Franklin Templeton

Templeton Global Bond Fund–A (Mdis) USD

Government
Fixed Income
30 September 2021

Franklin Templeton Investment Funds

Fund Manager Report

Product Details[1]

Fund Assets	$5,482,286,833.05
Fund Inception Date	28/02/1991
Number of Securities Including Cash	150
Bloomberg	TEMGINI LX
ISIN	LU0029871042
Base Currency	USD
Investment Style	Government
Benchmark	JP Morgan Global Government Bond Index
Morningstar Category™	Global Flexible Bond

Asset Allocation[a]

Market Value—Percent of Total

	%
Fixed Income	97.19
Cash & Cash Equivalents	2.81

Fund Description

The fund aims to maximise total investment return consisting of a combination of interest income, capital appreciation and currency gains by investing principally in a portfolio of fixed or floating-rate debt securities and debt obligations issued by government or government-related issuers worldwide.

Performance Data

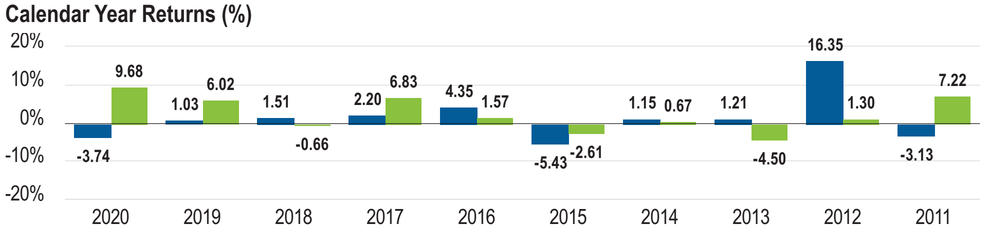
Discrete Annual Performance (%) as at 30/09/2021

	9/20-9/21	9/19-9/20	9/18-9/19	9/17-9/18	9/16-9/17
A (Mdis) USD	-2.98	-4.07	1.70	-2.28	12.94
JP Morgan Global Government Bond Index USD	-3.54	6.69	8.72	-1.65	-3.00

Performance Net of Management Fees as at 30/09/2021 (Dividends Reinvested) (%)[b,c]

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (28/02/1991)
A (Mdis) USD	-1.72	-1.90	-4.47	-2.98	-1.82	0.88	1.37	5.51
JP Morgan Global Government Bond Index	-2.10	-1.08	-5.67	-3.54	3.81	1.31	1.17	5.07

Calendar Year Returns (%)



Past performance is not an indicator or a guarantee of future performance.

Portfolio Manager Insight

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Currencies	Duration	Credit
HELPED	—	Argentina	—
	—	Indonesia	—
	—	—	—
HURT	South Korean Won	Brazil	—
	Brazilian Real	—	—
	Argentine Peso	—	—

- The USD broadly strengthened during the third quarter, with some exceptions. Currency positions in Latin America (the Brazilian real, Argentine peso and Chilean peso) and Asia ex Japan (the South Korean won) detracted from absolute fund performance. We are focusing on value opportunities in specific currencies, particularly in countries with strong trade dynamics, current account surpluses, better fiscal management and stronger growth potential, notably in Asia.
- Sovereign bond yields rose across much of the world in August and September after generally declining in July. On the whole, sovereign bond yields in most developed markets finished the quarter relatively flat to moderately higher, while emerging markets saw much greater

1. All holdings are subject to change.

variation, ranging from significantly higher upward adjustments in many countries to lower yields in a select few. Select duration exposures in Asia ex Japan (Indonesia) contributed to absolute fund performance, while duration exposures in Latin America had mixed results (Brazil detracted, while Argentina contributed). We continue to focus on higher-yielding local-currency bonds in specific emerging markets that have resilient economies, healthy or improving fiscal conditions and strong trade dynamics.

- From an overall positioning standpoint, we continue to maintain low portfolio duration. We are significantly underweight developed market duration, preferring to hold short-term US Treasuries, while holding no exposure to the long end of the curve. We hold no duration exposure in the euro area. Instead, we continue to emphasise select local-currency sovereign bonds outside of the major developed markets, in countries that we view as having resilient fundamentals and attractive risk-adjusted yields. We are holding various unhedged local-currency sovereign bonds, notably in South Korea, Indonesia, India, Ghana, Brazil and Colombia. We are also focusing on value opportunities in specific currencies, notably in Asia. We are holding long exposures in the Chinese yuan, South Korean won, Japanese yen, Indonesian rupiah, Indian rupee, Singapore dollar, New Zealand dollar and Chilean peso against the USD, and in the Norwegian krone, Swedish krona, Canadian dollar and USD against the euro. In credit markets, we see pockets of value in select sovereign credit exposures that have undervalued growth drivers and attractive risk-adjusted spreads. On the whole, we remain constructive in specific currencies and local-currency bond markets, notably in areas of Asia, as we largely expect the global recovery to continue through the remainder of 2021 into 2022.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Currencies	Duration	Credit
HELPED	Norwegian Krone	—	—
	Euro (Net-Negative Position)	—	—
	Canadian Dollar	—	—
HURT	South Korean Won	Brazil	—
	Brazilian Real	—	—
	Argentine Peso	—	—

- In September, the USD broadly strengthened against developed market and emerging market currencies alike. Areas of Latin America saw some of the stronger depreciations against the USD during the month. Currency positions in Latin America (the Brazilian real, Argentine peso and Chilean peso) and Asia ex Japan (the South Korean won and Indian rupee) detracted from absolute fund performance. The fund's net-positive position in the Japanese yen also detracted from absolute results.
- Positions in northern European currencies against the euro (the Norwegian krone) contributed to absolute fund performance, as did its position in the Canadian dollar against the euro. The fund's net-negative exposure to the euro also contributed to absolute results. Norway and Sweden have strong fiscal frameworks to support their economies, healthy debt dynamics and current account surpluses that we expect to hold regional value against the euro. Norway is also the first developed country to begin hiking rates. Surging demand for commodities and rising oil prices are also supportive for the Norwegian krone and Canadian dollar. Additionally, we continue to expect the euro to weaken against the USD given negative rates in the euro area, as well as greater headwinds to growth across Europe.
- Sovereign bond yields rose sharply across much of the world in September as central banks increasingly pivoted towards concurrent monetary tightening cycles, after an extraordinary, highly correlated global easing cycle in 2020. Select duration exposures in Latin America (Brazil) detracted from absolute fund performance. Inflation in Brazil has been particularly sharp this year, compelling the central bank to aggressively hike rates, which has helped steady its financial markets and support its currency.

Outlook & Strategy

- We expect macroeconomic conditions in much of the world to continue to improve through the remainder of 2021 into 2022. However, economic recoveries are likely to remain uneven as countries are at different stages of handling the pandemic. Several emerging markets continue to lag the rest of the world in distributing vaccines, while others, like Chile, are close to the levels of developed markets. Some countries have begun to transition towards a post-COVID order, providing third dose booster shots, developing non-vaccine treatments and/or pivoting towards a policy stance of "living with COVID" to move beyond the damaging cycles of lockdowns and reopenings. On the whole, we remain optimistic for the ongoing global recovery, particularly for a number of emerging markets that stand to benefit from strong trade dynamics.
- While conditions appear broadly supportive of strategic rotations into risk assets, it remains crucial to be highly selective at the sovereign level given significant variations in economic conditions and policy responses. Risks to the global recovery include potential setbacks in vaccinations, particularly in emerging markets, as well as COVID-19 variants that have the potential to extend the duration and damage of the pandemic in certain regions.
- Structural risks associated with massive fiscal spending and excessive monetary accommodation also remain a medium- to longer-term concern in several countries. Debt levels have risen significantly in just about every country. Additionally, financial market overreliance on extraordinary monetary accommodation creates the preconditions for a potential financial market shock when policy begins to normalise. While our base case sees measured monetary tightening from the Fed and other major central banks that should avoid a repeat of the 2013 taper tantrum, we do anticipate scattered episodes of volatility as the world transitions from the massive fiscal stimulus and monetary accommodation of the last 18 months. Exiting the pandemic is unlikely to be a completely smooth transition.
- We expect inflation figures to remain elevated in 2021 in many countries, driven by a combination of factors that include cyclical upswings associated with resurgent economic activity, supply bottlenecks in certain sectors and base effects off of the pandemic shocks in 2020. These factors should be largely transitory, in our view, with inflation levels eventually moderating to secular trends in 2022, given elevated unemployment and automation factors that continue to dampen wage pressures. Additionally, a handful of sector components are having outsized impacts on the US inflation prints. As these component effects normalise, we would expect the headline figures to come down.
- However, excessive monetary accommodation, massive fiscal stimulus in the US and resurgent growth present inflationary risks that bear monitoring. Additionally, upward adjustments to housing rents to narrow the historically wide gap with surging house prices, as well as labour market mismatches from massive job losses and all-time highs in job openings, have the potential to create additional price pressures. The true

test will be whether any of these factors become persistent enough to feed into longer-term inflation expectations, which would create self-sustaining price pressures. We currently see conditions for inflation expectations to moderate as near-term spikes in the inflation figures eventually wane, but we also continue to monitor the risks that would cause inflation expectations to become unanchored.

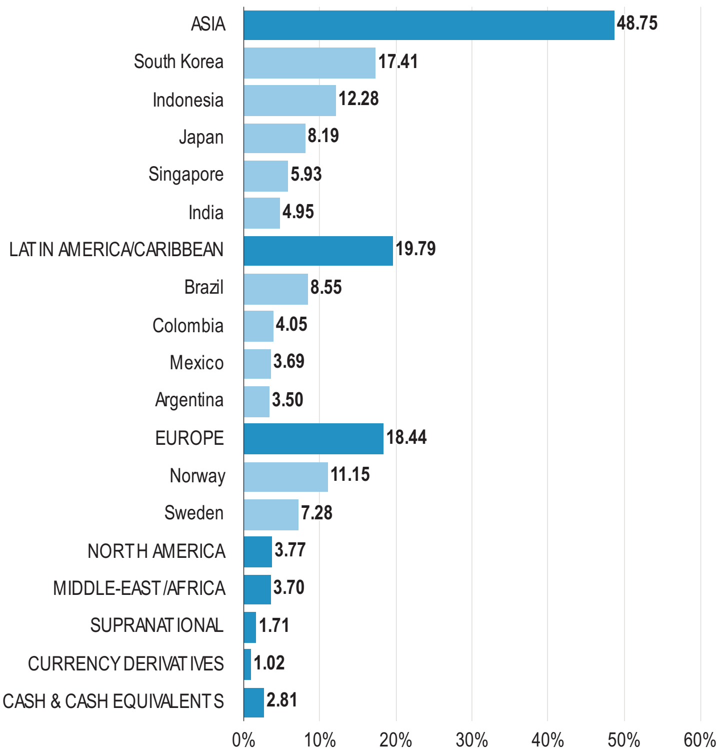
- Many central banks have begun considering when and at what pace to begin normalising policy. Specific emerging markets with inflation concerns have already begun raising rates, such as Brazil, Mexico, Chile, Peru, Russia and Hungary, while other countries are looking towards normalising policy to keep ahead of the curve, given strengthening economic conditions. A number of countries have indicated that rate hikes and/or asset-buying programme adjustments are likely to occur during the remainder of 2021. We expect a growing divergence on the monetary policy front as certain developed market central banks trend towards policy normalisation ahead of others, such as Norway, South Korea and New Zealand, while certain emerging market central banks are compelled to tighten policy to contend with rising inflationary pressures. Certain emerging markets have been able to stay ahead of the rate cycle, maintaining already high rates or hiking rates ahead of others, putting them in a stronger position to handle the upcoming global tightening cycle.

Portfolio Characteristics[d,e,f]

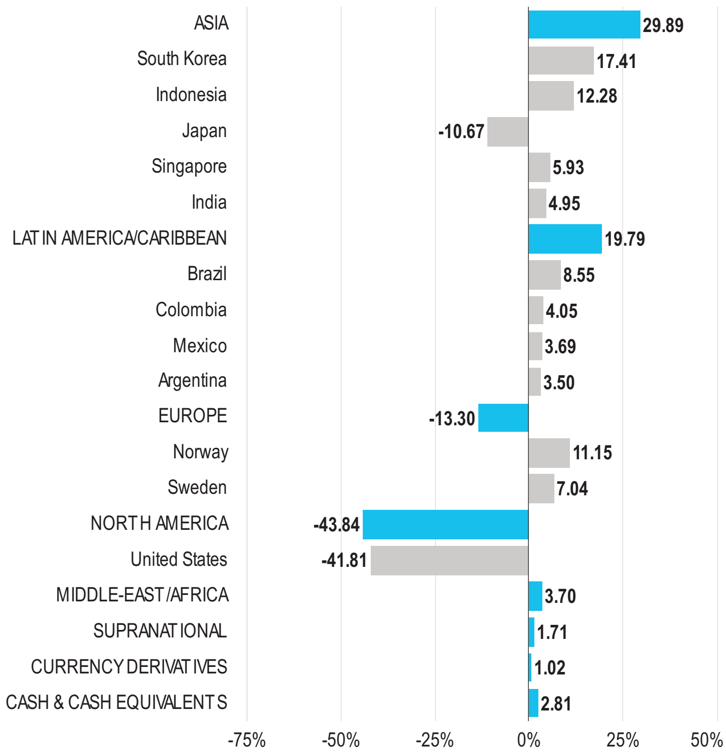
	Portfolio	JP Morgan Global Government Bond Index
Yield to Maturity	4.07%	0.59%
Yield to Worst	4.07%	0.59%
Average Credit Quality[2]	A	AA
Average Duration	1.62 Yrs	8.13 Yrs
Average Weighted Maturity	1.89 Yrs	9.63 Yrs

Portfolio Diversification[e]

Geographic Allocation[a]
Market Value—Percent of Total



Geographic Allocation vs. JP Morgan Global Government Bond Index[a]
Market Value—Percent of Total



2. 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. Derivative positions are not reflected in the ACQ.

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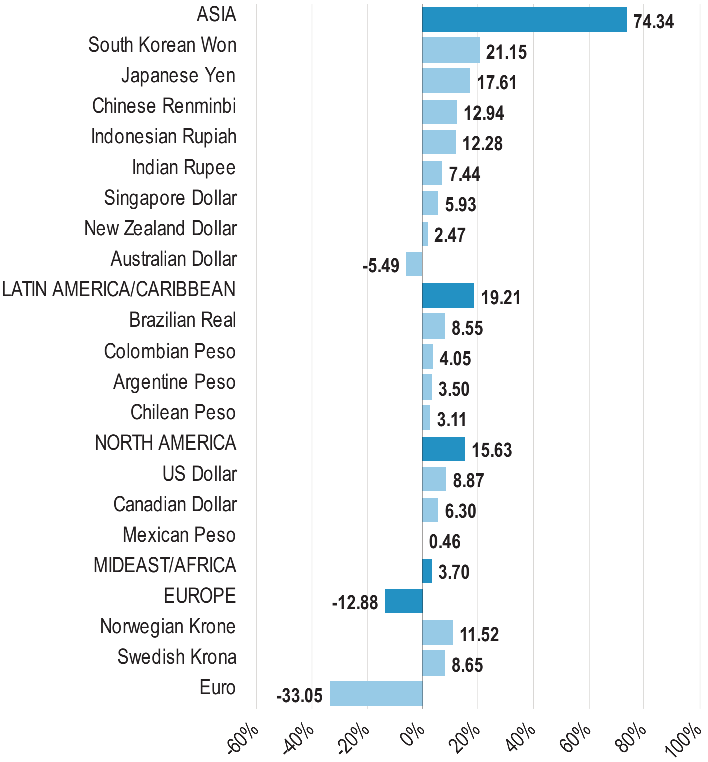
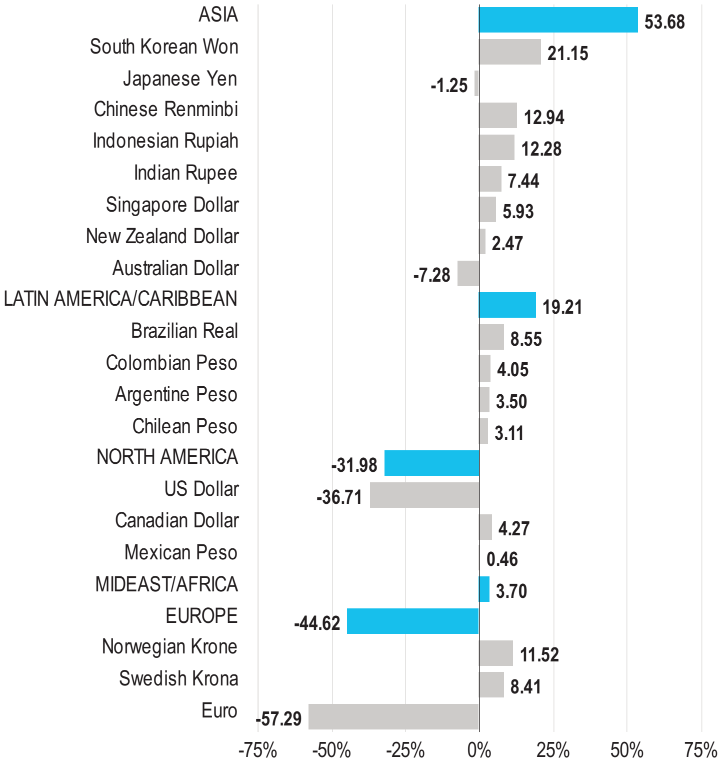
Currency Exposure[g]

Notional Exposure—Percent of Total



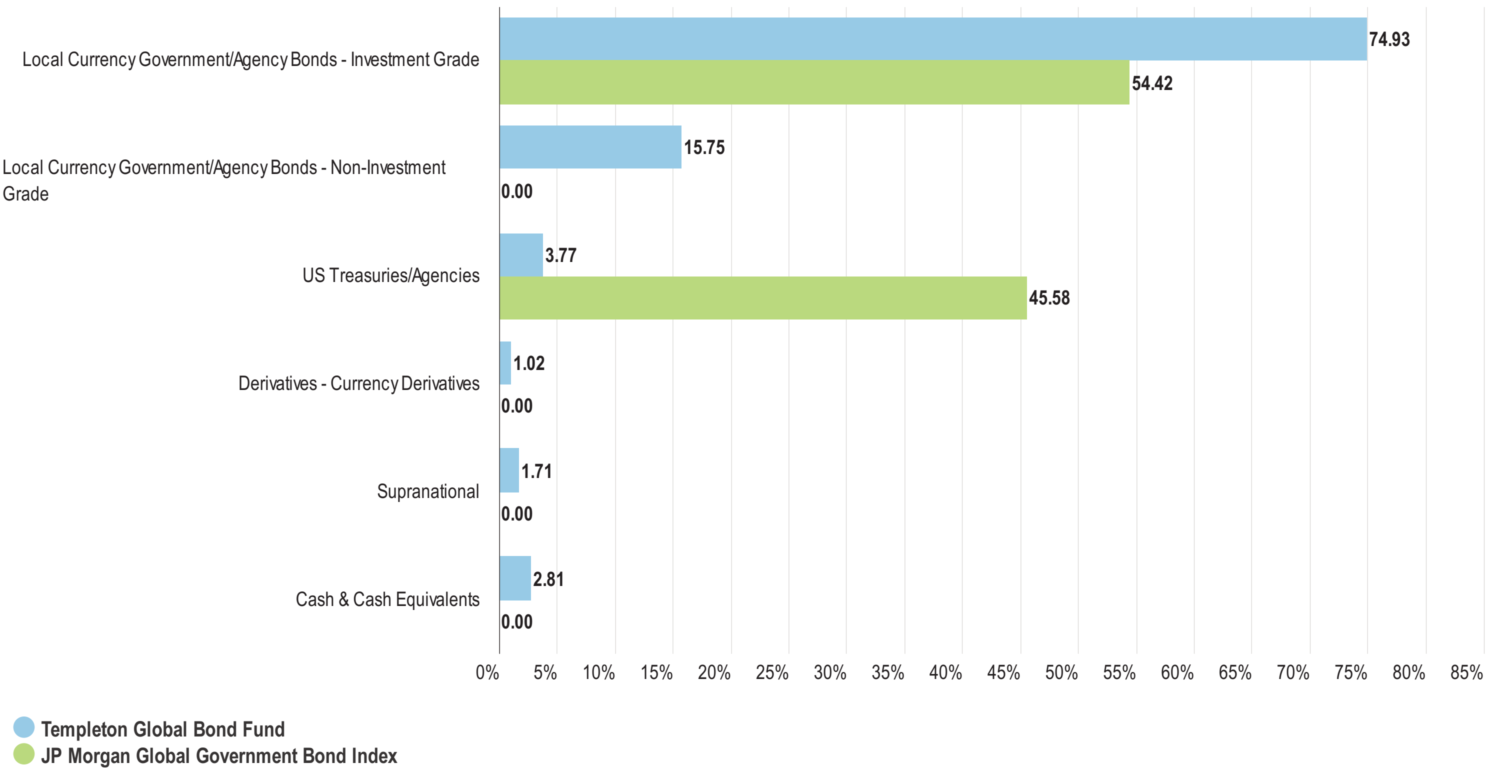
Currency Exposure vs. JP Morgan Global Government Bond Index[g]

Notional Exposure—Percent of Total



Sector Allocation vs. JP Morgan Global Government Bond Index[a]

Market Value—Percent of Total



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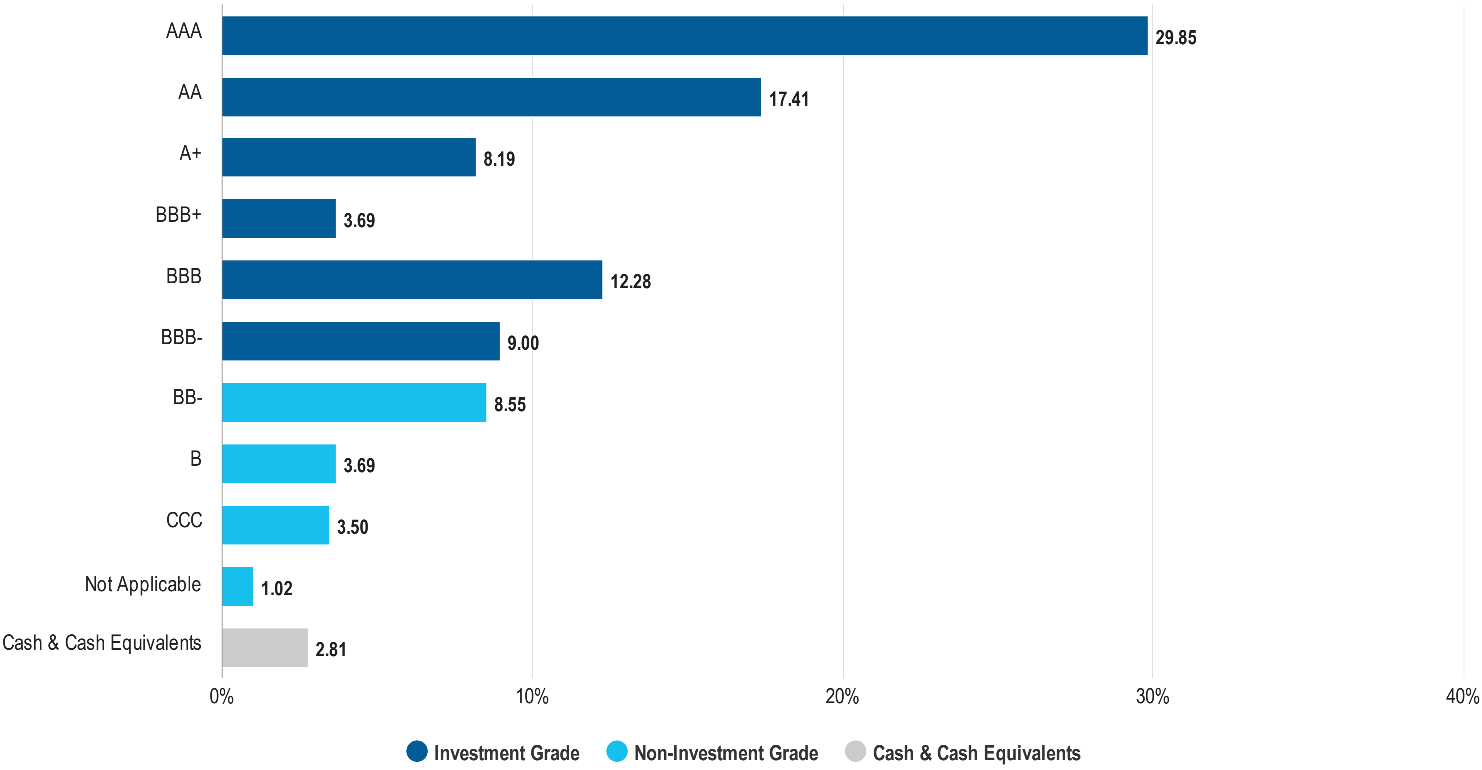
Credit Quality Allocation[3,a]
Market Value—Percent of Total



Performance Statistics

Risk Statistics[4]

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Templeton Global Bond Fund	5.14	5.77	6.80	7.12
JP Morgan Global Government Bond Index	4.85	5.06	4.77	6.13
Tracking Error (%)	7.57	8.58	8.58	6.88
Information Ratio[5]	-0.74	-0.05	0.02	0.06
Sharpe Ratio				
Templeton Global Bond Fund	-0.56	-0.04	0.12	0.43
JP Morgan Global Government Bond Index	0.57	0.05	0.12	0.42

Investment Philosophy

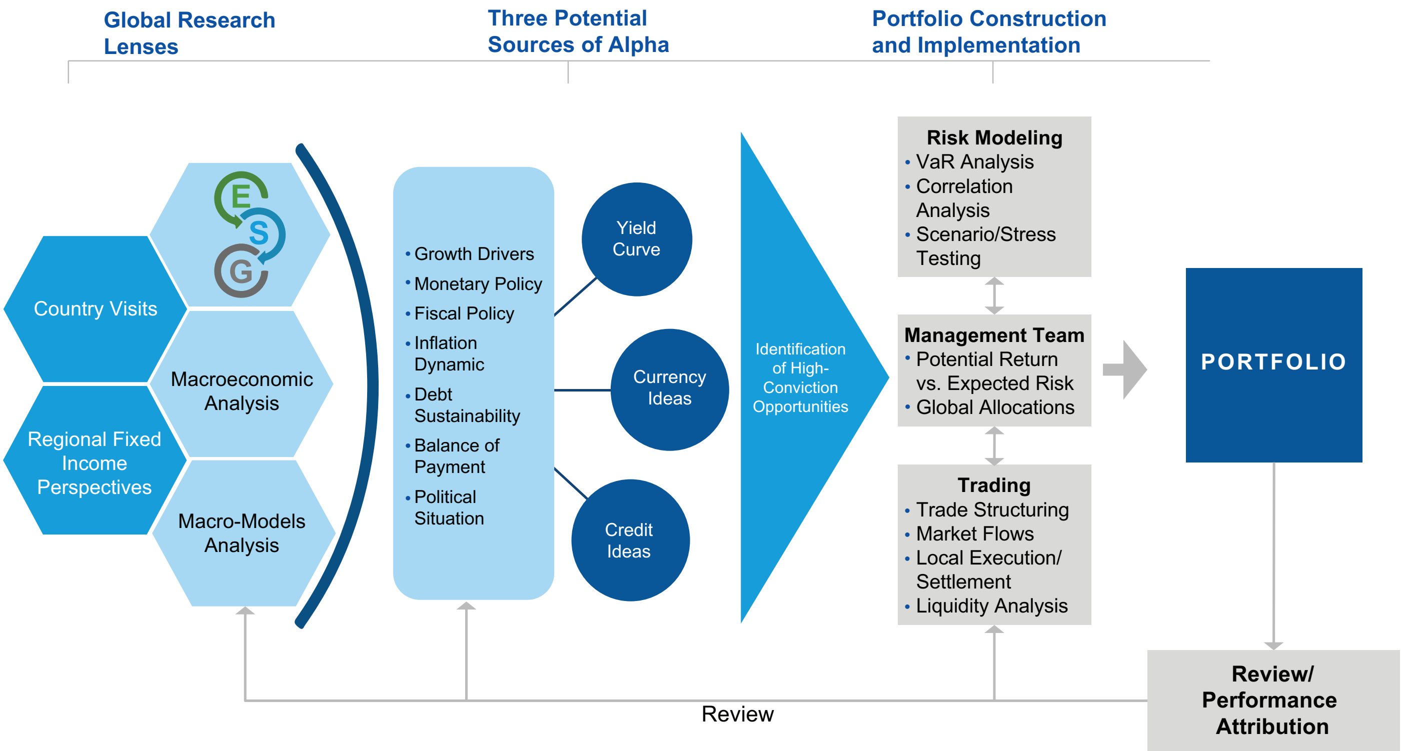
Beliefs and Guiding Principles

- An unconstrained approach to global fixed income investing can lead to long-term value potential
- Integrating global macroeconomic analysis with in-depth country research can help identify long-term economic imbalances
- Actively allocating risk across three independent potential sources of alpha can deliver diversification benefits and the potential for more consistent returns in diverse markets

3. 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.
4. Information Ratio and Tracking Error information are displayed for the product versus the JP Morgan Global Government Bond Index.
5. 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).

Investment Process

Multiple Research Lenses Can Lead to High-Conviction Opportunities*,**



*The above chart is for illustrative and discussion purposes only. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions.

**Regional Fixed Income is comprised of investment professionals located in affiliates of and joint venture partners with Franklin Templeton.

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Michael Hasenstab, Ph. D.	22	26
Calvin Ho, Ph. D.	16	16

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 issued by government or government-related entities in any country and in derivatives. Such securities and derivatives 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 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: Chinese market risk, credit risk, foreign currency risk, derivatives instruments risk, emerging markets 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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Important Legal Information

This document does not constitute legal or tax advice nor is it investment advice or an offer for shares of Franklin Templeton Investment Funds (the "Fund"). Subscriptions to shares of the Fund can only be made on the basis of the current prospectus and, where available, the relevant Key Investor Information Document, accompanied by the latest available audited annual report and the latest semi-annual report accessible on our website www.ftidocuments.com or which can be obtained, free of charge, from Franklin Templeton International Services, S.à r.l. - 8A, rue Albert Borschette, L-1246 Luxembourg. The Fund's documents are available in English, Arabic, Czech, Danish, Dutch, Estonian, Finnish, French, German, Greek, Hungarian, Icelandic, Italian, Latvian, Lithuanian, Norwegian, Polish, Portuguese, Romanian, Slovak, Slovenian, Spanish and Swedish. In addition, a Summary of Investor Rights is available from franklintempleton.lu. The summary is available in English. The sub-funds of FTIF are notified for marketing in multiple EU Member States under the UCITS Directive. FTIF can terminate such notifications for any share class and/or sub-fund at any time by using the process contained in Article 93a of the UCITS Directive.

Past performance is not an indicator or a guarantee of future performance. 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. Investment in the Fund entails risks which are described in the Fund's prospectus and, where available, in the relevant Key Investor Information Document or any other relevant offering document. Special risks may be associated with a Fund's investment in certain types of securities, asset classes, sectors, markets, currencies or countries and in the Fund's possible use of derivatives. References to particular industries, sectors or companies are for general information and are not necessarily indicative of a fund's holdings at any one time. Currency fluctuations may affect the value of overseas investments. When investing in a fund denominated in a foreign currency, your performance may also be affected by currency fluctuations. Where a Fund invests in emerging markets, this investment can be more risky than an investment in developed markets. No shares of the Fund may be directly or indirectly offered or sold to residents of the United States of America.

The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

Securities mentioned in this report are not a solicitation to purchase those securities, and are examples of some securities which performed well. Not all securities in the portfolio performed well. These securities do not represent all the securities purchased, sold or recommended for advisory clients, and the reader should not assume that investment in the security listed was or will be profitable. Holdings are subject to change, holdings of the same issuer have been combined. The information provided is not a recommendation to purchase, sell or hold any particular security. The security identified does not represent the Fund's entire holdings and in the aggregate, may represent a small percentage of such holdings. There is no assurance that security purchased will remain in the Fund, or that security sold will not be repurchased. In addition, it should not be assumed that any securities mentioned were or will prove to be profitable. For the most current information on the fund, please contact your Franklin Templeton marketing representative.

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.

References to indexes are made for comparative purposes only and are provided to represent the investment environment existing during the time periods shown. The indices include a greater number of securities than those held in the Fund. An index is unmanaged and one cannot invest directly in an index. The performance of the index does not include the deduction of expenses and does not represent the performance of any Franklin Templeton fund. **Past performance is not an indicator or a guarantee of future performance.**

Source: FactSet. Important data provider notices and terms available at: www.franklintempletondatasources.com.

a. 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.

b. Source for all information is Franklin Templeton. Benchmark related data provided by FactSet. **Past performance is not an indicator or a guarantee of future performance.** Periods greater than one year are shown as average annual total returns. Fund performance data include reinvested dividends, and is net of management fees. Sales charges, other commissions, taxes and other relevant costs to be paid by the investor are not included. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.

c. When performance for either the portfolio or its benchmark has been converted, different foreign exchange closing rates may be used between the portfolio and its benchmark.

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

e. All holdings are subject to change.

f. 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.**

g. 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.