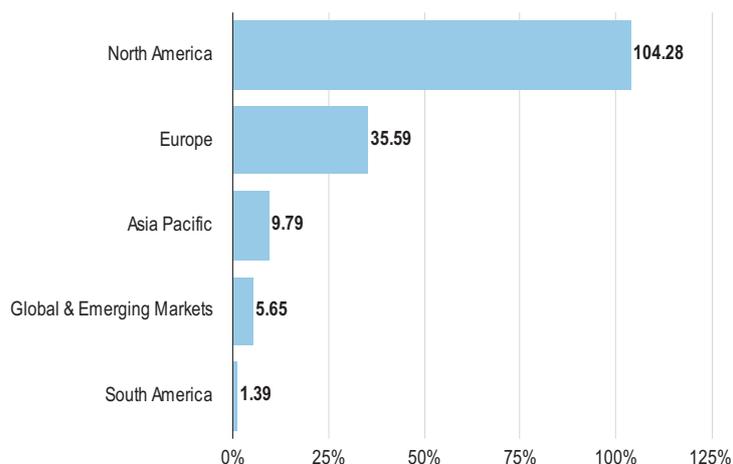
Performance Contribution by Strategy (% USD)⁶

Strategy Allocation as Ending Weight (% of Invested Capital)

	%	1 Mth	YTD
Global Macro	15.44	0.43	-0.61
Event Driven	18.33	0.50	0.78
Long Short Equity	34.48	2.32	4.74
Relative Value	31.74	0.89	1.96

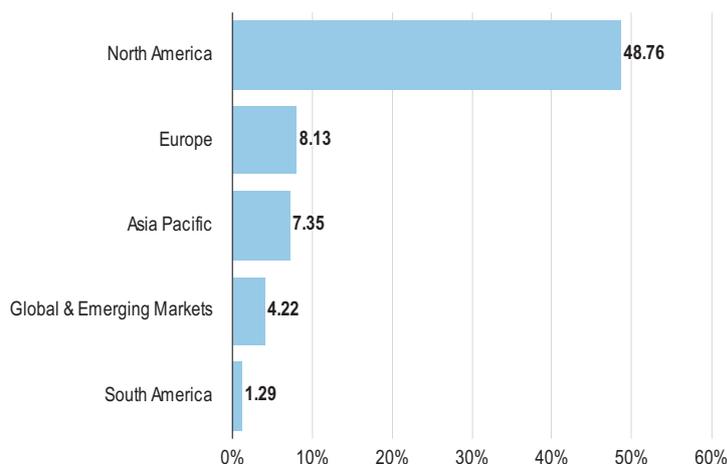
Geographic Exposure (Gross)³

Percent of Total



Geographic Exposure (Net)³

Percent of Total



Security Type Exposure (Gross)³

Percent of Total

	%
Single Security Derivatives	83.02
Direct Securities	58.38
Index/Multi-Security Derivatives	15.30

Security Type Exposure (Net)³

Percent of Total

	%
Single Security Derivatives	6.70
Direct Securities	58.38
Index/Multi-Security Derivatives	4.66

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Asset Class Exposure (Gross)³

Percent of Total

	%
Equity	90.27
Fixed Income	52.37
Currency	14.02
Commodities	0.04

Top Ten Long Exposures⁸

Equity as a Percent of Total

Top Holdings	%
VARIAN MEDICAL SYSTEMS INC	1.32
FIAT CHRYSLER AUTOMOBILES NV	1.00
TIFFANY & CO	0.91
MASTERCARD INC	0.76
SHERWIN-WILLIAMS CO/THE	0.72
BALL CORP	0.71
HOME DEPOT INC/THE	0.69
HAL TRUST	0.68
ALPHABET INC	0.67
MICROSOFT CORP	0.66

Asset Class Exposure (Net)³

Percent of Total

	%
Fixed Income	48.40
Equity	23.33
Currency ⁷	-2.02
Commodities	0.04

Top Ten Short Exposures⁸

Equity as a Percent of Total

Top Holdings	%
PEUGEOT SA	-0.87
AON PLC	-0.66
ANALOG DEVICES INC	-0.56
MSCI DAILY TR WORLD GROS	-0.46
JUST EAT TAKEAWAY.COM NV	-0.43
LIVE NATION ENTERTAINMENT INC	-0.26
ADVANCED MICRO DEVICES INC	-0.26
INNOVATIVE INDUSTRIAL PROPERTIES INC	-0.23
ETABLISSEMENTS FRANZ COLRUYT NV	-0.19
RH	-0.19

Supplemental Performance Statistics**Supplemental Risk Statistics⁹**

A (acc) USD

	3 Yrs	5 Yrs	Since Inception
Standard Deviation (%)	5.81	4.89	4.74
Tracking Error (%)	13.02	10.73	10.63
Information Ratio¹⁰	-0.58	-0.80	-0.62
Alpha	-1.66	-1.39	-0.52
Beta	0.30	0.30	0.29
Sharpe Ratio	0.19	0.37	0.45
R-Squared	0.85	0.83	0.78
Correlation	0.92	0.91	0.88
Upside Capture Ratio	25.71	26.77	28.30
Downside Capture Ratio	26.22	28.01	26.50
% of Positive Months	66.67	73.33	71.62
% of Negative Months	33.33	26.67	28.38
% Maximum Drawdown (Peak-to-Trough)	7.46	7.46	7.46
Drawdown Period	2019-06-30 00:00:00-2020-02-29 00:00:00	2019-06-30 00:00:00-2020-02-29 00:00:00	2019-06-30 00:00:00-2020-02-29 00:00:00

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Brooks Ritchey	14	37
Robert Christian	10	30
Anthony M Zanolla, CFA	6	26

7. The negative cash position reflects a temporary position that is a result of a delay in securities settlement transactions.

9. Alpha, Beta, Correlation, R-Squared, Upside and Downside Capture Ratios information are displayed for the product versus the MSCI World Index. The MSCI World Index is solely utilised as a reference benchmark to illustrate difference in behaviour between global equity markets and the fund. However, the MSCI World Index is not fully reflective of the risk profile of the fund, which is not limited to investing solely for long global equity market exposures.

10. 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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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 seeks to achieve its targeted investment objective by allocating its assets across multiple “alternative” strategies and by investing in a wide range of assets. Such assets and investment instruments have historically been subject to price movements due to such factors as general stock market volatility, sudden changes in interest rates, or fluctuations in commodity prices. The Fund will seek to limit volatility using hedged strategies. As a result, the performance of the Fund can fluctuate moderately over time. Other significant risks include: credit risk, foreign currency risk, derivative instruments risk, liquidity risk, multi-manager 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.

Glossary

Alpha: Alpha measures the difference between a fund’s actual returns and its expected returns given its risk level as measured by its beta. A positive alpha figure indicates the fund has performed better than its beta would predict. In contrast, a negative alpha indicates a fund has underperformed, given the expectations established by the fund’s beta. Some investors see alpha as a measurement of the value added or subtracted by a fund’s manager.

Beta: A measure of the magnitude of a portfolio’s past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

Correlation: The linear relationship between two return series. Correlation shows the strength of the relationship between two return series. The higher the relationship, the more similar the returns.

Gross Exposure: Gross exposure is the sum of the absolute value of all exposures, directly or through derivatives, as a percentage of total assets. The sum of the percentage of long positions and short (in absolute terms) positions.

Long Exposure: Sum of the long exposures, directly or through derivatives, as a percentage of total assets.

Net Exposure: Net exposure is the sum of the total value of all exposures, directly or through derivatives, as a percentage of total assets. The percentage value of the long positions less the percentage value of the short positions.

R-Squared: A measure of how much of a portfolio’s performance can be explained by the returns from the overall market (or a benchmark index). If a portfolio’s total return precisely matched that of the overall market or benchmark, its R-squared would be 100. If a portfolio’s return bore no relationship to the market’s returns, its R-squared would be 0.

Sharpe Ratio: To calculate a Sharpe ratio, an asset’s excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset’s standard deviation.

Short Exposure: Sum of the short exposures, directly or through derivatives, as a percentage of total assets.

Standard Deviation: A measure of the degree to which returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

Value at Risk (VaR): A measure of potential loss in value for a portfolio over a defined period of time at a given confidence level. This statistic reflects an estimated one-month VaR exposure calculated at the 95% confidence level, which implies there is a 5% chance the portfolio will lose that VaR amount or more over that time period, assuming that portfolio holdings remain the same. **It’s important to note that the actual risk an investment experiences may be higher or lower than the projected VaR estimate, as both portfolio positions and market volatility levels are subject to change.**

Important Legal Information

Franklin K2 Alternative Strategies Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

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

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1. 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.
2. Source: HedgeMark. Weightings as a percent of invested capital into fund managers (sub-advisors or co-managers). Percentage may not equal 100% due to rounding. Manager allocation includes managers that have been appointed as sub-advisors or managers of investment funds. K2 may determine in its sole discretion to not allocate to one or more of the managers and/or to add new managers. Accordingly, the allocation is presented for illustrative purposes only, and should not be viewed as predictive of the ongoing composition of the Fund's portfolio (and its managers), which may change at any time. All holdings are subject to change.
3. Source: HedgeMark. 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. All holdings are subject to change.
4. Source: HedgeMark. Actual Allocation is a percentage of invested capital into fund managers (sub-advisors or co-advisors) as of the end of the period. Percentage may not equal 100% due to rounding.

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to rounding. Target Allocations are as of the end of the period. The Fund may shift allocations among strategies at any time. K2 may determine in its sole discretion to not allocate to one or more of the strategies and/or to add new strategies. Accordingly, the Target Allocations are presented for illustrative purposes only, and should not be viewed as predictive of the ongoing composition of the Fund's portfolio (and its managers), which may change at any time. All holdings are subject to change.

5. Source: HedgeMark. Weightings as percent of invested capital into fund managers (sub-advisors or co-managers). Percentage may not equal 100% due to rounding. The Fund may shift allocations among strategies at any time. Further, K2 may determine in its sole discretion to not allocate to one or more of the strategies and/or to add new strategies. Accordingly the above target allocations are presented for illustrative purposes only, and should not be viewed as predictive of the ongoing composition of the fund's portfolio (and its managers), which may change at any time.

6. A decomposition of the fund's strategy-level performance that depicts each strategy's approximate contribution to the fund's absolute gross returns, based on each strategy's daily returns and weights for the periods shown. The gross returns do not reflect the impact of fees, expenses, or sales charges on performance. If that impact were taken into account, the performance shown would have been lower. Weightings as percent of invested capital into fund managers (sub-advisors or co-managers). Percentage may not equal 100% due to rounding. All holdings are subject to change.

8. The Top Ten Long and Short Exposures represent the ten largest long and short equity issuer exposures of Franklin K2 Alternative Strategies Fund as of the date indicated. Issuer exposures include actual security holdings and single security exposures obtained through the use of derivatives. Direct security holdings and derivatives exposures are combined for calculation purposes. These direct holdings and derivatives do not represent all of the securities purchased, sold or recommended for advisory clients, and the reader should not assume that investment in securities of the issuers listed was or will be profitable. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included in the top holdings list. The information provided is not a recommendation to purchase, sell, or hold any particular security. 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. All holdings are subject to change.



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