

Product Details¹

Fund Assets	\$778,756,501.40
Fund Inception Date	12/07/2007
Number of Securities Including Cash	605
Bloomberg	FTSIADU LX
ISIN	LU0300737201
Base Currency	USD
Investment Style	Multi-Sector
Benchmark	Bloomberg Barclays US Aggregate Index
Morningstar Category™	USD Flexible Bond

Asset Allocation²

Market Value—Percent of Total	%
Cash & Cash Equivalents ³	-2.77
Fixed Income	102.62
Equity	0.14

Fund Description

The fund aims to earn a high level of current income and seeks capital appreciation over the long term by investing principally in fixed and floating-rate debt securities globally, including those in emerging markets.

Performance Data
Performance Net of Management Fees as at 30/11/2020 (Dividends Reinvested) (%)⁴

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (12/07/2007)
A (Mdis) USD	3.12	2.43	2.48	3.49	2.93	3.35	3.11	3.91
Net of Sales Charge - A (Mdis) USD	-2.04	-2.69	-2.64	-1.69	1.18	2.30	2.58	3.51
Bloomberg Barclays US Aggregate Index USD	0.98	0.48	7.36	7.28	5.45	4.34	3.71	4.64

Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (12/07/2007)
A (Mdis) USD	3.12	2.43	2.48	3.49	9.04	17.93	35.82	67.07
Net of Sales Charge - A (Mdis) USD	-2.04	-2.69	-2.64	-1.69	3.59	12.03	29.03	58.72
Bloomberg Barclays US Aggregate Index USD	0.98	0.48	7.36	7.28	17.27	23.66	43.97	83.60

Portfolio Manager Insight
Performance Review
ONE-MONTH KEY PERFORMANCE DRIVERS

	Sector Exposure	Duration/Yield Curve
HELPED	Corporate Credits: High-Yield (HY) and Investment-Grade (IG) Corporate Bonds, Senior Secured Floating-Rate Bank Loans and Collateralised Loan Obligations (CLOs)	US Duration Positioning
	Sovereign Emerging Market (EM) and Developed Market Debt; Non-US Dollar Denominated Developed Market and EM Debt; Foreign Currency Exposure	Non-US Duration Positioning
	Non-Agency Residential Mortgage-Backed Securities (RMBS); Agency Mortgage-Backed Securities (MBS); US Treasury Inflation-Protected Security (TIPS); Taxable and Tax-Exempt Municipal Bonds	—
HURT	—	—
	—	—
	—	—

- As risk-on sentiment dominated post the US presidential election, the fund's corporate credit exposure (inclusive of HY and IG corporate bonds, senior secured floating-rate bank loans and CLOs) was a major contributor to absolute performance. The fund's largest allocation is in HY and IG corporate bonds, although we decreased our allocation to IG corporate bonds over the month. Whilst we remain generally positive on the IG corporate bond sector, the opportunity

1. All holdings are subject to change.

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

set has become less compelling given tighter valuations and the possibility of another damaging wave of the virus in the coming months. We increased our allocation to HY corporate bonds; we believe the HY sector remains an attractive alternative for market participants against the backdrop of a low interest rate environment and pervasive negative-yielding assets.

- Our overweight allocation to RMBS benefitted performance as the sector continued to recover and posted strong returns. A majority of RMBS exposure in the portfolio is in credit risk transfer securities (CRTs). We expect continued fundamental strength of the US housing sector, bolstered, by favourable supply/demand forces and historically low interest rates that should remain supportive for the sector.
- TIPS performance contributed to returns during the month. Our foreign currency exposure also benefitted results. Negative returns mainly from our short Australian dollar, Canadian dollar and Singapore dollar positions were offset by performance gains mainly from our long Colombian peso, South African rand, Mexican peso, Indonesian rupiah, Turkish lira and Japanese yen positions.

Outlook & Strategy

- As president-elect Joe Biden inches closer to January's inauguration and discussions are taking place over the formal approval of Pfizer's COVID-19 vaccine and subsequent distribution, it appears a vaccine might reach the market sooner rather than later and under conditions that would facilitate a broader and faster take-up in the population.
- We believe this scenario would encourage a majority of people to return to normal economic behavior. At the same time, these developments would likely have a positive impact on stock prices and further lift people's willingness to engage in consumption activities, in our view.
- Pending the outcome of Georgia's senate runoff election, it appears, at this stage, the country will head into 2021 with a divided congress, which could imply a smaller scale of fiscal stimulus than many expected in the case of a blue sweep for Democrats. On the other hand, the early deployment of a vaccine could mean that even a smaller fiscal stimulus would suffice to give an important boost to the economy. The US Federal Reserve, in the meanwhile, has clearly indicated it will maintain a very accommodative stance for quite a while longer. All this would skew the odds in favour of a faster pick-up in inflation, in our view.
- Over the past few months, long-term yields have already moved sharply up on the latest news about the vaccine, confirming that risks remain tilted towards higher rates. We expect this trend to be confirmed in the coming months.

Portfolio Characteristics^{5,6,7}

	Portfolio	Bloomberg Barclays US Aggregate Index
Yield to Maturity	3.81%	1.16%
Yield to Worst	3.60%	1.14%
Average Credit Quality ^{8,9}	BBB-	AA
Average Duration	4.49 Yrs	6.14 Yrs
Average Weighted Maturity	5.68 Yrs	8.08 Yrs

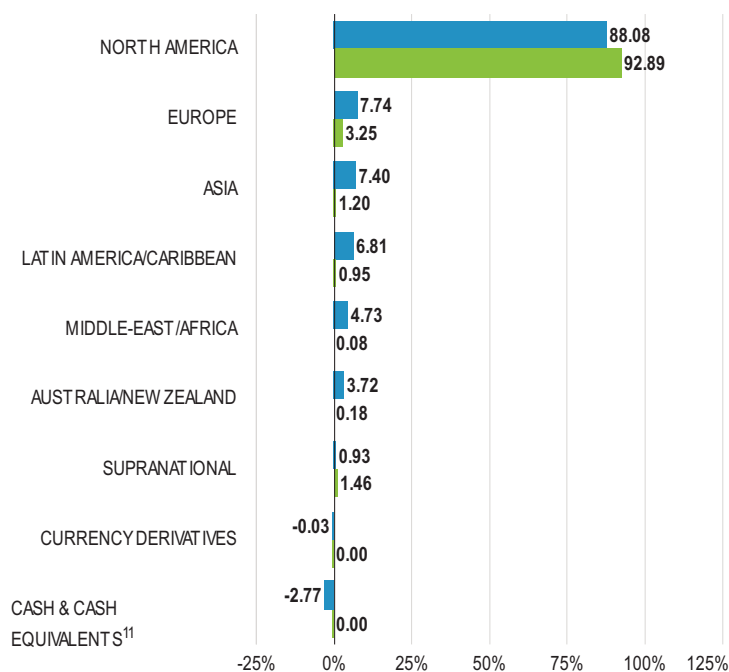
8. The average credit quality (ACQ) rating may change over time. The portfolio itself has not been rated by an independent rating agency. The letter rating, which may be based on bond ratings from different agencies (or internal ratings for unrated bonds, cash and equivalents), is provided to indicate 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.

9. 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.

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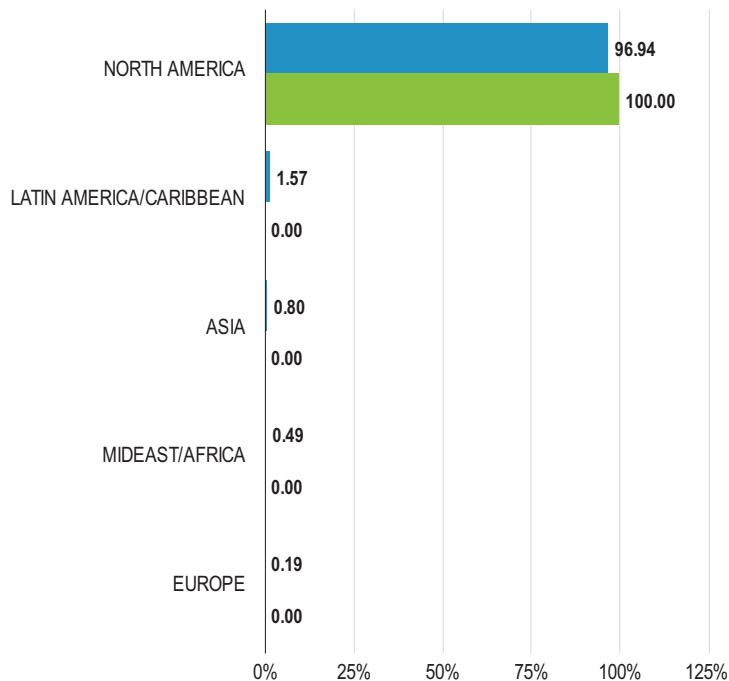
Portfolio Diversification⁵

Geographic Exposure vs. Bloomberg Barclays US Aggregate Index¹⁰
Notional Exposure—Percent of Total



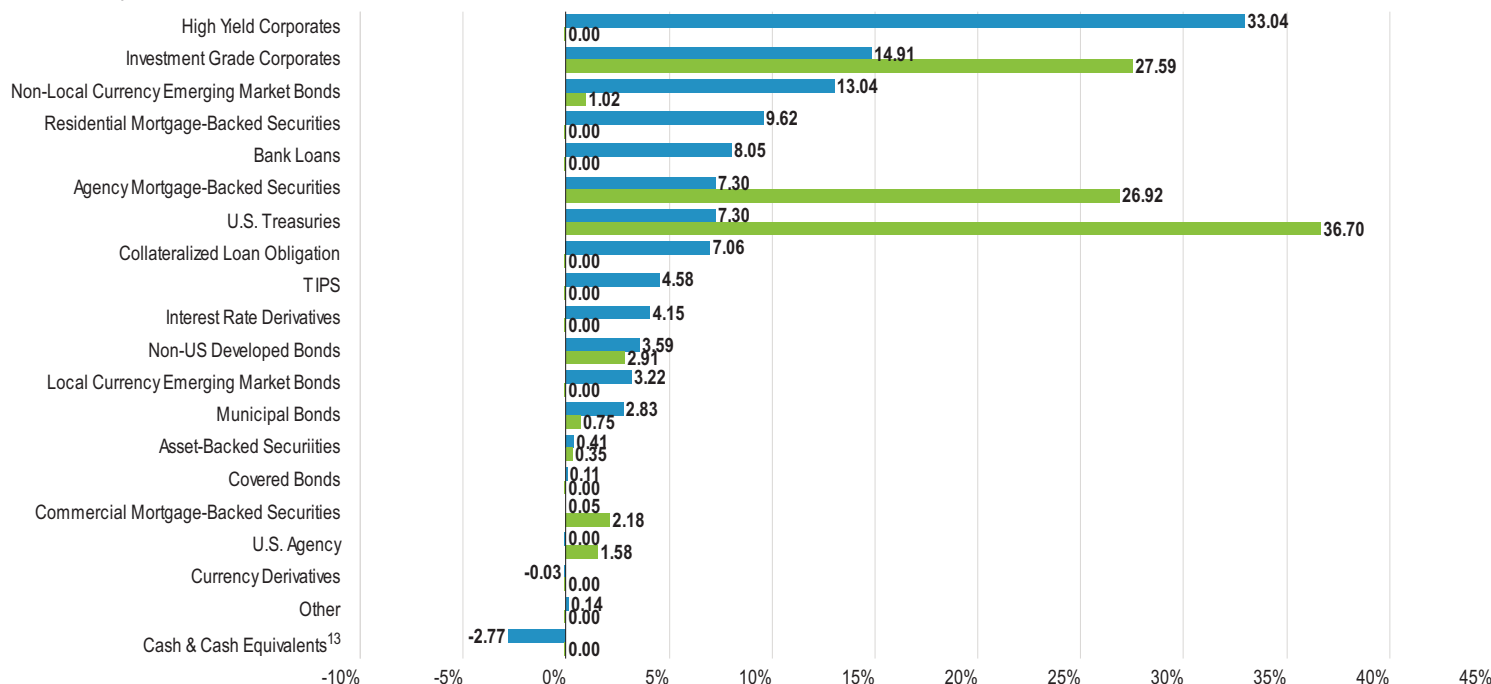
● Franklin Strategic Income Fund
● Bloomberg Barclays US Aggregate Index

Currency Exposure vs. Bloomberg Barclays US Aggregate Index¹⁰
Notional Exposure—Percent of Total



● Franklin Strategic Income Fund
● Bloomberg Barclays US Aggregate Index

Sector Exposure vs. Bloomberg Barclays US Aggregate Index^{10,12}
Notional Exposure—Percent of Total



● Franklin Strategic Income Fund
● Bloomberg Barclays US Aggregate Index

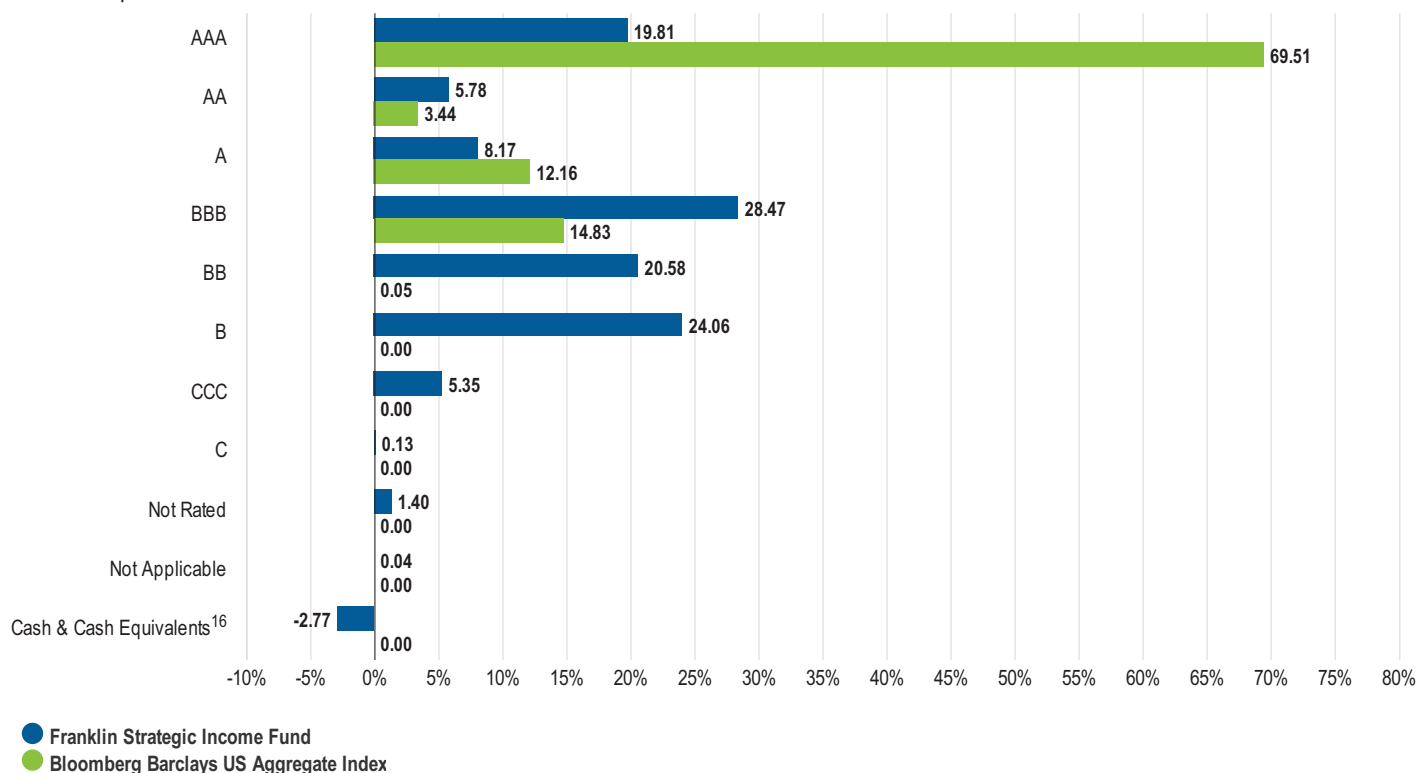
11,13. The negative cash position reflects a temporary position that is a result of a delay in securities settlement transactions.

12. 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.

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Credit Quality Exposure vs. Bloomberg Barclays US Aggregate Index^{14,15}

Notional Exposure—Percent of Total



Supplemental Performance Statistics

Supplemental Risk Statistics¹⁷

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Franklin Strategic Income Fund	7.19	5.96	5.53	6.34
Bloomberg Barclays US Aggregate Index	3.35	3.15	2.95	3.26
Tracking Error (%)	6.98	5.78	5.54	6.01
Information Ratio¹⁸	-0.36	-0.17	-0.11	-0.09
Sharpe Ratio				
Franklin Strategic Income Fund	0.20	0.37	0.46	0.52
Bloomberg Barclays US Aggregate Index	1.18	1.02	1.06	1.19

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Sonal Desai, Ph. D.	11	26
Patricia O'Connor, CFA	23	24
William Chong	12	12
David Yuen, CFA	24	32

14. 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.

15. 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.

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

17. Information Ratio and Tracking Error information are displayed for the product versus the Bloomberg Barclays US Aggregate Index.

18. 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 invests mainly in debt securities of any quality from issuers of both developed and emerging countries. Such securities have historically been subject to price movements, generally due to interest rates, foreign exchange rates or movements in the bond market. As a result, the performance of the Fund can fluctuate moderately 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, mortgage and asset-backed securities risk, derivatives instruments 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.

Important Legal Information

Franklin Strategic Income 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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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.

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. All holdings are subject to change.

6. 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.**

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

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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