



# FRANKLIN TEMPLETON INVESTMENTS

## Franklin Global Fundamental Strategies Fund—A (acc) USD

Franklin Templeton Investment Funds

Total Return  
Multi-Asset  
31 January 2019

### Fund Manager Report

#### Product Details<sup>1</sup>

Fund Assets	\$1,859,998,996.60
Fund Inception Date	25/10/2007
Bloomberg	FGFSACU LX
ISIN	LU0316494557
Base Currency	USD
Investment Style	Total Return
Morningstar Category™	USD Moderate Allocation

#### Asset Allocation<sup>2</sup>

Market Value—Percent of Total

	%
Equity	63.97
Fixed Income	21.05
Cash & Cash Equivalents	14.98

#### Overall Morningstar Rating™<sup>3</sup>



#### Fund Description

The fund's investment objective is to seek capital appreciation through a diversified, value-oriented approach, with a secondary objective of seeking income. The fund generally invests in equity securities of companies of any market capitalisation located anywhere in the world, including emerging markets, as well as fixed and floating rate debt securities and debt obligations issued by government, government-related and/or corporate entities worldwide. The fund makes an allocation of its assets between three different investment strategies followed independently by the Templeton Global Equity, Templeton Global Macro and Franklin Mutual Series management groups, with the aim to maintain an equal exposure to two global equity strategies and one global fixed income strategy, subject to appropriate monitoring and rebalancing.

#### Performance Data

##### Performance Net of Management Fees as at 31/01/2019 (Dividends Reinvested) (%)<sup>4</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (25/10/2007)
A (acc) USD	5.76	0.15	5.76	-7.70	5.64	1.28	6.19	2.89
Net of Sales Charge - A (acc) USD	0.47	-4.86	0.47	-12.32	3.85	0.25	5.64	2.42

##### Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (25/10/2007)
A (acc) USD	5.76	0.15	5.76	-7.70	17.88	6.58	82.29	37.81
Net of Sales Charge - A (acc) USD	0.47	-4.86	0.47	-12.32	11.99	1.25	73.17	30.92

#### Portfolio Manager Insight

##### Performance Review

##### ONE-MONTH KEY PERFORMANCE DRIVERS

<b>HELPED</b>	<p>Citigroup reported earnings that topped the consensus estimate, and the stock's gain in January benefitted Franklin Global Mutual Discovery Fund. Lower-than-expected revenues for Citigroup, largely as a result of trading volumes, were offset by management's ability to control costs, plus a solid performance by its corporate bank. Additionally, management signalled that trading volumes were off to a better start in January.</p> <p>Shares of US biotechnology company Celgene, a holding of Templeton Growth Fund, surged following the announcement of a US\$74 billion acquisition by a US pharmaceuticals giant. Shares of Israeli generic drug-maker Teva Pharmaceutical Industries also rallied on solid expectations for new drug launches in 2019 and resilient sales of a key multiple sclerosis drug.</p> <p>In Templeton Global Bond Fund, currency positions in Latin America (the Brazilian real, Mexican peso, Argentine peso and Colombian peso) benefitted absolute fund performance. Select duration exposures in Latin America (Brazil) also contributed to absolute fund performance.</p>
<b>HURT</b>	<p>Templeton Global Bond Fund's negative duration exposure to US Treasuries detracted from results. Net-negative positions in the Australian dollar and the Japanese yen also weighed on performance.</p> <p>UK mobile operator Vodafone declined amidst concerns about higher leverage and lacklustre revenue growth, weighing on Templeton Growth Fund. While the company has faced near-term pressure from increasing competition, rising spectrum payments and currency headwinds, the fund managers have continued to see favourable risk/reward prospects from recent valuations.</p> <p>In Franklin Global Mutual Discovery Fund, PG&amp;E's stock tumbled as potential liabilities resulting from the major California wildfires pushed it towards filing for bankruptcy protection, with the actual filing occurring in late January. The managers significantly reduced the fund's equity position in PG&amp;E in the latter stages of 2018, and completely exited in January.</p>

1. All holdings are subject to change. Holdings of the same issuers have been combined.

**Outlook & Strategy**

- Franklin Global Mutual Discovery Fund managers note that the equity market decline in late 2018 drove market valuations to more attractive levels, in their estimation. The managers have sought to take advantage of market turbulence by seeking out stocks with strong corporate fundamentals and valuations whose risk/reward profiles turned more favourable recently. From their perspective, more of these opportunities have arisen within economically sensitive industries.
- Central bankers, in particular the US Federal Reserve, face a difficult dilemma. On the one hand, they desire “normalisation” to discourage malinvestment, asset bubble formation and high inflation. On the other hand, they need to maintain stability by promoting economic growth and ensuring adequate liquidity. Binary though these choices may seem, in reality policymakers may simply rotate between accommodative and restrictive postures as risks and opportunities evolve. To prepare for the possibilities inherent in this unusual environment, Templeton Growth Fund’s managers have continued to implement processes designed to better understand the macro sensitivities of both individual securities and our overall portfolio.
- Outside of the developed markets, Templeton Global Bond Fund managers’ are focused on specific emerging markets that they see as less externally vulnerable and more domestically driven, and that have responsible, credible central banks that consistently respond with appropriate monetary policies. They also expect currency appreciation across a select subset of emerging markets.

**Portfolio Characteristics<sup>5,6</sup>**

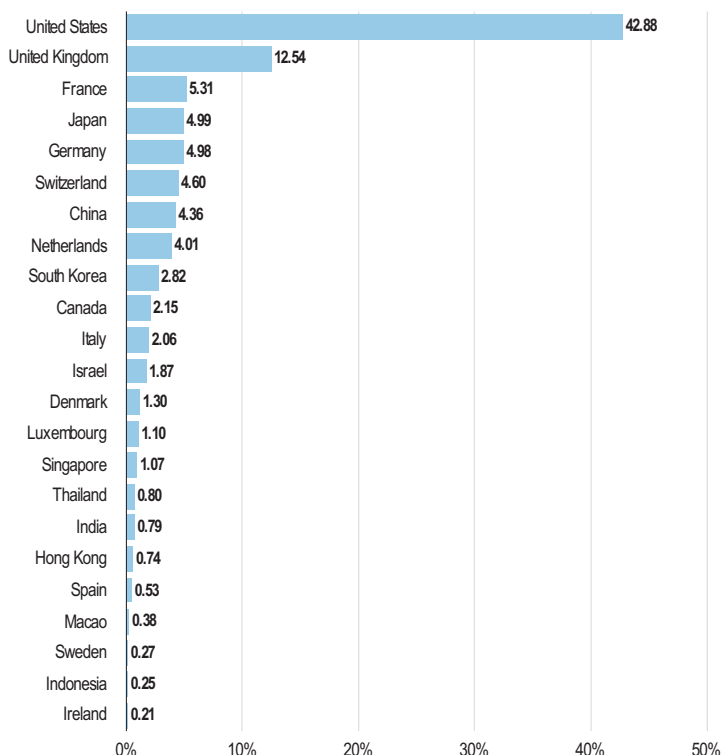
	<b>Portfolio</b>
Price to Earnings (12-Month Trailing)	12.03x
Price to Book	1.36x
Price to Cash Flow	5.87x
Market Capitalisation (Millions in USD)	81,035
Dividend Yield	3.30%
	<b>Portfolio</b>
Yield to Maturity	11.02%
Yield to Worst	11.02%
Average Duration	-1.74 Yrs
Average Credit Quality <sup>7</sup>	BBB
Average Weighted Maturity	3.19 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, is provided to indicate the average credit rating of the portfolio’s underlying bonds and generally ranges from AAA (highest) to D (lowest). For unrated bonds ratings may be assigned based on the ratings of the issuer 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 debt holdings 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 is provided for informational purposes only. Derivative positions are not reflected in the ACQ.

Portfolio Diversification

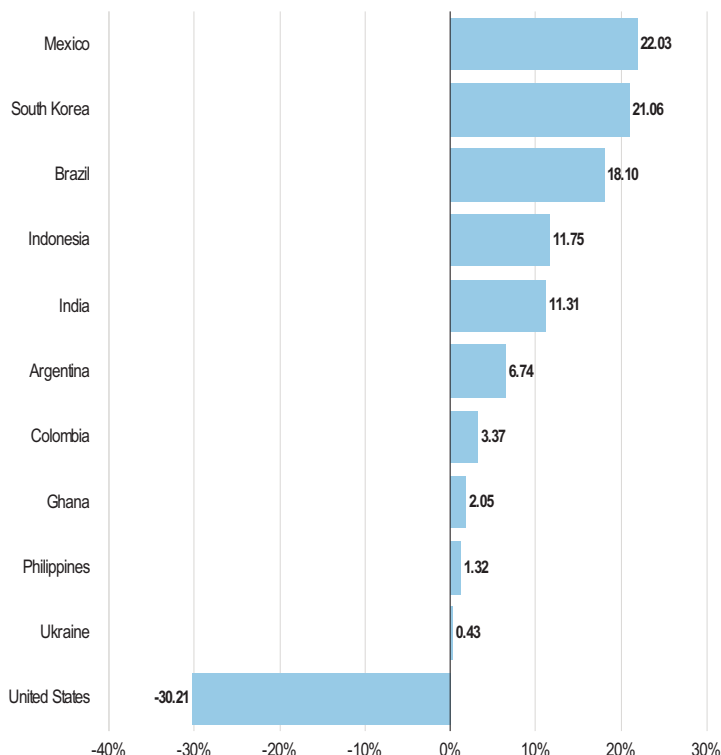
Geographic Allocation<sup>8</sup>

Market Value—Percent of Equity



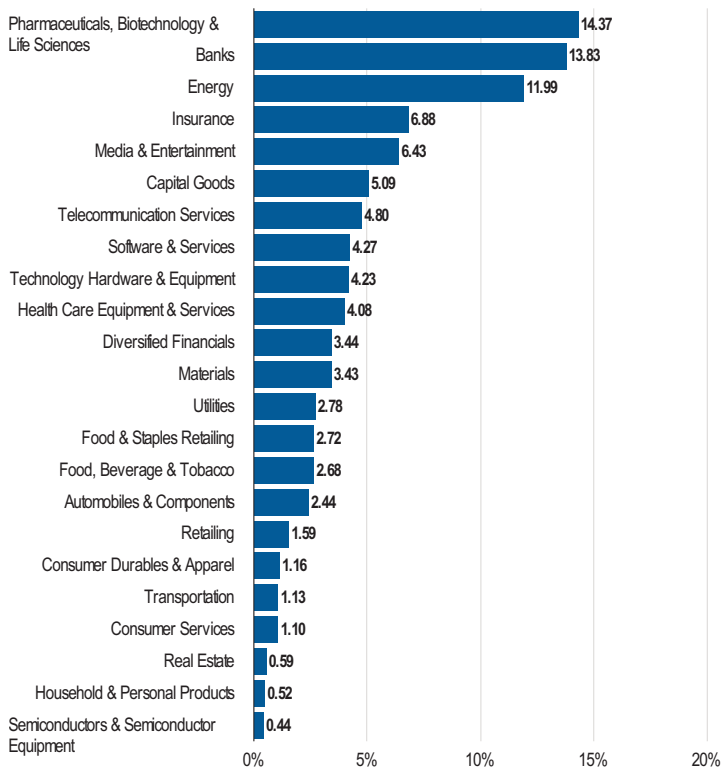
Geographic Allocation<sup>2</sup>

Market Value—Percent of Fixed Income



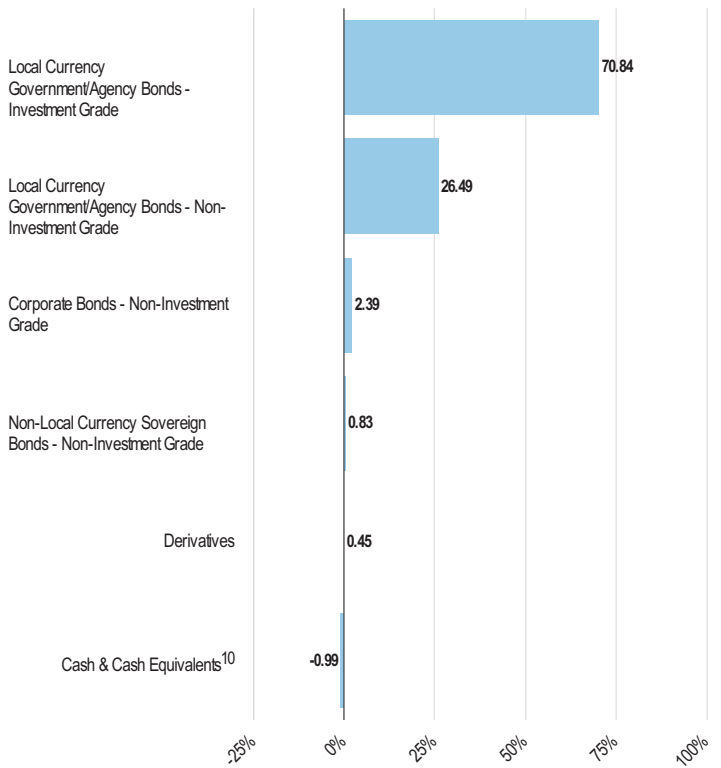
Sector Allocation<sup>8</sup>

Market Value—Percent of Equity



Sector Allocation<sup>2</sup>

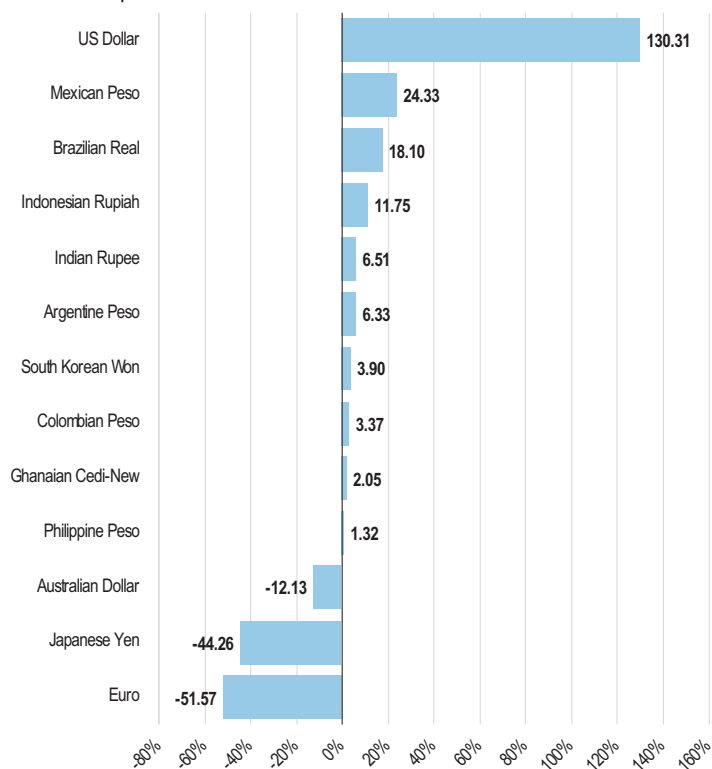
Market Value—Percent of Fixed Income



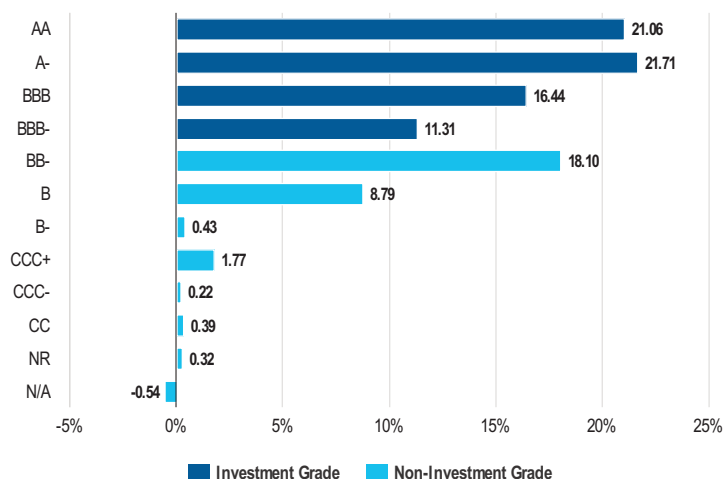
9,10. The negative cash position reflects a temporary position that is a result of a delay in securities settlement transactions.

**Currency Exposure<sup>11</sup>**

Notional Exposure—Percent of Fixed Income

**Credit Quality Ratings<sup>2,12</sup>**

Market Value—Percent of Fixed Income

**Top Ten Holdings<sup>13</sup>**

Percent of Total

Top Holdings	Sector	Country	%
Citigroup Inc.	Banks	United States	1.42
Government of Mexico, senior note, M, 5.00%, 12/11/19	Fixed Income	Mexico	1.36
Letra Tesouro Nacional, Strip, 7/01/19	Fixed Income	Brazil	1.24
Nota Do Tesouro Nacional, 10.00%, 1/01/27	Fixed Income	Brazil	1.22
Samsung Electronics Co. Ltd.	Technology Hardware & Equipment	South Korea	1.21
Korea Treasury Bond, senior note, 1.375%, 9/10/21	Fixed Income	South Korea	1.12
BP PLC	Energy	United Kingdom	1.09
Eli Lilly & Co.	Pharmaceuticals, Biotechnology & Life Sciences	United States	1.07
Government of Indonesia, senior bond, FR70, 8.375%, 3/15/24	Fixed Income	Indonesia	1.03
Medtronic PLC	Health Care Equipment & Services	United States	1.01

**Investment Team**

Portfolio Manager	Years with Firm	Years Experience
T. Anthony Coffey, CFA, Senior Vice President - Portfolio Manager	29	29
Marzena Hofrichter, CFA, Portfolio Manager	8	12

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 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 and equivalents are excluded from this breakdown.

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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 invests mainly in equity and debt securities of companies around the world, including emerging markets. Such securities have historically been subject to significant price movements that may occur suddenly due to market or company-specific factors. As a result, the performance of the Fund can fluctuate considerably over time. Other significant risks include: credit risk, derivatives risk, emerging markets risk, liquidity risk, currency risk, Shanghai-Hong Kong Stock Connect 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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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.

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4. 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.

5. The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalisation figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. Source: Factset. Price ratio calculations for weighted average use harmonic means. Any exceptions to this are noted. Average Credit Quality, Average Duration, Average Weighted Maturity, Yield to Maturity and Yield to Worst data points pertain to the fixed income component of the fund. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

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

8. 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. 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.

13. Holdings of the same issuers have been combined. Top ten holdings information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. The information provided is not a recommendation to purchase, sell, or hold any particular security. The securities identified do not represent the fund's entire holdings and in the aggregate may



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represent only a small percentage of such holdings. There is no assurance that securities purchased will remain in the fund, or that securities sold will not be repurchased. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.



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