

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

Fund Assets	\$709,127,124.27
Fund Inception Date	12/07/2007
Number of Securities Including Cash	598
Bloomberg	FTSIADU LX
ISIN	LU0300737201
Base Currency	USD
Investment Style	Multi-Sector
Benchmark	Bloomberg US Aggregate Index
Morningstar Category™	USD Flexible Bond

**Asset Allocation<sup>a</sup>**

Market Value—Percent of Total	%
Fixed Income	95.95
Cash & Cash Equivalents	3.55
Equity	0.51

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

**Fund Description**

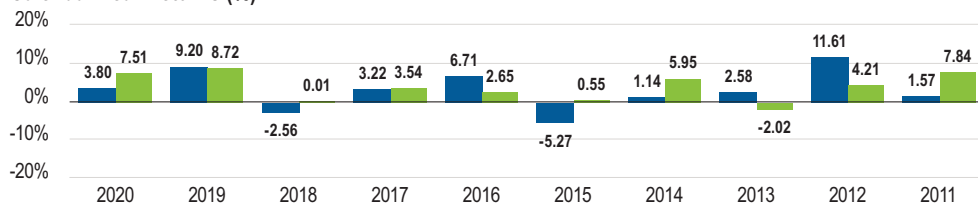
The fund aims to earn a high level of current income and seeks capital appreciation over the long term by investing principally in fixed and floating-rate debt securities globally, including those in emerging markets.

**Performance Data<sup>\*</sup>**
**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	5.78	0.43	5.59	-0.29	3.14
Bloomberg US Aggregate Index USD	-0.90	6.98	10.30	-1.22	0.07

**Performance Net of Management Fees as at 30/09/2021 (Dividends Reinvested) (%)<sup>c,d</sup>**

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (12/07/2007)
A (Mdis) USD	-0.27	0.25	1.50	5.78	3.90	2.90	3.40	3.88
Bloomberg US Aggregate Index	-0.87	0.05	-1.55	-0.90	5.35	2.94	3.01	4.26

**Calendar Year Returns (%)**


- A (Mdis) USD
- Bloomberg US Aggregate Index

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

**Portfolio Manager Insight**
**Performance Review**
**QUARTERLY KEY PERFORMANCE DRIVERS**

	Sector Exposure	Duration/Yield Curve
<b>HELPED</b>	Corporate Credits: High-Yield (HY) and Investment-Grade (IG) Corporate Bonds, Senior Secured Floating-Rate Bank Loans and Collateralised Loan Obligations (CLOs)	—
	Non-Agency Residential Mortgage-Backed Securities (RMBS), US Treasury Inflation-Protected Securities (TIPS), Taxable Municipal Bonds and Agency Mortgage-Backed Securities (MBS)	—
	Sovereign Developed Market and Non-US Dollar Denominated Emerging Market (EM) Debt; Foreign Currency Exposure	—
<b>HURT</b>	Non-US Dollar Denominated Developed Market and Sovereign EM Debt	US Duration Positioning
	Tax Exempt Municipal Bonds	—
	—	—

- The fund's exposure to corporate credit sectors of HY and IG corporate bonds, senior secured floating-rate bank loans and CLOs was the main contributor to absolute returns (especially HY corporate bonds). We added to HY corporate bonds, senior secured floating-rate bank loans

1. All holdings are subject to change.

and CLOs whilst maintaining our allocation to IG corporate bonds. Credit fundamentals for the US HY corporate bond market have meaningfully improved the last two quarters. Although we retain our moderately bullish outlook, we continue to be of the view that careful credit selection will be an important driver of outperformance. We remain generally comfortable with IG corporate bond fundamentals and market technicals and believe the sector should still benefit from above trend growth, even if gross domestic product and earnings growth have peaked. However, the investment opportunity has become less compelling given full valuations, even as credit spreads have come off from recent tight levels.

- Our RMBS allocation also benefitted returns. We pared our exposure over Q3 amidst continued strength in the sector. The US housing market continued to be strong with significant demand for homes despite large increases in prices. Supply and demand imbalances combined with mortgage rates still near historic lows will continue to support a strong housing market. This fundamental backdrop should bolster solid risk-adjusted returns for the RMBS sector in the near-term.
- TIPS performance contributed during the quarter and we decreased allocation to the sector. Our foreign currency exposure also benefitted results. Gains mainly from our long Uruguayan peso and Indonesian rupiah and short Canadian dollar positions were slightly offset by losses from our long South Korean won, Australian dollar and Colombian peso positions.

#### ONE-MONTH KEY PERFORMANCE DRIVERS

	Sector Exposure	Duration/Yield Curve
HELPED	Corporate Credits: HY and IG Corporate Bonds, Senior Secured Floating-Rate Bank Loans and CLOs	—
	RMBS, MBS, Taxable Municipal Bonds and TIPS	—
	Sovereign Developed Market and Non-US Dollar Denominated EM Debt	—
HURT	Sovereign EM and Non-US Dollar Denominated Developed Market Debt	US Duration Positioning
	Foreign Currency Exposure	Non-US Duration Positioning
	—	—

- Our allocation to HY and IG corporate bonds, senior secured floating-rate bank loans and CLOs was the main contributor to performance during the month. We increased our allocation to HY corporate bonds, senior secured floating-rate bank loans and CLOs whilst maintaining our IG corporate bond exposure.
- Non-agency RMBS contributed to results.
- Our foreign currency exposure detracted from performance, mainly from our long Turkish lira, Uruguayan peso and South Korean won positions.

#### Outlook & Strategy

- High vaccination rates in most developed economies have provided an effective barrier against the resurgence of COVID-19 infections, keeping hospitalisation and death rates anchored even where new cases have risen significantly due to the Delta variant. We believe this will allow governments to continue to rely on targeted pandemic-control measures rather than more widespread activity restrictions. A robust global recovery therefore remains on track, in our view.
- Global supply chain disruptions continue to cause delivery delays and shortages of components that are putting upward pressure on prices. In the United States, the pace of labour market recovery remains uneven, leaving many companies to face hiring difficulties and fuelling faster wage growth in several sectors. We expect these supply-side factors will keep inflation higher for longer and keep inflation expectations relatively elevated.
- Valuations across a wide range of markets are somewhat high; major central banks play a significant role as price-insensitive buyers in a number of asset classes and are now debating the timing and pace of a change in policy stance. Together with the residual pandemic uncertainty, ongoing supply side disruptions and geopolitical uncertainty, this creates the potential for bouts of volatility in asset prices; investors need to be prepared to handle this volatility and adjust their portfolios accordingly, where appropriate.

#### Portfolio Characteristics<sup>e,f,g</sup>

	Portfolio	Bloomberg US Aggregate Index
Yield to Maturity	3.92%	1.56%
Yield to Worst	3.74%	1.55%
Average Credit Quality <sup>2,3</sup>	BB	AA
Average Duration	3.66 Yrs	6.64 Yrs
Average Weighted Maturity	5.69 Yrs	8.47 Yrs

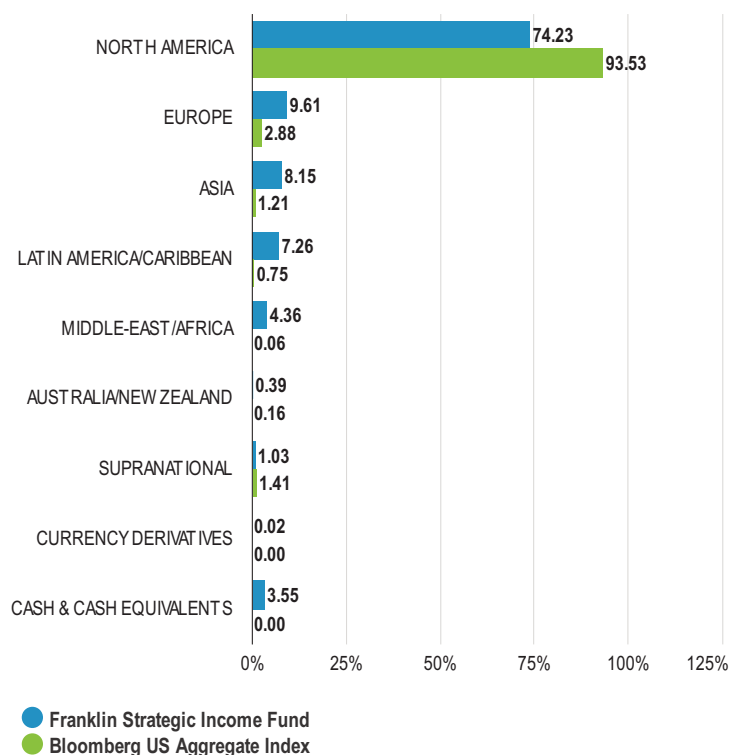
2. The average credit quality (ACQ) rating may change over time. The portfolio itself has not been rated by an independent rating agency. The letter rating, which may be based on bond ratings from different agencies (or internal ratings for unrated bonds, cash and equivalents), is provided to indicate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

3. 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.

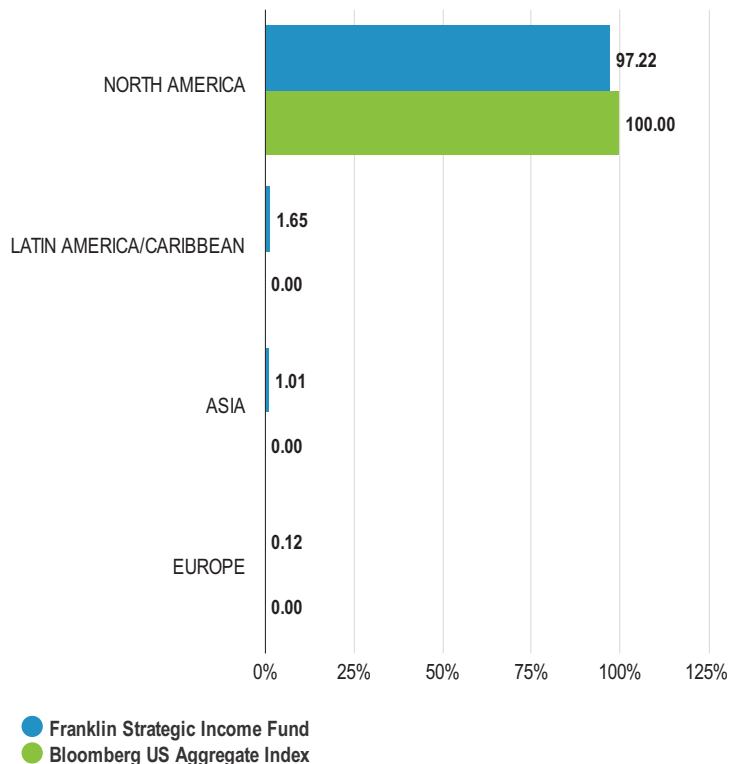
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Portfolio Diversification<sup>e</sup>

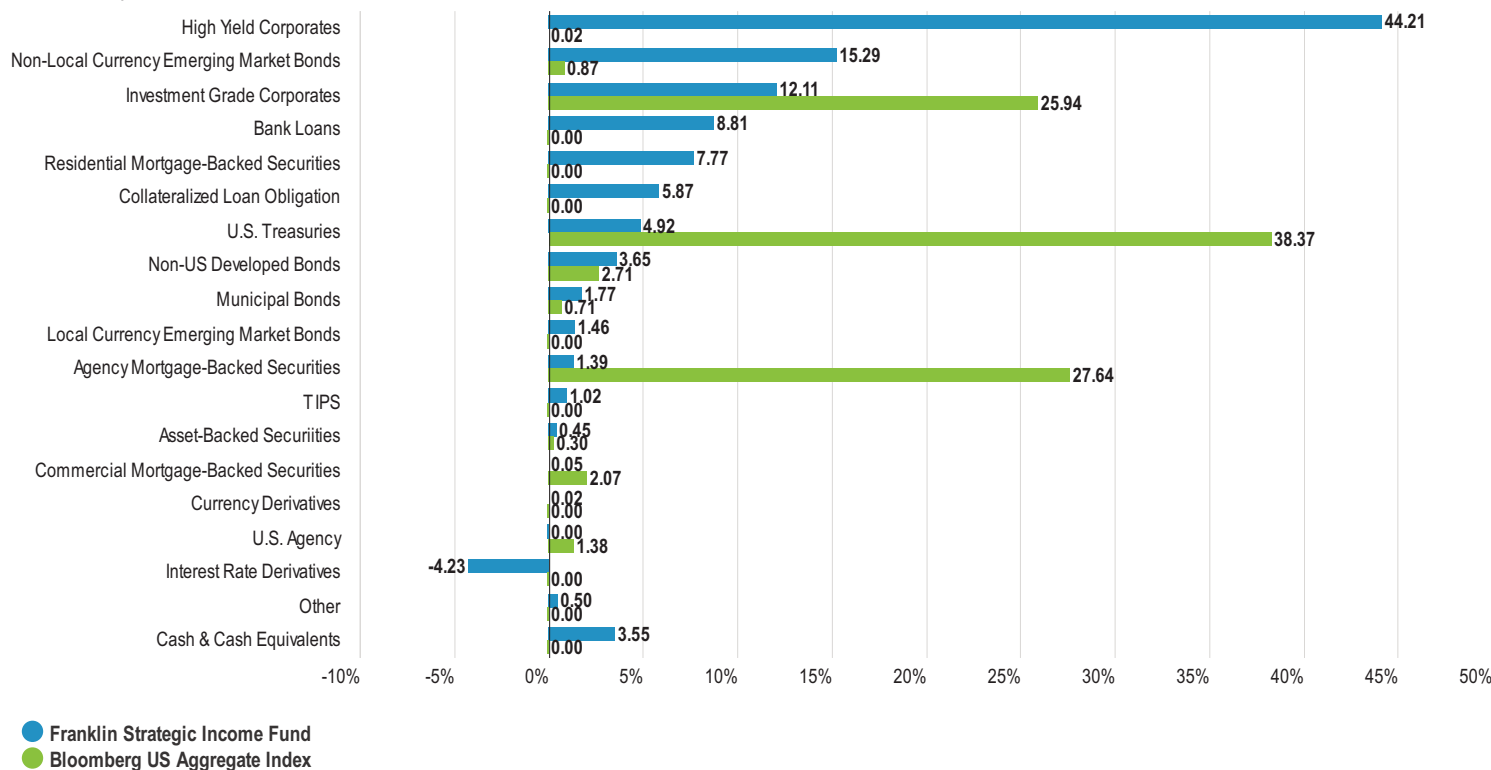
Geographic Exposure vs. Bloomberg US Aggregate Index<sup>h</sup>  
Notional Exposure—Percent of Total



Currency Exposure vs. Bloomberg US Aggregate Index<sup>h</sup>  
Notional Exposure—Percent of Total



Sector Exposure vs. Bloomberg US Aggregate Index<sup>h,4</sup>  
Notional Exposure—Percent of Total

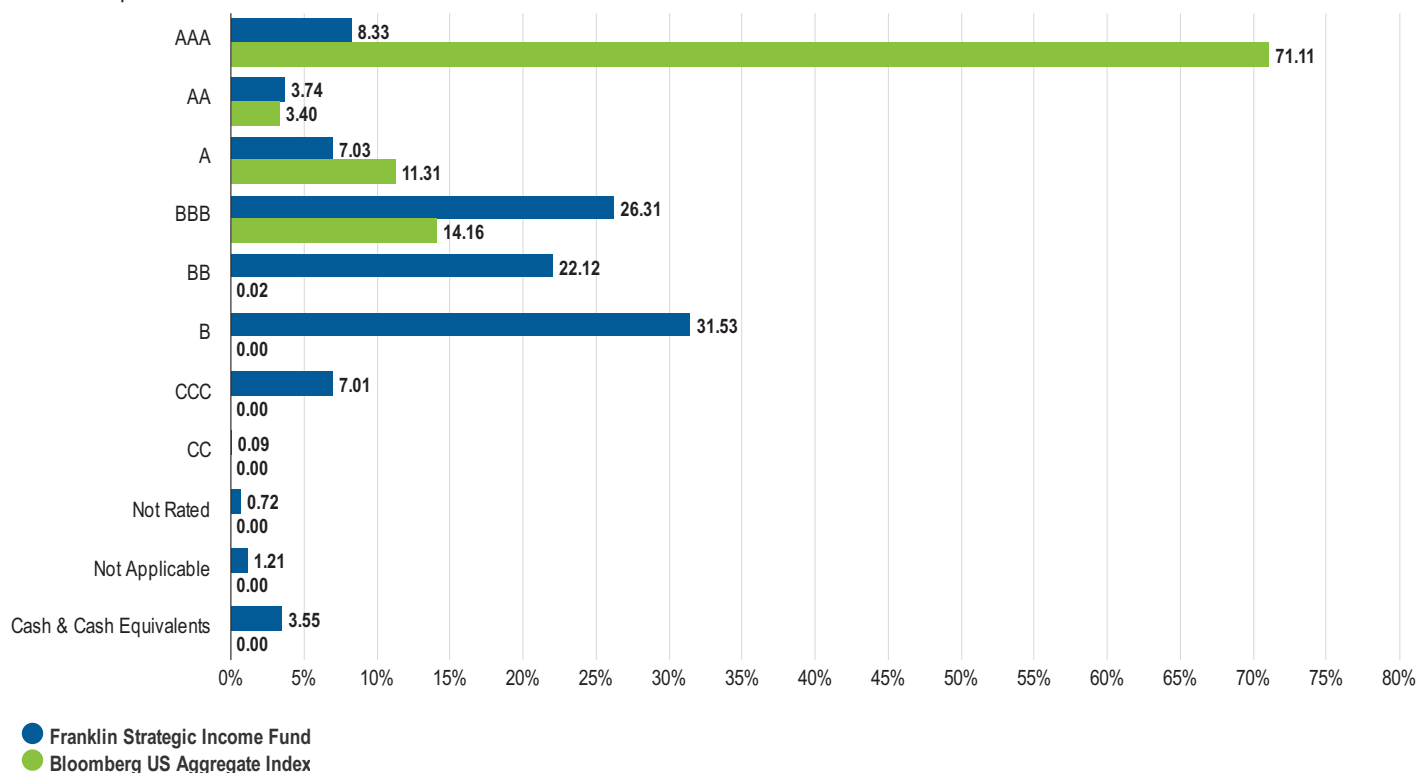


4. Interest Rate Derivatives sector consists of Treasury, interest rate and other derivatives that are primarily used for duration management; a negative number indicates that we are seeking to hedge interest rate risk.

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**Credit Quality Exposure vs. Bloomberg US Aggregate Index<sup>5,6</sup>**

Notional Exposure—Percent of Total

**Performance Statistics****Risk Statistics<sup>7</sup>**

	3 Yrs	5 Yrs	10 Yrs	Since Inception
<b>Standard Deviation (%)</b>				
Franklin Strategic Income Fund	7.20	5.73	5.30	6.17
Bloomberg US Aggregate Index	3.49	3.28	2.98	3.27
<b>Tracking Error (%)</b>	7.00	5.59	5.19	5.87
<b>Information Ratio<sup>8</sup></b>	-0.21	-0.01	0.07	-0.04
<b>Sharpe Ratio</b>				
Franklin Strategic Income Fund	0.40	0.32	0.53	0.54
Bloomberg US Aggregate Index	1.24	0.57	0.82	1.08

**Investment Team**

Portfolio Manager	Years with Firm	Years Experience
Sonal Desai, Ph. D.	11	27
Patricia O'Connor, CFA	24	25
William Chong	12	12
David Yuen, CFA	25	33

5. 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.

6. 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.

7. Information Ratio and Tracking Error information are displayed for the product versus the Bloomberg US Aggregate Index.

8. 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 debt securities of any quality from issuers of both developed and emerging countries. Such securities 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 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, derivatives instruments risk, emerging markets risk, liquidity risk, securitisation 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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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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- 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. Yield to Maturity, Yield to Worst, Average Duration and Average Weighted Maturity reflect certain derivatives held in portfolio (or their underlying reference assets).
- h. 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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