FRANKLIN TEMPLETON

Franklin Gold and Precious Metals Fund–A (acc) USD

Sector Equity
31 May 2020

Franklin Templeton Investment Funds

Fund Manager Report

Product Details[1]

Fund Assets	$311,836,380.19
Fund Inception Date	30/04/2010
Number of Issuers	75
Bloomberg	FGPMAAU LX
ISIN	LU0496367417
Base Currency	USD
Investment Style	Sector
Benchmark	FTSE Gold Mines Index
Morningstar Category™	Sector Equity Precious Metals

Asset Allocation[2]

Percent of Total

	%
Equity	98.86
Cash & Cash Equivalents	1.14
Fixed Income	0.00

Overall Morningstar Rating™[3]

★★★

Fund Description

The fund seeks capital appreciation by investing at least 80% of its net assets in the securities of companies around the world that mine, process or deal in gold and other precious metals such as platinum, palladium and silver. The fund has a secondary goal of current income.

Performance Data

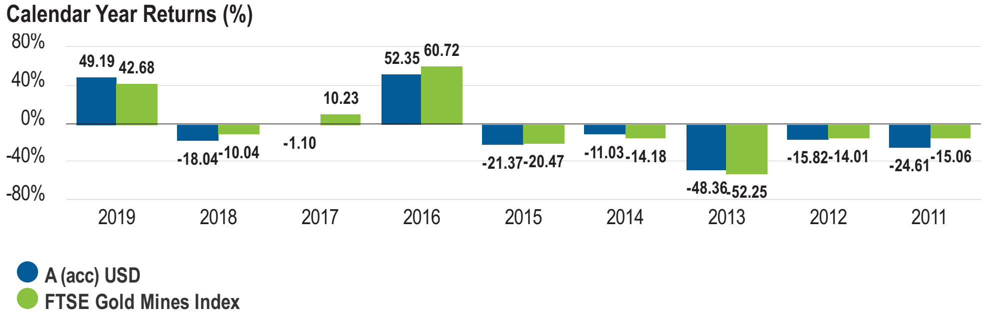
Discrete Annual Performance (%) as at 31/05/2020

	5/19-5/20	5/18-5/19	5/17-5/18	5/16-5/17	5/15-5/16
A (acc) USD	59.20	-8.09	-12.82	-1.47	19.65
FTSE Gold Mines Index USD	64.83	-1.53	-3.57	0.65	26.16

Performance Net of Management Fees as at 31/05/2020 (Dividends Reinvested) (%)[4,5]

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (30/04/2010)
A (acc) USD	12.22	25.68	8.74	59.20	8.45	8.50	-4.64	-4.99
FTSE Gold Mines Index	1.94	29.10	19.18	64.83	16.10	14.72	-2.34	-2.54

Calendar Year Returns (%)



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

Portfolio Manager Insight

Performance Review

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Industries
HELPED	Perseus Mining (Off-Benchmark Exposure)	Gold (Stock Selection)
	Barrick Gold (Significant Underweight)	Precious Metals and Minerals (Off-Benchmark Exposure)
	Red 5 (Off-Benchmark Exposure)	Silver (Off-Benchmark Exposure)
HURT	Agnico Eagle Mines (Significant Underweight)	—
	Eldorado Gold (Overweight)	—
	Northern Star Resources (Underweight)	—

- The fund enjoyed an exceptionally strong month as all five of its industry allocations beat the benchmark FTSE Gold Mines Index. West Africa-focused gold producer Perseus Mining was a notable outlier to the upside amidst the rally in gold-focused miners as the shares surged by over 40%. The company has been making headway on its third mine (Yaouré), with first gold production expected in December. Perseus's strong performance over the past month should also lead to additional index inclusions this year. In early June, Perseus announce a small acquisition of Exore Resources (not a fund holding); the deal should unlock beneficial synergies as Exore's resources and exploration targets in northern Côte d'Ivoire are within trucking distance of Perseus's Sissingué Gold Mine.

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

- Australian gold miner Red 5 delivered a strong May advance following the settlement of the second tranche of financing in mid-May that fully funds the equity required to build a new large processing plant at their King of the Hills deposit in Australia.
- Considering the fund's wide outperformance gap versus the benchmark index, there were very few relative detractors of consequence this month, as even underweight detractors Agnico Eagle and Northern Star were still solid contributors in the absolute. However, Eldorado Gold shed about 12% of its share value even as it continued to advance its Skouries gold project with the receipt of new installation permits from the Greek government. The COVID-19 outbreak weakened Eldorado's first-quarter results and forced the company to place its Lamaque mine (Canada) on care and maintenance for about three weeks, though management stuck to its consolidated 2020 gold production forecast of 520,000 to 550,000 ounces. That would be a roughly 35% year-over-year increase from the gold production of 395,331 ounces in 2019. Management also guided to 2020 all-in sustaining costs of about US$900 per gold ounce, a forecast that suggests Eldorado may generate an impressive margin this year, as the price of gold has averaged more than US$1,600 per ounce so far in 2020.

Outlook & Strategy

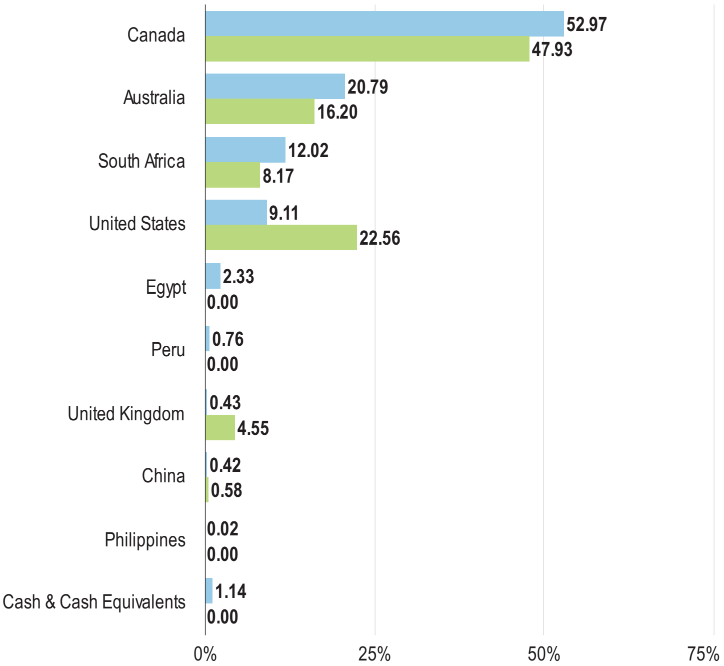
- Gold continued to grind higher in May, retesting price levels last seen in November 2012. Physical gold held globally by exchange-traded funds (ETFs) increased by 4.49 million ounces in the month, bringing total holdings over 100 million ounces for the first time—adding further distance from the previous peak in December 2012 of 82.7 million ounces.
- According to the World Gold Council's first-quarter 2020 review (released in April), gold demand improved 1% from a year ago as robust gold-backed ETF demand help offset a 39% annual drop in jewellery demand, which hit a record low for the WGC's data series (at only 325.8 mt). Central banks continued to be net buyers, but their 1Q20 purchases of 145 mt were down 8% from the same period in 2019. Mine supply fell 3% in the quarter largely due to virus-related disruptions.
- Gold averaged US$1,702 in April and May, once again setting the industry up for continued quarter-over-quarter gains considering the US$1,582 per ounce average for the first quarter of 2020. Operationally, the mine disruptions experienced in March and April due to various government measures implemented to slow the spread of COVID-19 began to unwind in May, bringing hope that although Q2 results may be negatively impacted, the outlook for Q3 has improved . Although these mine closures will negatively impact in the current quarter results for many producers, the tailwind of higher gold prices should be a nice offset.
- Gold has been performing well, but we still see a number of potential drivers that could move the metal even higher. In our view, gold may benefit from bouts of elevated market volatility and concerns over the impact of the coronavirus as investors seek perceived safe-haven assets. Gold has a very low correlation with other asset classes, supporting increased interest in gold as a portfolio diversification tool. That said, gold often declines with other assets in a true crisis as investors sell all assets to increase liquidity—but gold also frequently holds up better and recovers sooner than other financial assets under such circumstances, just as we experienced in March and early April.
- Gold equities remain closely correlated to gold bullion, but with higher beta, continuing a trend seen over the past few years. Many gold-focused companies struggled to generate free cash flow in a US$1,250-per-ounce gold environment as total costs for many producers are close to that level, according to our analysis. Mining costs tend to be relatively fixed, so higher gold prices can flow straight to the bottom line, and the move above US$1,700 should provide a significant lift in cash flow across the industry.
- Following a very active phase in late 2019, new merger-and-acquisition (M&A) activity was muted in the first quarter of 2020. Despite the COVID-19 overhang, we did see a few deals announced in the past few months. In late March, Endeavour Mining announce a friendly acquisition of Semafo (both are fund holdings). A bidding war emerged for fund holding Guyana Goldfields as Silvercorp Metals significantly increased their terms to beat out the offer from Gran Columbia Gold, only to be outbid by an all cash offer from an unnamed international mining company. In May, Alacer Gold (a fund holding) and SSR Mining (not a fund holding) announced a no-premium merger of equals that will create a new multi mine global company based in Denver with operations in Nevada, Canada and Turkey. Given several years of underinvestment by the gold industry, we expect further M&A activity in the months ahead, although activity will likely be slowed in the near term by travel restrictions and other short-term business impairments associated with the pandemic.
- We continue to see attractive opportunities in gold- and precious metals-focused equities, especially if gold prices can hold current levels or move even higher. Even when we factor in the strong share-price rebounds from March's lows, many gold companies have seen their forecasted cash flow increase faster than their stock prices over the past year, resulting in contracting equity valuation multiples despite the improving fundamentals. With gold moving even higher and input cost pressures subsiding on the back of lower fuel prices and favourable currency movements in many parts of the world, the compressed valuations make gold equites look even more compelling to us now. Most mining companies have maintained a focus on improving the cost structure of their operations, debt repayment and asset rationalisation, which we believe should result in better businesses and improved stock performance potential going forward as management teams look increasingly focused on turning higher gold prices into free cash flow that can be reinvested in high-return projects (or returned to shareholders via dividends). In addition, we believe small- and middle-capitalisation gold equities may present some of the best opportunities given their generally lower valuations and the industry's recent uptick in M&A activity, which has been receiving a boost as mining companies seek to replenish their resources following several years of limited exploration and development activity.

Portfolio Characteristics[6]

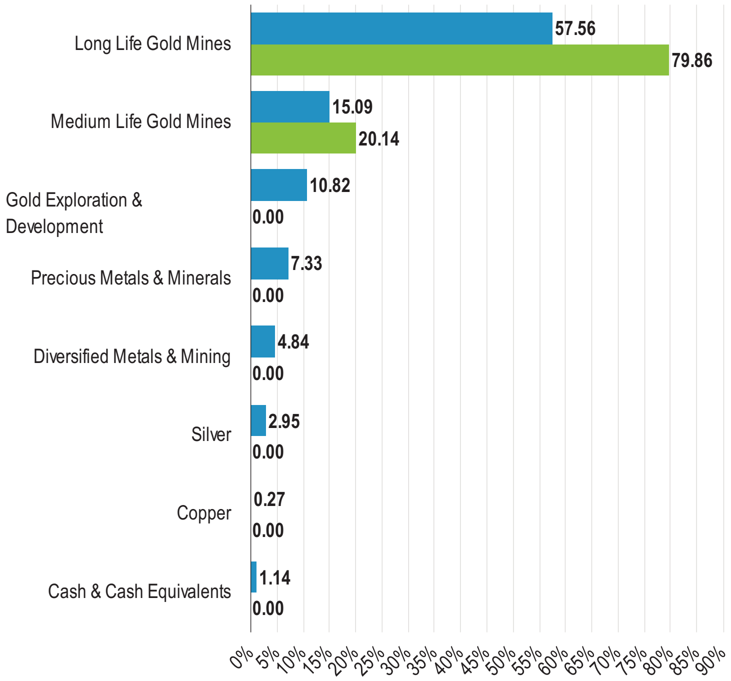
	Portfolio	FTSE Gold Mines Index
Market Capitalisation (Millions in USD)	9,280	23,487
Price to Earnings Growth Ratio	0.73x	1.22x
3-Year Sales Growth	24.81%	8.96%
Estimated 3-5 Yr EPS Growth	26.94%	20.69%
Price to Earnings (12 Month Forward)	15.20x	20.03x

Portfolio Diversification

Geographic Weightings vs. FTSE Gold Mines Index[2]
Percent of Total



Sector Weightings vs. FTSE Gold Mines Index[2]
Percent of Total



Top Ten Holdings[7]
Percent of Total

Top Holdings	Country	%
BARRICK GOLD CORP	Canada	6.80
B2GOLD CORP	Canada	5.87
ANGLOGOLD ASHANTI LTD	South Africa	5.05
NEWMONT CORP	United States	5.03
NEWCREST MINING LTD	Australia	4.53
ALAMOS GOLD INC	Canada	3.94
PERSEUS MINING LTD	Australia	3.78
CENTERRA GOLD INC	Canada	3.25
ALACER GOLD CORP	United States	2.91
IMPALA PLATINUM HOLDINGS LTD	South Africa	2.83

Supplemental Performance Statistics

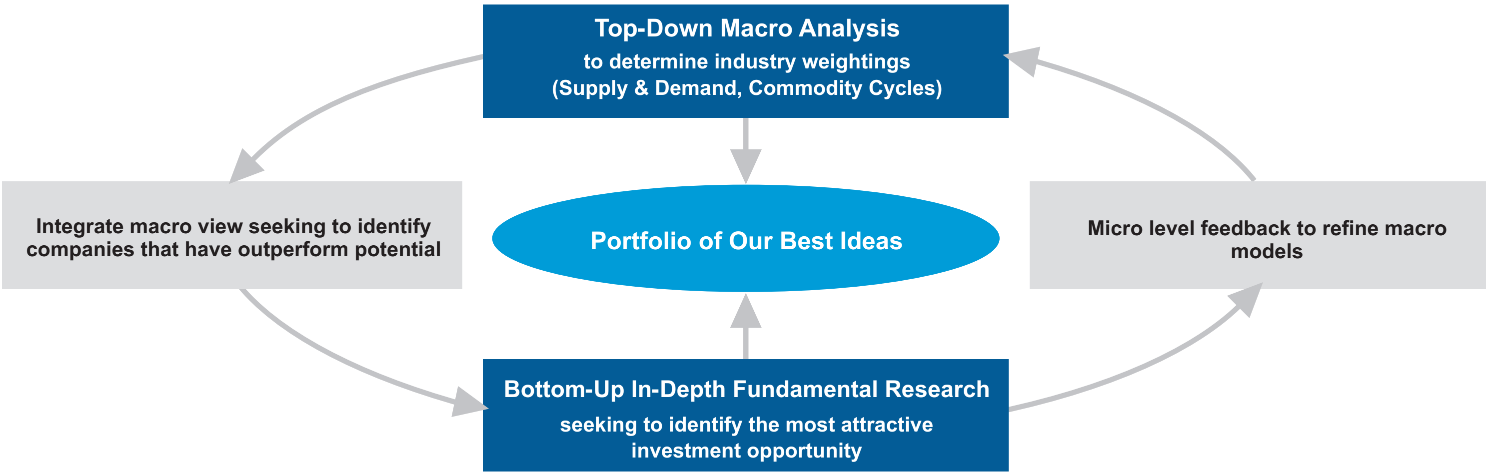
Supplemental Risk Statistics[8]

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Franklin Gold and Precious Metals Fund	33.66	36.92	34.27	34.15
FTSE Gold Mines Index	32.73	38.45	35.62	35.48
Tracking Error (%)	12.14	11.74	11.56	11.52
Information Ratio[9]	-0.63	-0.53	-0.20	-0.21
Beta	0.96	0.91	0.91	0.91
Sharpe Ratio				
Franklin Gold and Precious Metals Fund	0.20	0.20	-0.15	-0.16
FTSE Gold Mines Index	0.44	0.35	-0.08	-0.09

8. Beta, Information Ratio and Tracking Error information are measured against the FTSE Gold Mines Index.
9. 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 Strategy & Process

- Actively managed with a long-term focus
- Research driven
- Top down/bottom-up approach
- Valuation discipline
- Diversified globally across precious metals
- Look to maintain a stable risk profile over time



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Steve Land, CFA	22	23
Fred Fromm, CFA	27	28

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 equity-related securities of gold and precious metal companies in both developed and emerging countries. Such securities have historically been subject to significant price movements, frequently to a greater extent than equity markets globally. As a result, the performance of the Fund can fluctuate very significantly over relatively short time periods. Other significant risks include: currency 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

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.

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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.

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.

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2. 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.
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5. 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.
6. 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. The Estimated 3-5 Year EPS Growth uses simple weighted average means. There can be no assurance that the Estimated 3-5 Year EPS Growth will be realised. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.
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