

Fund Manager Report
Product Details

Fund Assets	\$2,246,076,870.71
Fund Inception Date	15/09/2014
Number of Securities Excluding Cash	1757
Bloomberg	FKASAAU LX
ISIN	LU1093756168
Base Currency	USD
Investment Style	Multi Strategy
Benchmark	ICE BofAML US 3- Month Treasury Bill Index HFRX Global Hedge Fund Index
Morningstar Category™	Alt - Multistrategy
Value-at-Risk (VAR)	-2.03

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 30/04/2019 (Dividends Reinvested) (%)¹

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	Since Inception (15/09/2014)
A (acc) USD	0.97	2.71	5.17	2.52	3.68	2.86
Net of Sales Charge - A (acc) USD	-4.07	-2.43	-0.09	-2.61	1.92	1.72
ICE BofAML US 3- Month Treasury Bill Index USD	0.19	0.59	0.79	2.18	1.25	0.84
HFRX Global Hedge Fund Index USD	0.66	1.13	3.28	-2.77	2.04	-0.32

Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	Since Inception (15/09/2014)
A (acc) USD	0.97	2.71	5.17	2.52	11.45	13.90
Net of Sales Charge - A (acc) USD	-4.07	-2.43	-0.09	-2.61	5.88	8.21
ICE BofAML US 3- Month Treasury Bill Index USD	0.19	0.59	0.79	2.18	3.79	3.95
HFRX Global Hedge Fund Index USD	0.66	1.13	3.28	-2.77	6.23	-1.49

Portfolio Manager Insight
Performance Review
ONE-MONTH KEY PERFORMANCE DRIVERS

	Strategy	Manager	Sectors/Currencies/Index Hedges (Fund Level)
HELPED	Long Short Equity	Chilton (Long Short Equity)	Information Technology (long)
	Global Macro	Wellington (Long Short Equity)	Industrials (long)
	Event Driven	Impala (Long Short Equity)	Consumer Discretionary (long)
HURT	—	Conditional Risk Overlay	Equity Index Hedges
	—	Jennison (Long Short Equity)	Health Care (long)
	—	Emso (Global Macro)	Sovereign Emerging-Market Bonds (long)

- The fund outperformed the HFRX Global Index for the month. Twelve of the 14 managers posted positive results in April, though performance across managers was relatively dispersed for the month. In contrast, a conditional risk overlay was a detractor.
- In the long short equity strategy, all sectors with the exception of health care contributed to performance. One of the top contributors was a long position in a global software company, as the firm exceeded revenue and earnings expectations. Health-care focused Jennison was the only long short equity subadvisor that weighed on results. A key detractor for Jennison was a biopharmaceutical company, which announced the departure of its Chief Medical Officer.
- The global macro strategy benefitted from exposures to equities and currencies, while fixed income was a slight detractor from returns. Long European equity exposure and short Australian dollar positioning versus the US dollar supported performance. In contrast, long exposure to Argentine interest rates and bonds hindered results.

- Both underlying event driven subadvisors posted positive performance. Long exposure to an energy exploration company was additive to returns, as the company received multiple takeover offers. Conversely, one detractor was a European telecommunication services company, which traded lower as competitive forces negatively impacted the company's main businesses.
- Long exposure to North American corporate high-yield and convertible bonds supported returns in the relative value strategy, as three of the four subadvisors delivered gains. On a security basis, a long position in an integrated payment solutions and marketing services company was a contributor after a magazine article suggested the company was working on potential refinancing. In contrast, equity index hedges held by two subadvisors weakened performance.

Outlook & Strategy

- We anticipate equity market volatility will continue to increase during the second quarter of 2019, and that equity markets may pullback as a result of muted company earnings and revenue growth guidance headlines and what we viewed as markets priced for perfection.
- We see pockets of value in emerging markets, given idiosyncratic political headwinds and tailwinds.
- Looking further ahead, we note that earnings growth in Europe is widely expected to pick-up towards year-end, with meaningful increases expected for the fourth quarter 2019 and first quarter of 2020.

Manager Allocations²

	% of Invested Capital
Long Short Equity	
Wellington Management Company, LLP	5.90
Impala Asset Management, LLC	5.91
Portland Hill Asset Management Limited	5.99
Jennison Associates, LLC	6.39
Chilton Investment Company, LLC	6.87

	% of Invested Capital
Event Driven	
P. Schoenfeld Asset Management L.P.	10.03
Bardin Hill Investment Partners L.P.	10.23

	% of Invested Capital
Relative Value	
Lazard Asset Management, LLC	6.86
Loomis Sayles & Company, L.P.	7.14
Chatham Asset Management, LLC	9.33

	% of Invested Capital
Global Macro	
Graham Capital Management, L.P.	4.24
Grantham, Mayo, Van Otterloo & Co. LLC	6.65
H2O Asset Management	7.01
Emso Asset Management Limited	7.46

Portfolio Characteristics

Portfolio Exposure³

Percent of Total	%
Short Exposure	-66.58
Net Exposure	38.25
Gross Exposure	171.40
Long Exposure	104.82

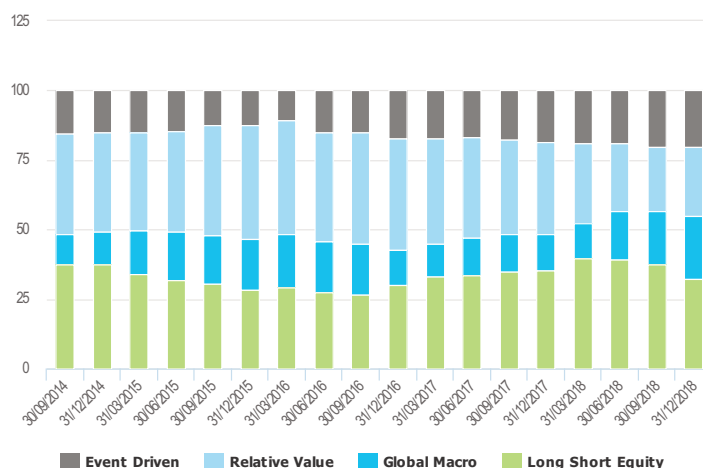
Portfolio Diversification

Strategy Allocation⁴

Percent of Invested Capital	Target (%)	%
Long Short Equity	25 - 40	31.06
Global Macro	0 - 30	25.36
Relative Value	30 - 45	23.32
Event Driven	10 - 30	20.26

Historical Strategy Allocation⁵

Percent of Invested Capital



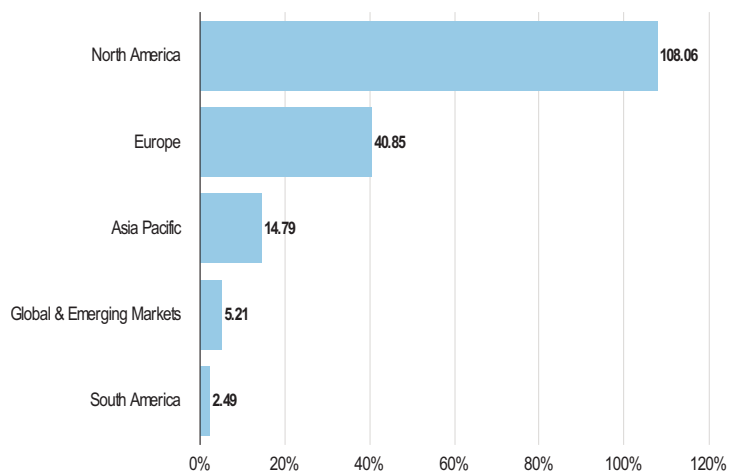
Performance Contribution by Strategy (% USD)⁶

Strategy Allocation as Ending Weight (% of Invested Capital)

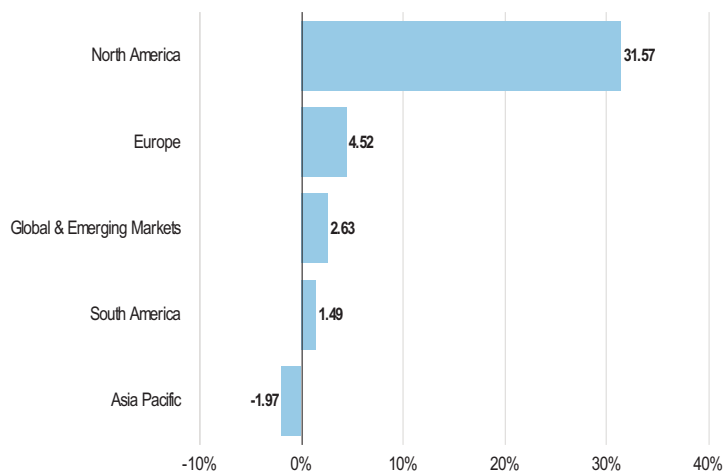
	%	1 Mth	YTD
Long Short Equity	31.06	0.86	4.26
Global Macro	25.36	0.32	0.80
Relative Value	23.32	0.19	1.15
Event Driven	20.26	0.23	0.69

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	88.20
Direct Securities	54.06
Index/Multi-Security Derivatives	29.14

Security Type Exposure (Net)³

Percent of Total

	%
Direct Securities	53.99
Index/Multi-Security Derivatives ⁷	-4.13
Single Security Derivatives ⁸	-11.61

Asset Class Exposure (Gross)³

Percent of Total

	%
Equity	98.42
Fixed Income	51.50
Currency	21.40
Commodities	0.08

Asset Class Exposure (Net)³

Percent of Total

	%
Fixed Income	31.11
Equity	22.14
Currency ⁹	-14.92
Commodities ¹⁰	-0.08

Top Ten Long Exposures¹¹

Equity as a Percent of Total

Top Holdings	%
TRIBUNE CO	1.34
RWE AG	1.16
L3 TECHNOLOGIES INC	1.02
CELGENE CORP	0.98
VERSUM MATERIALS INC	0.94
ULTIMATE SOFTWARE GROUP INC/THE	0.91
ANADARKO PETROLEUM CORP	0.87
RED HAT INC	0.87
ALTABA INC/FUND FAMILY	0.83
CSX CORP	0.79

Top Ten Short Exposures¹¹

Equity as a Percent of Total

Top Holdings	%
HARRIS CORP	-0.91
NASDAQ BIOTECH TR RETURN	-0.74
FISERV INC	-0.69
FIDELITY NATIONAL INFORMATION SERVICES INC	-0.67
BHP GROUP LTD	-0.47
BB&T CORP	-0.41
ALIBABA GROUP HOLDING LTD	-0.40
DJ US TECHNLOGYTR	-0.30
INVITATION HOMES INC	-0.26
S&P 500 HIGH BETA TOTAL RETURN	-0.25

7,8,9,10. The negative cash position reflects a temporary position that is a result of a delay in securities settlement transactions.

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Supplemental Performance Statistics

Supplemental Risk Statistics¹²

A (acc) USD

	3 Yrs	Since Inception
Standard Deviation (%)	3.24	3.73
Tracking Error (%)	7.08	8.27
Information Ratio ¹³	-1.18	-0.64
Alpha	-0.82	-0.04
Beta	0.30	0.28
Sharpe Ratio	0.75	0.57
R-Squared	0.88	0.73
Correlation	0.94	0.86
Upside Capture Ratio	29.85	31.32
Downside Capture Ratio	28.00	28.07
% of Positive Months	80.56	74.55
% of Negative Months	19.44	25.45
% Maximum Drawdown (Peak-to-Through)	4.58	6.03
Drawdown Period	2018-08-31 00:00:00-2018-11-30 00:00:00	2015-04-30 00:00:00-2015-12-31 00:00:00

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Brooks Ritchey	13	35
Robert Christian	8	29
Anthony M Zanolla, CFA	4	25

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, derivatives risk, liquidity risk, operational risk, targeted return 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.

12. 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.

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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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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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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. Information is historical and may not reflect current or future portfolio characteristics. 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. Information is historical and may not reflect current or future portfolio characteristics. 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. Information is historical and may not reflect current or future portfolio characteristics. 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). Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

11. 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 10 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. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

13. 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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