

Fund Manager Report

Product Details¹

Fund Assets	€375,212,024.27
Fund Inception Date	29/08/2003
Number of Securities Including Cash	114
Bloomberg	TEMTRAD LX
ISIN	LU0170473531
Base Currency	EUR
Investment Style	Multi-Sector
Benchmark	Bloomberg Barclays Euro Aggregate Index
Morningstar Category™	EUR Diversified Bond

Asset Allocation

Market Value—Percent of Total	%
Fixed Income	95.40
Cash & Cash Equivalents	4.60

Overall Morningstar Rating™²



Fund Description

The fund aims to maximise total investment return consisting of a combination of interest income, capital appreciation and currency gains by investing in a portfolio of fixed and floating rate debt securities and debt obligations of governments, government-related or corporate issuers in Europe and/or in euro-denominated securities of non-European issuers.

Performance Data

Performance Net of Management Fees as at 31/08/2020 (Dividends Reinvested) (%)³

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (29/08/2003)
A (Mdis) EUR	-0.21	3.41	2.88	0.46	2.12	2.40	3.65	2.92
Net of Sales Charge - A (Mdis) EUR	-5.20	-1.76	-2.27	-4.56	0.39	1.36	3.12	2.62
Bloomberg Barclays Euro Aggregate Index EUR	-0.54	1.46	1.72	-1.09	2.74	2.66	3.62	4.13

Cumulative Performance (%)

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (29/08/2003)
A (Mdis) EUR	-0.21	3.41	2.88	0.46	6.51	12.60	43.17	63.28
Net of Sales Charge - A (Mdis) EUR	-5.20	-1.76	-2.27	-4.56	1.19	6.97	36.01	55.11
Bloomberg Barclays Euro Aggregate Index EUR	-0.54	1.46	1.72	-1.09	8.44	14.04	42.65	98.99

Portfolio Manager Insight

Performance Review

ONE-MONTH KEY PERFORMANCE DRIVERS

	Selection & Allocation	Duration	Currencies	Non-Eurozone Market Exposure
HELPED	Eurozone corporate investment-grade financial bonds selection	UK overweight	Norwegian krone overweight	—
	Euro-denominated corporate bond derivative allocation	—	Polish zloty overweight	—
	French government bond selection	—	—	—
HURT	—	Eurozone overweight	—	UK overweight
	—	Denmark overweight	—	—
	—	—	—	—

- The fund's security selection and sector allocation contributed to relative results, most of all selection among eurozone corporate investment-grade financial bonds and French government debt.
- The fund's currency positioning also bolstered relative performance, particularly overweight positions in the Norwegian krone and Polish zloty.
- In contrast, the fund's duration and yield-curve positioning detracted from relative returns, namely an overweight duration stance on eurozone bonds, where rates rose.

1. All holdings are subject to change.

Outlook & Strategy

- Although the outcome of the forthcoming US presidential election will have ramifications for Europe, we do not believe the dynamics for fixed income markets will change fundamentally.
- There is an abundance of liquidity to keep markets calm and we believe this liquidity could also help dampen some of the volatility normally associated with an election season.
- We still favour corporate bonds—both investment-grade and high-yield issues—as we think they offer good value. We also like non-core European sovereign bonds, which we think should continue to see good support from the ECB.

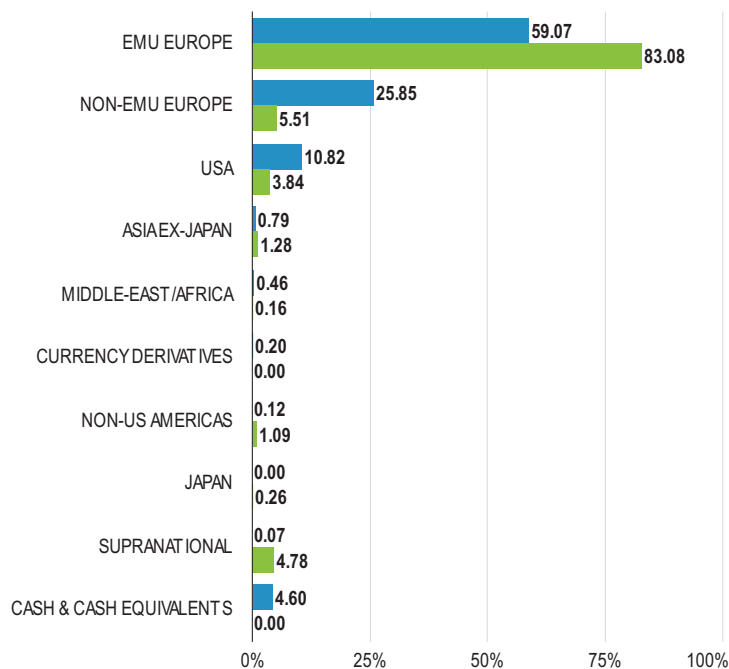
Portfolio Characteristics^{4,5}

	Portfolio	Bloomberg Barclays Euro Aggregate Index
Yield to Maturity	1.47%	0.10%
Yield to Worst	1.33%	0.10%
Average Credit Quality ^{6,7}	BBB+	A+
Average Duration	9.80 Yrs	7.44 Yrs
Average Weighted Maturity	11.44 Yrs	8.53 Yrs

Portfolio Diversification

Geographic Exposure vs. Bloomberg Barclays Euro Aggregate Index⁸

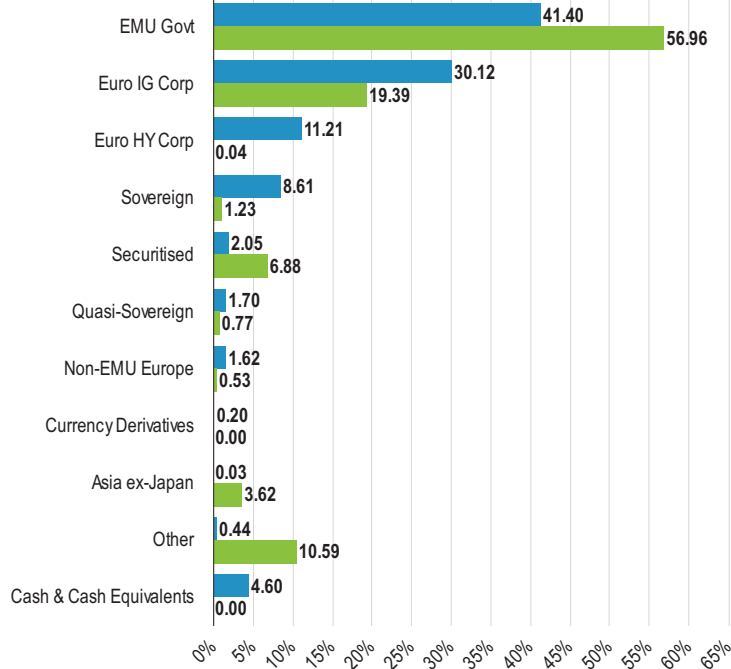
Notional Exposure—Percent of Total



● Franklin European Total Return Fund
● Bloomberg Barclays Euro Aggregate Index

Sector Exposure vs. Bloomberg Barclays Euro Aggregate Index⁸

Notional Exposure—Percent of Total



● Franklin European Total Return Fund
● Bloomberg Barclays Euro Aggregate Index

5. 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.**

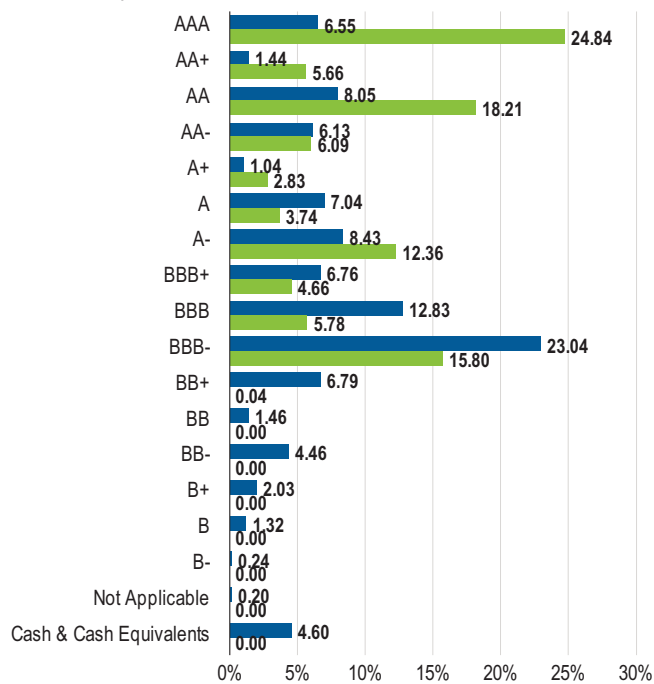
6. The average credit quality (ACQ) rating may change over time. The portfolio itself has not been rated by an independent rating agency. The letter rating, which may be based on bond ratings from different agencies (or internal ratings for unrated bonds, cash and equivalents), is provided to indicate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

7. 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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Credit Quality Exposure vs. Bloomberg Barclays Euro Aggregate Index⁹

Notional Exposure—Percent of Total



● Franklin European Total Return Fund
 ● Bloomberg Barclays Euro Aggregate Index

Supplemental Performance Statistics**Supplemental Risk Statistics¹⁰**

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Franklin European Total Return Fund	4.30	3.82	4.37	5.21
Bloomberg Barclays Euro Aggregate Index	3.53	3.37	3.62	3.39
Tracking Error (%)	2.11	2.34	2.77	4.31
Information Ratio¹¹	-0.29	-0.11	0.01	-0.28
Beta	1.06	0.90	0.94	0.91
Sharpe Ratio				
Franklin European Total Return Fund	0.64	0.80	0.89	0.41
Bloomberg Barclays Euro Aggregate Index	0.95	0.98	1.07	0.98

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Sonal Desai, Ph. D.	10	26
John Beck	30	33
David Zahn, CFA	14	26

9. 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.

10. Beta, Information Ratio and Tracking Error information are measured against the Bloomberg Barclays Euro Aggregate Index.

11. 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 European higher-quality debt securities issued by any type of entity. 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 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, foreign currency risk, derivatives 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 European Total Return Fund is a sub-fund of the Luxembourg-domiciled Franklin Templeton Investment Funds (FTIF).

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The Fund may utilise financial derivative instruments for hedging purposes and/or efficient portfolio management.

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

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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).

8. 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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