

Product Details¹

Fund Assets	\$1,310,303,739.16
Fund Inception Date	01/03/1996
Number of Securities Including Cash	260
Bloomberg	TEMFHYI LX
ISIN	LU0065014192
Investment Style	High Yield
Benchmark	ICE BofA US High Yield Constrained Index
Morningstar Category™	USD High Yield Bond

Asset Allocation^a

Percent of Total	%
Fixed Income	97.72
Cash & Cash Equivalents	1.23
Equity	1.04

Overall Morningstar Rating™^b

Fund Description

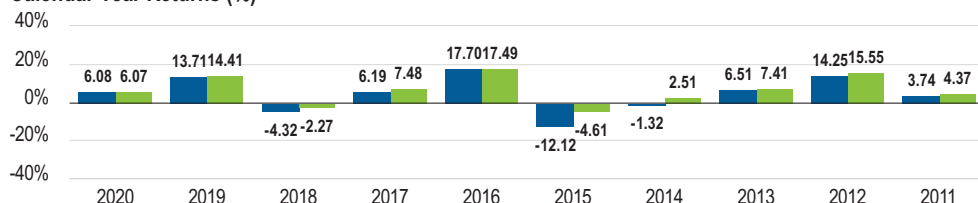
The Fund aims to earn a high level of current income and seeks capital appreciation when consistent with its principal objective of high current income, by principally investing either directly or through the use of financial derivative instruments in Fixed Income debt Securities of US or non-US issuers of any credit ratings, if issued by US issuers, or, if issued by non-US issuers or unrated, their equivalent.

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	9.20	2.84	5.08	1.31	7.60
ICE BofA US High Yield Constrained Index USD	11.46	2.22	6.30	2.95	9.05

Performance Net of Management Fees as at 30/09/2021 (Dividends Reinvested) (%)^{c,d}

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (01/03/1996)
A (Mdis) USD	0.42	0.61	3.35	9.20	5.67	5.16	5.28	4.89
ICE BofA US High Yield Constrained Index	0.04	0.95	4.68	11.46	6.59	6.34	7.29	-

Calendar Year Returns (%)


- A (Mdis) USD
- ICE BofA US High Yield Constrained Index

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

Portfolio Manager Insight
Performance Review
QUARTERLY KEY PERFORMANCE DRIVERS

	Security Selection	Allocation	Quality	Duration
HELPED	Media Cable	Overweight in Energy	Ratings-Quality Tilt	—
	Wireless	Underweight in Automotive	—	—
	Packaging	Underweight in Wired	—	—
HURT	Utility	—	—	Yield-Curve Positioning
	Gaming	—	—	—
	Technology	—	—	—

- Our ratings-quality tilt was a major contributor to relative performance. Conversely, our yield-curve positioning hindered results.
- Our industry allocation benefitted results, led by our overweight exposure in the energy industry and underweight in the automotive and wired segments.

1. All holdings are subject to change.

- Our security selection hindered performance, led by our selection in the utility, gaming and technology industries. Conversely, our security selection in the media cable, wireless and packaging segments contributed to results.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Security Selection	Allocation	Quality	Duration
HELPED	Media Cable	Overweight in Energy	Ratings-Quality Tilt	Yield-Curve Positioning
	Wireless	—	—	—
	Technology	—	—	—
HURT	Energy	Overweight in Packaging	—	—
	Utility	—	—	—
	Gaming	—	—	—

- Our ratings-quality tilt was a major contributor to relative performance. Our yield-curve positioning also benefitted results.
- Our industry allocation contributed to performance, led by our overweight exposure in the energy industry. Conversely, our overweight in the packaging segment detracted from results.
- Our security selection hindered performance, led by our selection in the energy, utility and gaming industries. Conversely, our security selection in the media cable, wireless and technology segments benefitted results.

Outlook & Strategy

- Despite potential headwinds to the US high-yield (HY) sector posed by renewed upward pressure on interest rates, HY fundamentals continued to improve with no new defaults in September, leading to a last-12-month (LTM) default rate that has trended below pre-COVID levels. In line with general market consensus, we expect ratings upgrades to continue to outpace downgrades for the remainder of the year. New issuance volume, aided by leveraged buyout financings, remains at record levels with a supportive liquidity environment for HY issuers.
- Whilst bouts of short-term market volatility due to US debt ceiling developments could materialise, in general, we anticipate the current robust economic rebound to continue to unfold in the United States with minimal disruption. To the extent that the current COVID-19 Delta wave is relatively short-lived, we maintain our expectation for HY spreads to resume grinding tighter and at least partially offset a potential rise in UST yields. We also do not foresee a material increase in defaults unless the Delta wave lasts well into 2022.
- In an effort to balance our overall constructive views on HY corporate bonds with the risk of higher interest rates, we maintain our measured stance on duration exposure and a general preference for B rated credits more exposed to improvements in credit quality over longer duration (or more interest rate sensitive) BB rated issues.
- Against the backdrop of persistent inflationary pressures from supply chain woes, we maintain our stance that the vast majority of US HY sectors are either not expected to be impacted to a significant degree by input cost inflation or are likely to be beneficiaries from higher commodity prices, such as energy and the metals and mining sectors. In spite of our constructive outlook and regardless of where we are in the economic cycle, prudent security selection across the quality spectrum with a general aversion to securities with longer-term secular challenges remains a core tenet of our portfolio management philosophy.

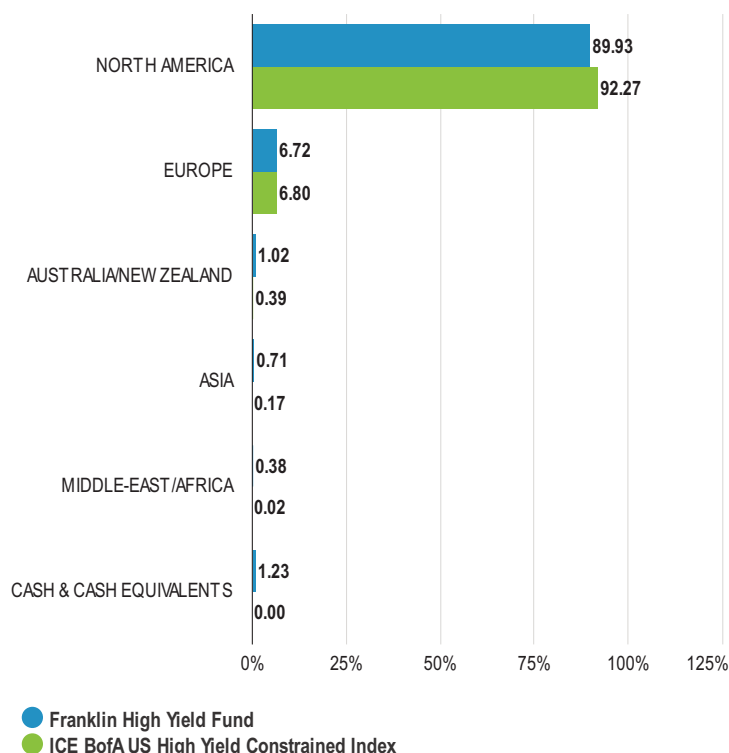
Portfolio Characteristics^{e,f}

	Portfolio	ICE BofA US High Yield Constrained Index
Yield to Maturity	4.89%	4.70%
Yield to Worst	4.38%	4.10%
Average Credit Quality ²	B+	B+
Average Duration	3.77 Yrs	4.18 Yrs
Average Weighted Maturity	4.31 Yrs	6.72 Yrs

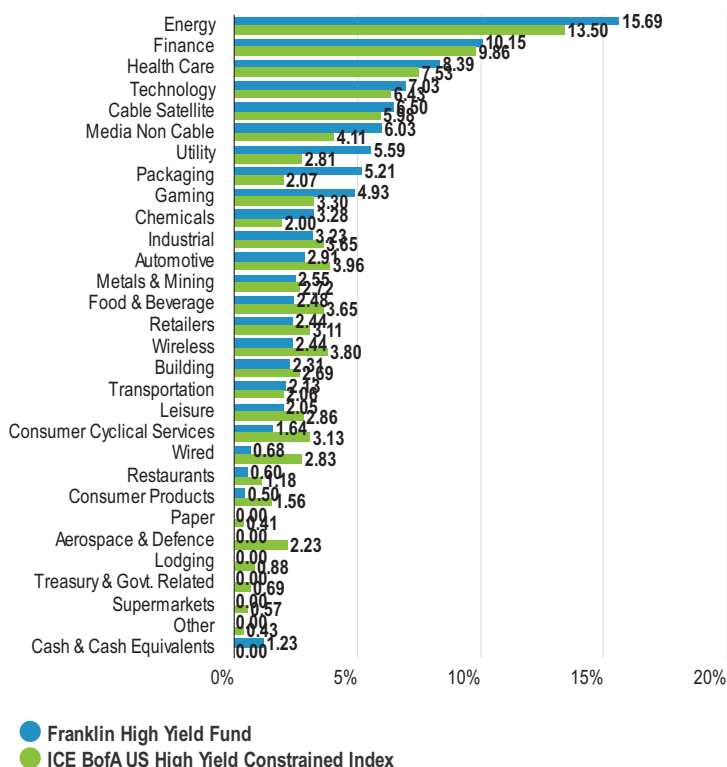
2. The average credit quality (ACQ) rating may change over time. The portfolio itself has not been rated by an independent rating agency. The letter rating, which may be based on bond ratings from different agencies (or internal ratings for unrated bonds, cash and equivalents), is provided to indicate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

Portfolio Diversification⁹

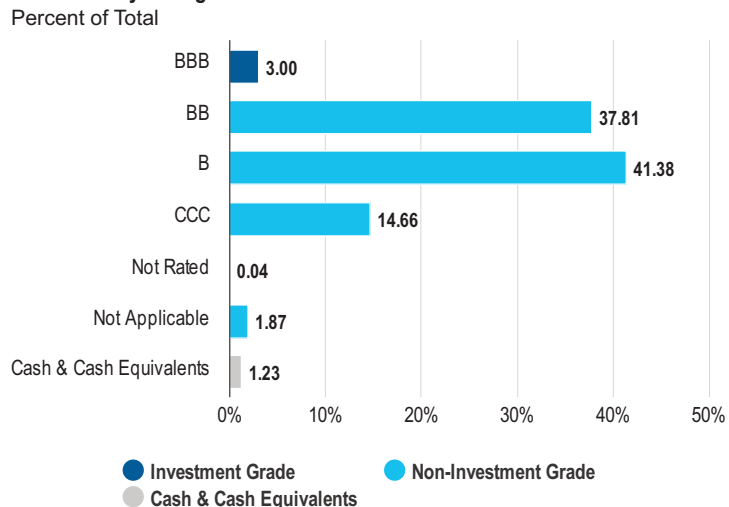
Geographic Weightings vs. ICE BofA US High Yield Constrained Index
Percent of Total



Sector Weightings vs. ICE BofA US High Yield Constrained Index
Percent of Total



Credit Quality Ratings³
Percent of Total



Top Ten Holdings⁹
Percent of Total

Top Holdings	%
OCCIDENTAL PETROLEUM COR	2.12
MAUSER PACKAGING SOLUT	1.71
GOODRICH PETROLEUM CORP	1.69
MRT MID PART/MRT MID FIN	1.66
CLEARWAY ENERGY OP LLC	1.62
ALTICE FRANCE HOLDING SA	1.44
CCO HLDGS LLC/CAP CORP	1.42
BAUSCH HEALTH COS INC	1.42
CHENIERE ENERGY PARTNERS	1.32
CSC HOLDINGS LLC	1.32

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.

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Performance Statistics

Risk Statistics⁴

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)				
Franklin High Yield Fund	8.45	6.78	7.24	8.94
ICE BofA US High Yield Constrained Index	9.33	7.39	6.78	-
Tracking Error (%)	1.34	1.11	1.67	-
Information Ratio⁵	-0.69	-1.06	-1.20	-
Beta	0.90	0.91	1.04	-
Sharpe Ratio				
Franklin High Yield Fund	0.55	0.60	0.65	0.32
ICE BofA US High Yield Constrained Index	0.60	0.71	0.99	-

Investment Team

Portfolio Manager	Years with Firm	Years Experience
Glenn Voyles, CFA	28	28
Patricia O'Connor, CFA	24	25
Bryant Dieffenbacher, CFA	11	14
S. James McGiveran III, CFA	15	15

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 issued principally by corporations located in the U.S. 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 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, 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.

4. Beta, Information Ratio and Tracking Error information are measured against the ICE BofA US High Yield Constrained 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).

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.**

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- c. 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.
- d. 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.
- 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. 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.



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