

**Product Details<sup>1</sup>**

Fund Assets	\$137,180,487.54
Fund Inception Date	29/04/2011
Number of Issuers	99
Bloomberg	TEMAQDU LX
ISIN	LU0608807946
Base Currency	USD
Investment Style	Total Return
Benchmark	Linked 50% MSCI EM + 50% JPMorgan GBI-EM Global Diversified Index
Morningstar Category™	Global Emerging Markets Allocation

**Asset Allocation<sup>2</sup>**

Market Value—Percent of Total	%
Cash & Cash Equivalents	8.27
Equity	51.94
Fixed Income	39.79

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

**Fund Description**

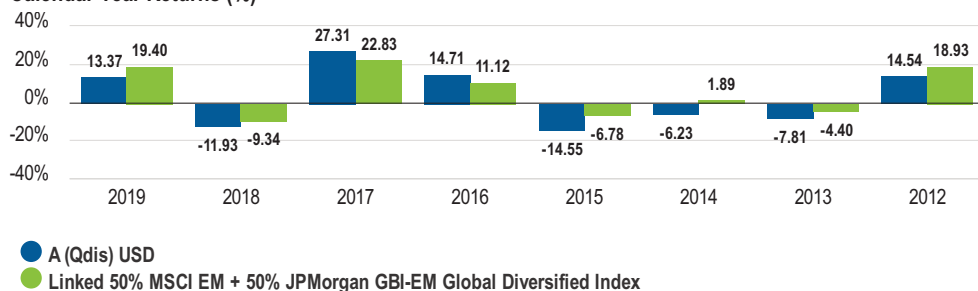
The Fund's investment objective is to maximise, consistent with prudent investment management, a combination of capital appreciation and income. The Fund seeks to achieve its objective by investing principally in a diversified portfolio of equity and debt securities by issuers located, incorporated or have their principal business activities in developing or Emerging Market countries. The Fund will typically invest at least 25% of its assets in Emerging Market equity securities and at least 25% of its assets in debt securities.

**Performance Data<sup>4</sup>**
**Discrete Annual Performance (%) as at 31/05/2020**

	5/19-5/20	5/18-5/19	5/17-5/18	5/16-5/17	5/15-5/16
A (Qdis) USD	-4.27	-3.90	5.73	25.93	-9.79
Linked 50% MSCI EM + 50% JPMorgan GBI- EM Global Diversified Index USD	-0.31	-0.76	6.24	18.53	-6.67

**Performance Net of Management Fees as at 31/05/2020 (Dividends Reinvested) (%)<sup>5,6</sup>**

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	Since Inception (29/04/2011)
A (Qdis) USD	0.74	-7.50	-12.22	-4.27	-0.92	2.02	-0.83
Linked 50% MSCI EM + 50% JPMorgan GBI- EM Global Diversified Index	2.99	-4.78	-11.62	-0.31	1.67	3.06	2.80

**Calendar Year Returns (%)**


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

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

4. Effective 1 September 2019, the Fund's benchmark is Blended 50% MSCI Emerging Markets + 50% JP Morgan GBI-EM Global Diversified Index. The benchmark performance shown is derived from a combination of the Blended 50% MSCI Emerging Markets + 50% JPMorgan EMBI Global Index from the Fund's inception to 31st August 2019 and the Blended 50% MSCI EM + 50% JPMorgan GBI-EM Global Diversified Index from 1 September 2019 to current reporting period.

## Portfolio Manager Insight

## Performance Review

## ONE-MONTH KEY PERFORMANCE DRIVERS

	Equity	Fixed Income
HELPED	Communication Services (Stock Selection)	Mexican Peso
	Financials (Stock Selection)	Select Duration Exposures in Asia ex Japan
	China (Stock Selection)	Select Duration Exposures in Latin America
HURT	Information Technology (Stock Selection, Overweight)	Brazilian Real
	India (Stock Selection)	Australian Dollar (Net-Negative Position)
	Health Care (Stock Selection, Underweight)	Japanese Yen (Net-Positive Position)

- In the equity portfolio, communication services stock Naver rallied. Investors remained upbeat about the South Korean internet company, which had benefitted from increased online shopping during the pandemic. We like Naver for its dominant search engine in South Korea and its growing penetration into e-commerce. Its businesses in other areas such as digital content and financial services could also contribute to its longer-term growth, in our view.
- However, shares of India-based ICICI Bank fell. Indian financials stocks were hurt by worries of bad debts in the banking system as the central bank extended loan repayment relief, while holding back from allowing a one-time restructuring of loans. We view ICICI as one of the most resilient Indian banks in a challenging environment, given its strong capital position, prudent lending practices, and industry-leading deposit franchise.
- Sovereign bond yields declined across much of Asia and the Americas but shifted in varying directions across Europe. Select duration exposures in Asia ex Japan, Latin America and Africa (Ghana) contributed to the fixed income portfolio's absolute performance. We held select duration exposures in countries with relatively higher yields and that have varying degrees of economic resilience to external shocks, in our assessment.
- The fixed income portfolio's net-positive positions in the Brazilian real and Japanese yen detracted from absolute results, as did its net-negative position in the Australian dollar. We continued to hold net-negative positioning in the Australian dollar to hedge broad-based beta risk across emerging markets. We moved to a net-positive exposure in the Japanese yen midway through 2019 as policy divergence between the US Federal Reserve and the Bank of Japan softened, and because the yen shows potential to strengthen as a perceived safe haven on deepening global risk aversion.

## Outlook &amp; Strategy

- With the COVID-19 outbreak likely passing its peak in the United States and China (barring a second wave), and governments focusing on returning to normalcy, attention has once again turned to the US-China trade conflict. The trade war has expanded into disputes over a range of areas, including technology, finance, and the pandemic, creating volatility in EM equities. Notwithstanding market concerns over a possible collapse of the "phase one" trade agreement, we expect both parties to work towards meeting the obligations.
- Although governments globally have undertaken unprecedented fiscal and monetary stimulus to offset the economic impact of the pandemic, the exact timing of a recovery is uncertain. We expect corporate earnings downgrades for 2020 across most countries and sectors. EM equity valuations relative to developed markets look appealing to us. Although we could see volatility in earnings forecasts in the coming months, we believe that our focus on companies' long-term sustainable earnings power should help us better navigate this period.
- From a fixed income perspective, we think it is still too early to pursue additional risk as the world is still in the first phase of the economic repercussions. The recent rallies across risk assets reflect an underappreciation of the risks for a second wave of infections and a second leg down in financial markets, in our view. We're currently focusing on specific perceived safe-haven investments, while emphasising a select set of higher-yielding EMs that have relatively resilient domestic economies. We're aiming to derive alpha from different sources than the low-to-negative yielding developed fixed income markets, which have limited upside potential left as yields grind to historic lows.
- We currently remain cautious on the broad outlook for EMs as a whole, but we see risk-adjusted value in specific countries. It remains crucial to be selective. Countries that were in stronger fundamental shape before the crisis generally have better prospects to endure the substantial economic headwinds. Domestically oriented economies have comparatively better prospects than externally dependent economies, given the collapse in global aggregate demand. The opportunities in EMs remain highly idiosyncratic, as some countries have inherent resiliencies while others are highly vulnerable to external and internal shocks. We continue to monitor conditions and expect that the impacts of the COVID-19 pandemic could persist for several months, potentially pushing out the timeline for when certain investment opportunities may become suitable.

Portfolio Characteristics<sup>7,8,9,10,11</sup>

## Equity Characteristics

	Portfolio	MSCI Emerging Markets Index
Price to Earnings (12-Month Trailing)	12.51x	14.26x
Price to Book	1.54x	1.50x
Price to Cash Flow	6.61x	8.91x
Market Capitalisation (Millions in USD)	163,634	62,614
Dividend Yield	2.92%	2.84%

**Fixed Income Characteristics**

	Portfolio	JP Morgan GBI-EM Global Diversified Index
Yield to Maturity	3.89%	4.33%
Yield to Worst	3.89%	4.30%
Average Duration	1.63 Yrs	5.29 Yrs
Average Credit Quality <sup>12</sup>	BBB+	BBB
Average Weighted Maturity	1.97 Yrs	7.51 Yrs

**Portfolio Diversification<sup>10</sup>**

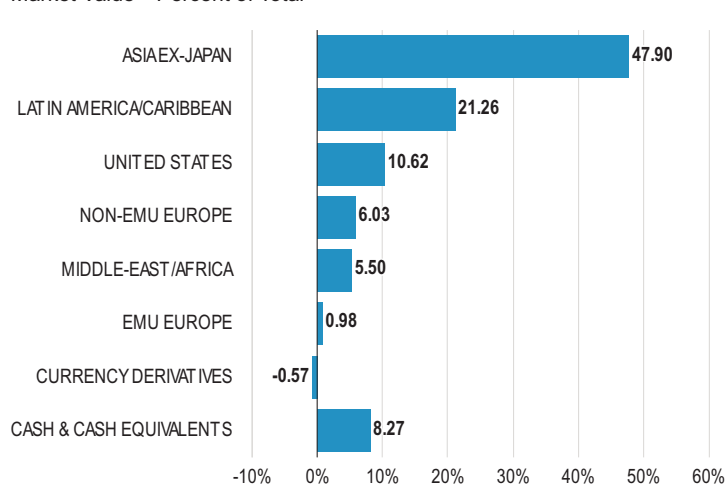
**Top Ten Holdings<sup>13</sup>**

Equity as a Percent of Total

Top Holdings	%
Taiwan Semiconductor Manufacturing Co., Ltd.	5.00
Samsung Electronics Co., Ltd.	4.75
Tencent Holdings Ltd.	4.61
Alibaba Group Holding Ltd. Sponsored ADR	4.32
NAVER Corp.	2.42
Naspers Limited Class N	1.94
Unilever PLC	1.59
ICICI Bank Limited	1.57
Brilliance China Automotive Holdings Limited	1.44
Oil company LUKOIL PJSC Sponsored ADR	1.33

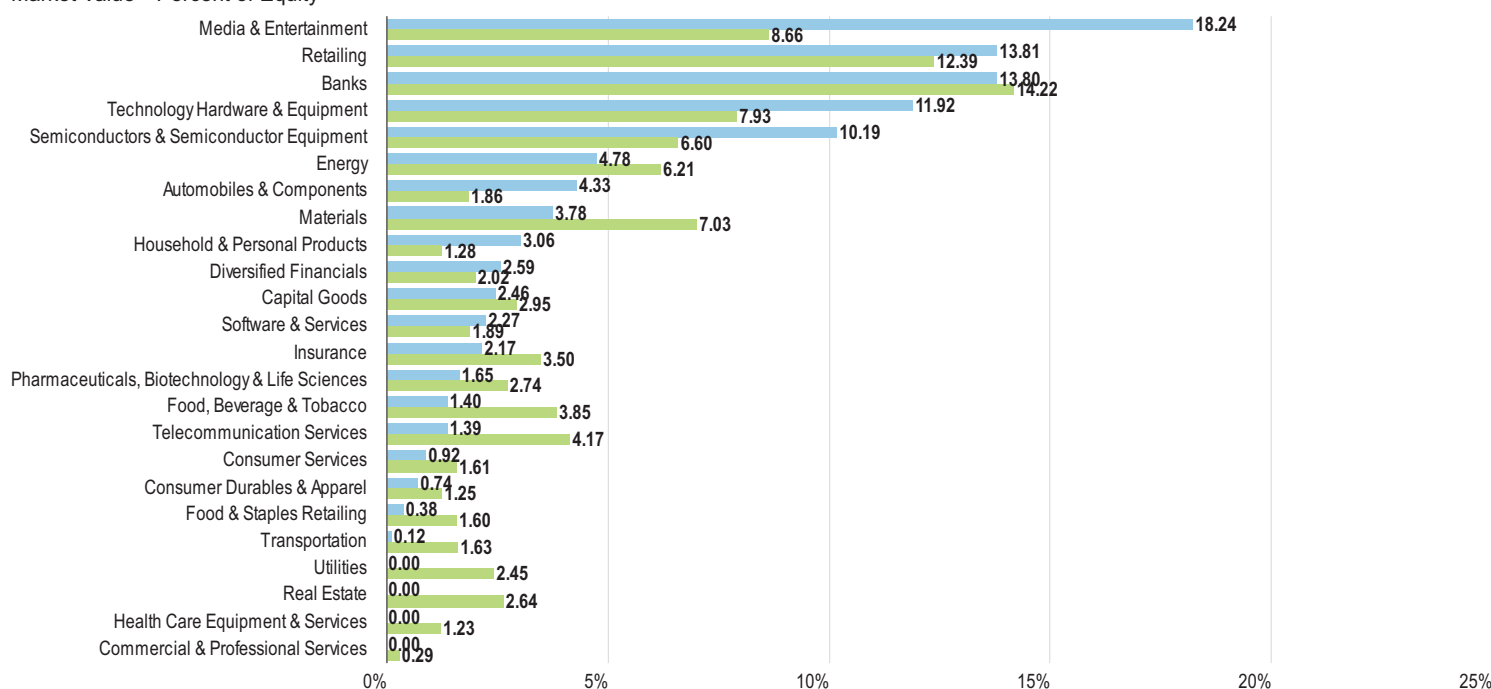
**Geographic Allocation<sup>2</sup>**

Market Value—Percent of Total



**Sector Allocation vs. MSCI Emerging Markets Index<sup>14</sup>**

Market Value—Percent of Equity



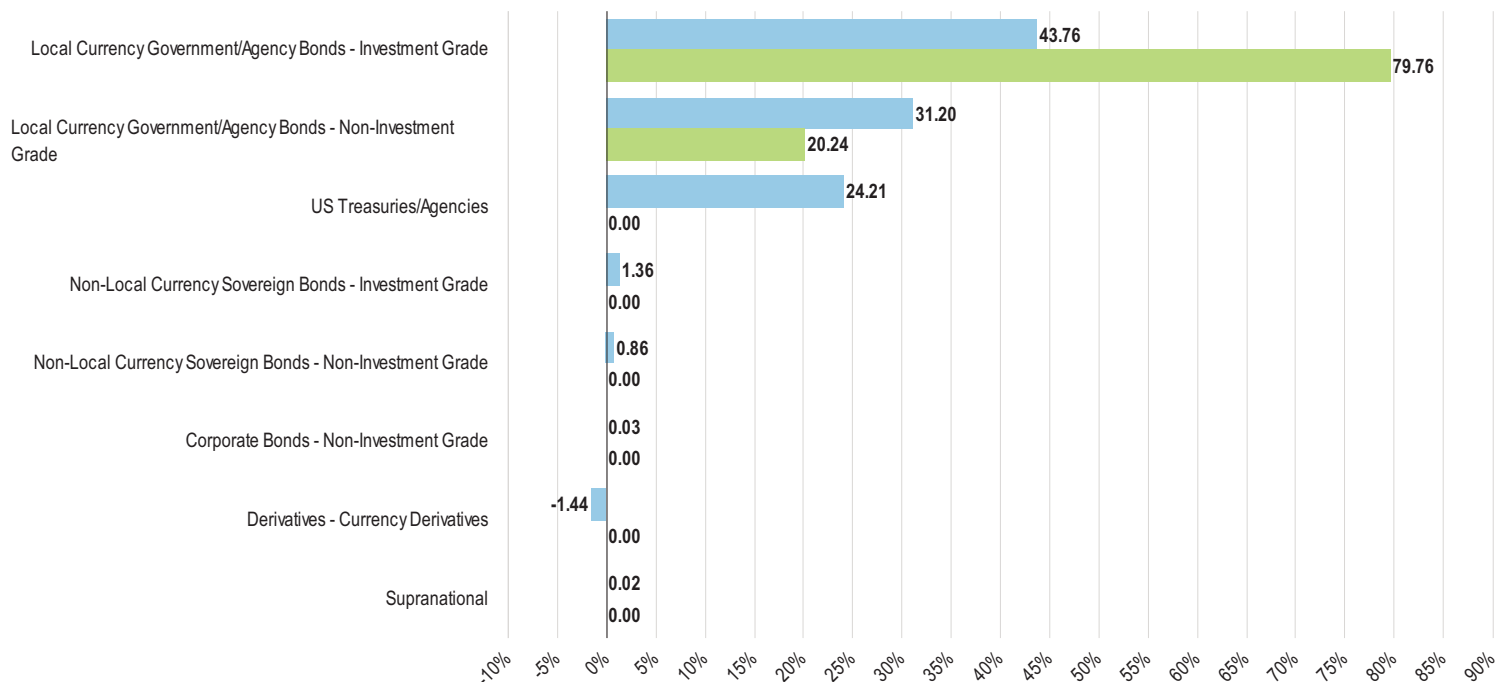
● Templeton Emerging Markets Dynamic Income Fund  
 ● MSCI Emerging Markets Index

12. 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.

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**Sector Allocation vs. JP Morgan GBI-EM Global Diversified Index<sup>2</sup>**

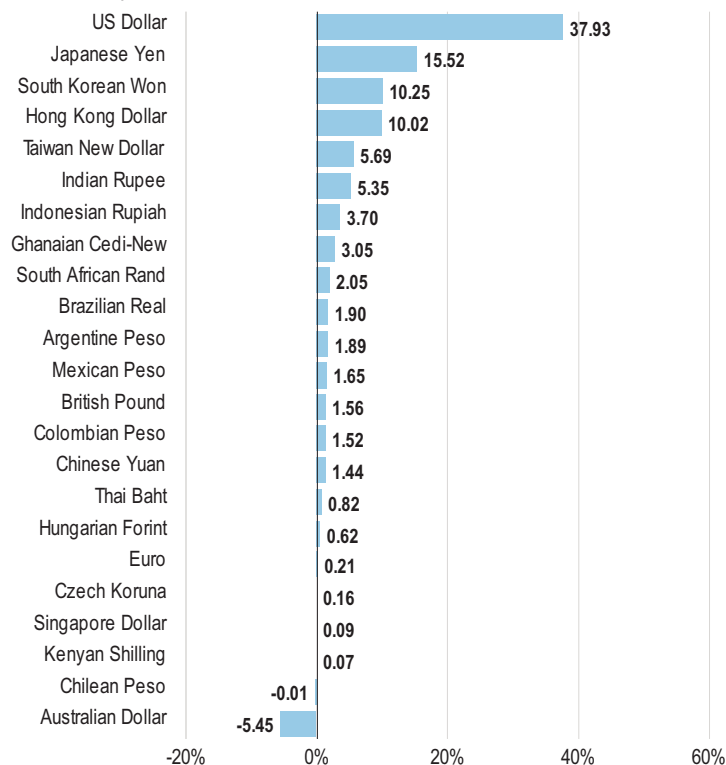
Market Value—Percent of Fixed Income



● Templeton Emerging Markets Dynamic Income Fund  
 ● JP Morgan GBI-EM Global Diversified Index

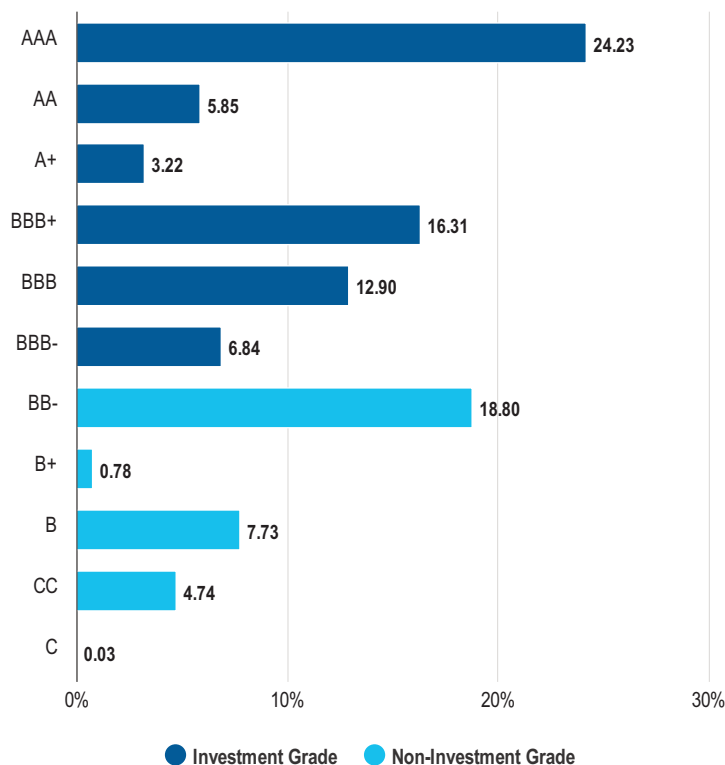
**Currency Exposure<sup>15</sup>**

Notional Exposure—Percent of Total



**Credit Quality Allocation<sup>2,16</sup>**

Market Value—Percent of Fixed Income



16. 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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## Supplemental Performance Statistics

Supplemental Risk Statistics<sup>17</sup>

	3 Yrs	5 Yrs	Since Inception
<b>Standard Deviation (%)</b>			
Templeton Emerging Markets Dynamic Income Fund	12.40	12.65	13.51
Linked 50% MSCI EM + 50% JPMorgan GBI-EM Global Diversified Index	12.84	12.13	12.00
<b>Tracking Error (%)</b>	3.79	3.73	4.13
<b>Information Ratio<sup>18</sup></b>	-0.68	-0.28	-0.88
<b>Beta</b>	0.92	1.00	1.07
<b>Sharpe Ratio</b>			
Templeton Emerging Markets Dynamic Income Fund	-0.21	0.07	-0.11
Linked 50% MSCI EM + 50% JPMorgan GBI-EM Global Diversified Index	0.00	0.16	0.18

## Investment Team

Portfolio Manager	Years with Firm	Years Experience
Chetan Sehgal, CFA	25	27
Michael Hasenstab, Ph. D.	21	25
Vivek Ahuja	13	24
Subash Pillai	1	23

## 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 and equity securities issued by entities located in emerging countries. Such securities have historically been subject to price movements, generally due to interest rates, market factors or movements in the equity and bond markets. 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, 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.

17. Beta, Information Ratio and Tracking Error information are measured against the Linked 50% MSCI EM + 50% JPMorgan GBI-EM Global Diversified 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).

**Important Legal Information****Effective 2 September 2019, Templeton Emerging Markets Balanced Fund was renamed Templeton Emerging Markets Dynamic Income Fund.**

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](http://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.

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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. Stocks mentioned in this report are not a solicitation to purchase those stocks, and are examples of some stocks which performed well. Not all stocks in the portfolio performed as well. 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 indexes 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.**

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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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5. 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.

6. 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.

7. 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



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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.

8. The dividend yield quoted here is the yield on securities within the portfolio and should not be used as an indication of the income received from this portfolio. **Past performance is not an indicator or a guarantee of future performance.**

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

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

11. 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.**

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 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 reserves the right to withhold release of information with respect to holdings that would otherwise be included.

14. 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.

15. 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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