

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

Fund Assets	\$337,743,739.09
Fund Inception Date	29/08/2003
Number of Securities Including Cash	390
Bloomberg	FRASTB LX
ISIN	LU0170467566
Investment Style	Multi-Sector
Benchmark	Hybrid: Bloomberg US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg US Government & Credit (1-3 Y) Index
Morningstar Category™	USD Diversified Bond – Short Term

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

Market Value—Percent of Total

	%
Fixed Income	96.98
Cash & Cash Equivalents	3.00
Equity	0.01

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

**Fund Description**

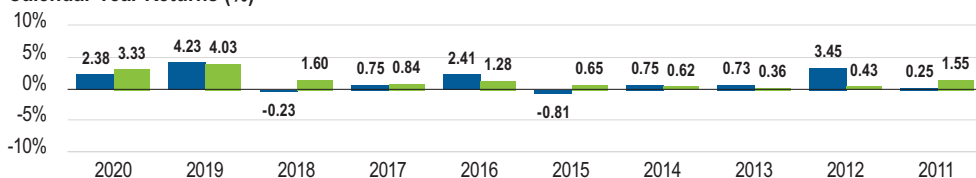
The fund's investment objective is to provide as high a level of current income as is consistent with prudent investing, while seeking preservation of shareholders' capital.

**Performance Data**
**Discrete Annual Performance (%) as at 31/08/2021**

	8/20-8/21	8/19-8/20	8/18-8/19	8/17-8/18	8/16-8/17
A (Mdis) USD	2.28	1.58	2.81	0.14	1.36
Hybrid: Bloomberg US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg US Government & Credit (1-3 Y) Index USD	0.39	3.66	4.62	0.15	0.90

**Performance Net of Management Fees as at 31/08/2021 (Dividends Reinvested) (%)<sup>c,d</sup>**

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (29/08/2003)
A (Mdis) USD	0.13	0.09	0.70	2.28	2.22	1.63	1.40	1.68
Hybrid: Bloomberg US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg US Government & Credit (1-3 Y) Index	0.00	0.02	0.17	0.39	2.87	1.93	1.33	2.18

**Calendar Year Returns (%)**


● A (Mdis) USD

● Hybrid: Bloomberg US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg US Government &amp; Credit (1-3 Y) Index

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

1. All holdings are subject to change.

## Portfolio Manager Insight

## Performance Review

## ONE-MONTH KEY PERFORMANCE DRIVERS

	Sector Exposure	Duration/Yield Curve
HELPED	Exposure to High-Yield (HY) Corporate Bonds; Overweight Allocations to Senior Secured Floating-Rate Bank loans and Collateralised Loan Obligations (CLOs); Security Selection in Investment-Grade (IG) Corporate Bonds	—
	Security Selection in Sovereign Emerging Market (EM) and Developed Market Debt; Allocation to Non-US Dollar Denominated Developed Market and EM Debt	—
	Overweight Allocation to Non-Agency Residential Mortgage-Backed Securities (RMBS)	—
HURT	Security Selection in CLOs	US Duration Positioning
	—	—
	—	—

- The fund's exposure to HY corporate bonds, overweight allocations to senior secured floating-rate bank loans and CLOs and security selection in IG corporate bonds contributed to relative performance, whereas security selection in CLOs hindered results. IG corporate bonds remains one of the fund's largest allocations; we remained underweight the sector relative to the benchmark and trimmed our exposure during the month. Whilst supportive IG corporate bond fundamentals and technical conditions persist, valuations remain stretched. We remain constructive on CLOs and HY corporate debt; we maintained our exposure in CLOs whilst increasing our HY allocation during the month. We believe that US HY corporate bonds credit fundamentals are likely to face only modest downside from prospective impacts of input-cost inflation and shortages. We think that US HY spreads have room to compress to absorb a measured rise in UST yields, considering that spreads are still wide of historic lows across ratings tiers and the default rate is likely to remain very low at least through 2022. We added to our UST allocation.
- Our overweight allocation to RMBS contributed to relative performance. We pared our exposure over the month amidst continued strength in the sector. The US housing market remained resilient throughout the pandemic and continues to be robust in 2021. With historically low housing inventories and all-time low mortgage rates, supply and demand imbalances are likely to persist in the near to intermediate term. The solid fundamental housing market should bolster risk-adjusted returns for mortgage credit in the near-term. A majority of the portfolio's RMBS exposure is in credit risk transfer (CRT) securities.
- Our US duration exposure hindered performance, whilst non-US duration exposure had a largely neutral effect on results. Our foreign currency exposure marginally contributed to results, largely due to our long Uruguayan peso position.

## Outlook &amp; Strategy

- With inflation now running higher and longer than the Fed had anticipated, we believe month after month of 4%–5% inflation has the possibility to lead to either wage growth accelerating significantly, dis-anchoring inflation expectations, or higher prices eroding purchasing power, both of which undermine economic recovery. In our view, the current recovery no longer needs massive monetary stimulus as underlying fundamentals remain strong. Whilst the COVID-19 Delta variant has caused a resurgence in new cases, vaccines are proving highly effective in preventing severe health consequences; this should allow the current robust economic rebound to continue to unfold in the United States and globally.
- Rich asset valuations are increasingly a concern as many fixed income sectors are now trading at valuations reflecting a close to best-case recovery scenario. With the best macro scenario already priced in, asset prices become even more sensitive to Fed policy. Consequently, the stakes are high for a smooth transition away from quantitative easing. At a time when the case for tightening policy is strong, financial markets have never been more dependent on the Fed. We believe investors should be prepared for increased volatility as the markets try to interpret and anticipate the likely changes in policy regime. Despite this anticipated volatility, we see opportunities in fixed income investments that will benefit from a strong economy and are not overly sensitive to rising interest rates.

Portfolio Characteristics<sup>e,2,f,g</sup>

	Portfolio	Hybrid: Bloomberg US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg US Government & Credit (1-3 Y) Index
Yield to Maturity	1.34%	0.32%
Yield to Worst	1.27%	0.29%
Average Credit Quality <sup>3</sup>	A+	AA+
Average Duration	1.76 Yrs	1.84 Yrs
Average Weighted Maturity	2.70 Yrs	1.88 Yrs

2. 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.

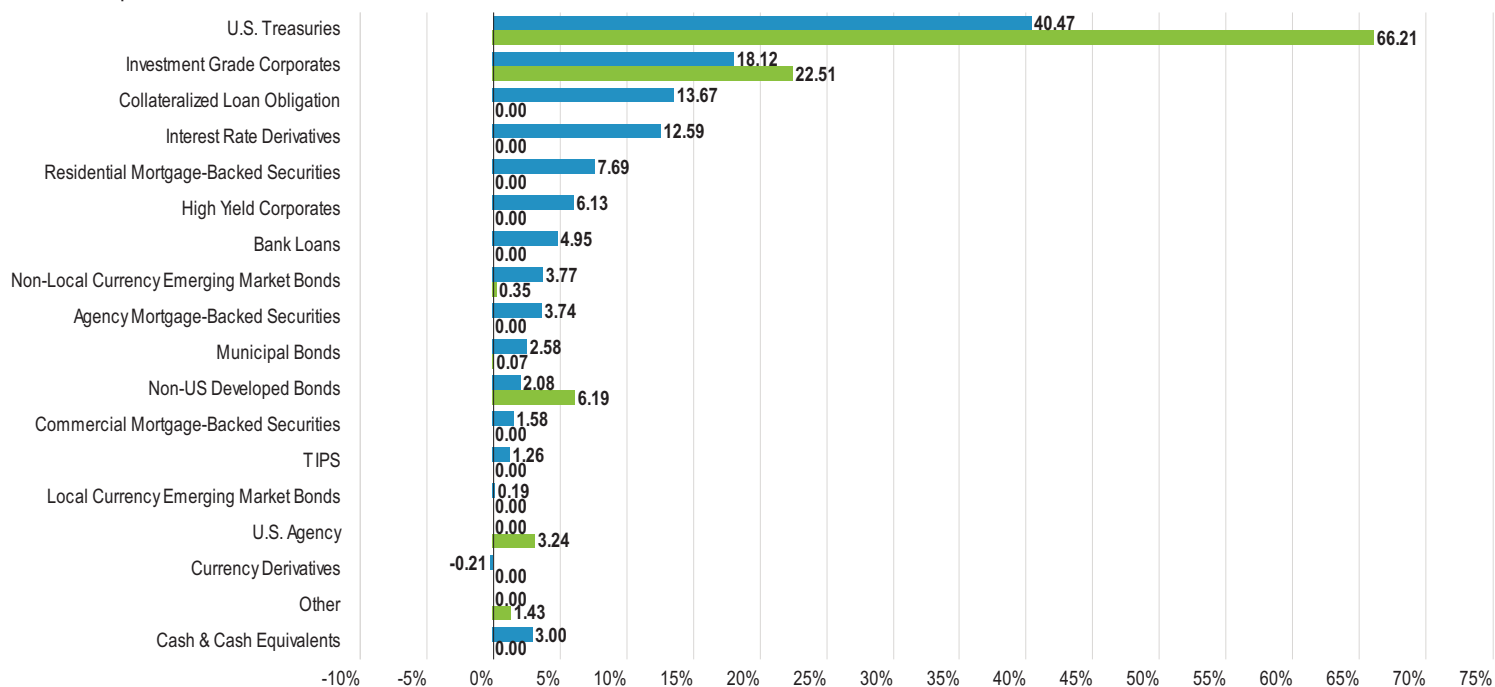
3. The average credit quality (ACQ) rating may change over time. The portfolio itself has not been rated by an independent rating agency. The letter rating, which may be based on bond ratings from different agencies (or internal ratings for unrated bonds, cash and equivalents), is provided to indicate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

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Portfolio Diversification<sup>f</sup>

Sector Exposure vs. Hybrid: Bloomberg US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg US Government & Credit (1-3 Y) Index<sup>h,i</sup>

Notional Exposure—Percent of Total

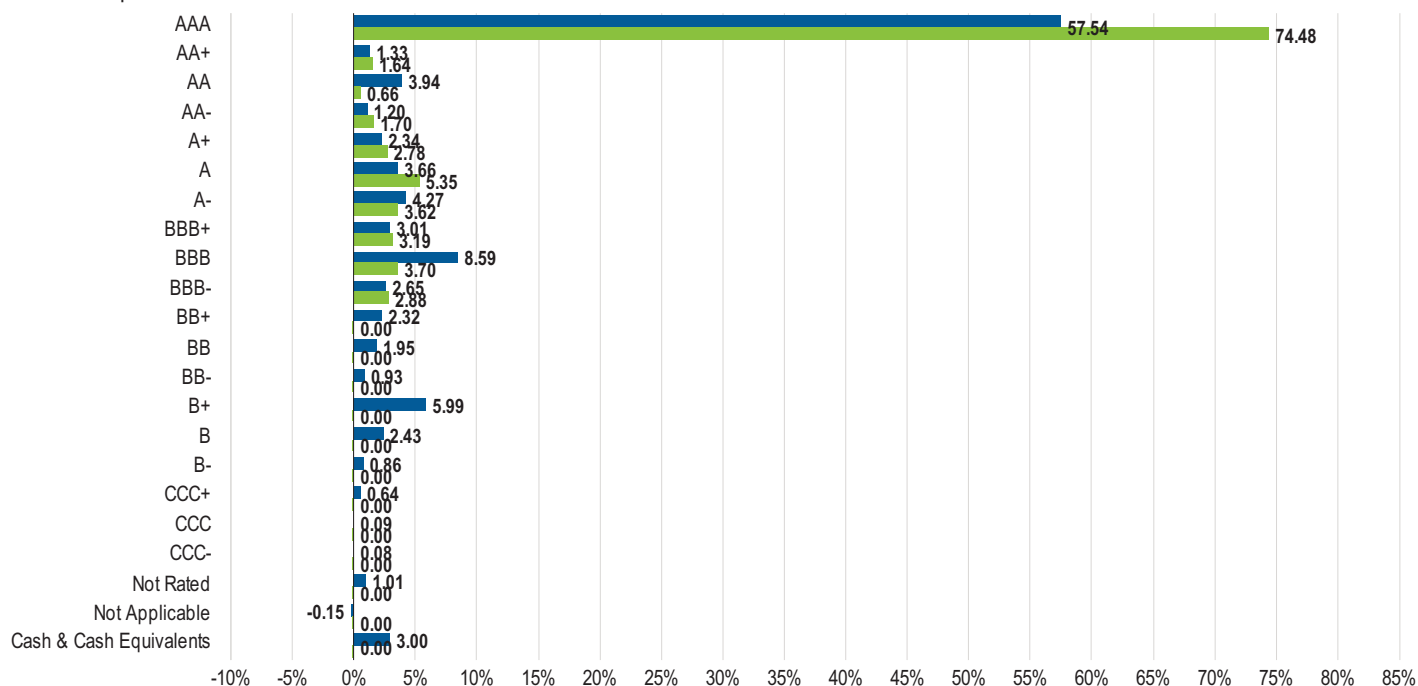


● Franklin U.S. Low Duration Fund

● Hybrid: Bloomberg US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg US Government & Credit (1-3 Y) Index

Credit Quality Exposure vs. Hybrid: Bloomberg US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg US Government & Credit (1-3 Y) Index<sup>4,5</sup>

Notional Exposure—Percent of Total



● Franklin U.S. Low Duration Fund

● Hybrid: Bloomberg US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg US Government &amp; Credit (1-3 Y) Index

## Performance Statistics

Risk Statistics<sup>6</sup>

	3 Yrs	5 Yrs	10 Yrs	Since Inception
<b>Standard Deviation (%)</b>				
Franklin U.S. Low Duration Fund	5.65	4.40	3.28	2.55
Hybrid: Bloomberg US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg US Government & Credit (1-3 Y) Index	0.95	0.90	0.78	1.23
<b>Tracking Error (%)</b>	5.70	4.43	3.29	2.80
<b>Information Ratio<sup>7</sup></b>	-0.11	-0.07	0.02	-0.18
<b>Sharpe Ratio</b>				
Franklin U.S. Low Duration Fund	0.20	0.12	0.25	0.19
Hybrid: Bloomberg US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg US Government & Credit (1-3 Y) Index	1.87	0.93	0.96	0.79

## Investment Philosophy

Franklin Templeton Fixed Income believes that integrating top-down macroeconomic views, bottom up fundamental research, and quantitative science provides us with a competitive edge to navigate challenging investment environments, pursue consistent alpha, and better serve our clients.

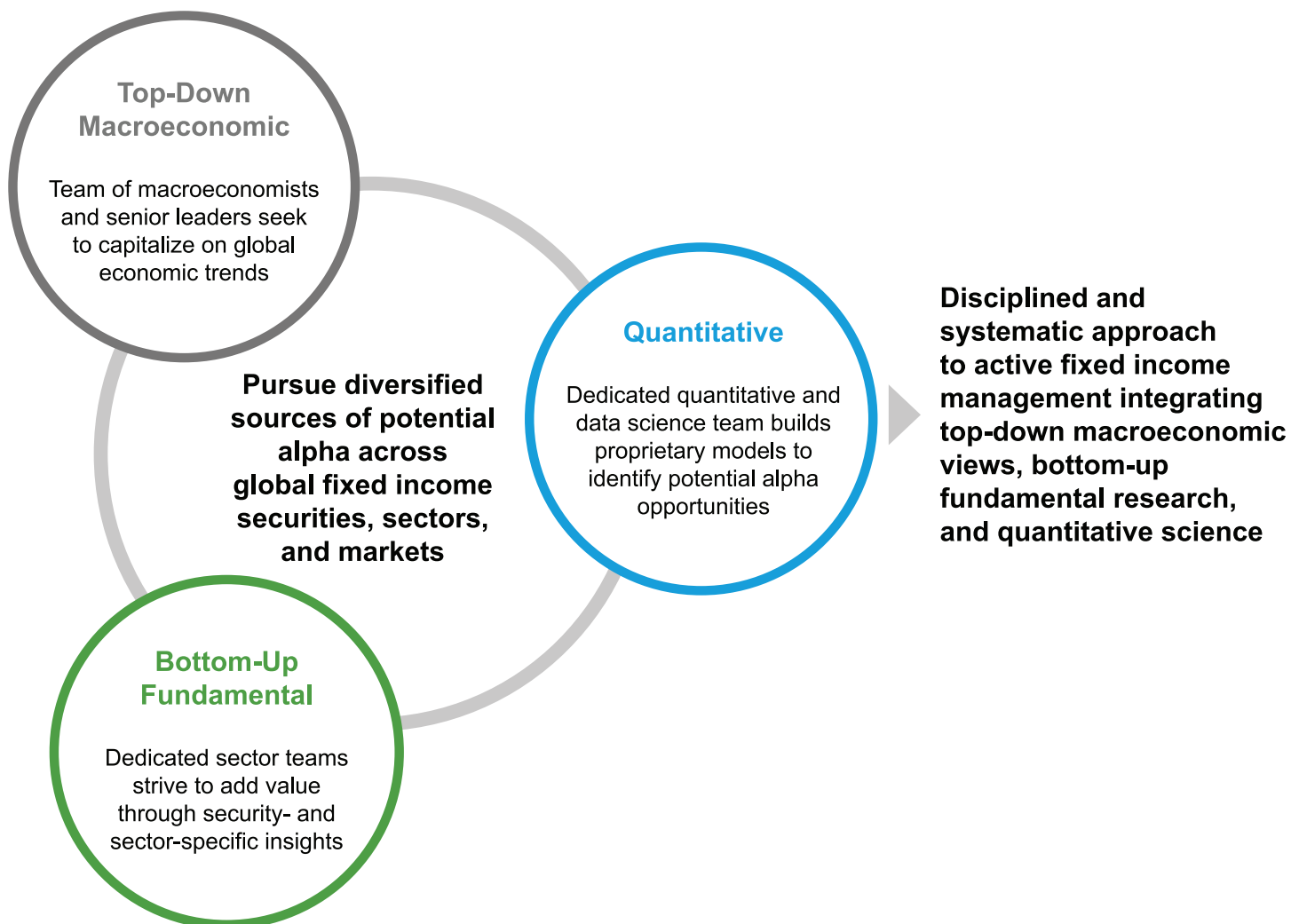
4. Notional exposure figures are intended to estimate the portfolio's exposure to issuer credit risk, including any hedged or increased exposure through credit derivatives held in the portfolio (or their underlying reference assets). Any credit derivatives are assigned the ratings of their underlying 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.

5. 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.

6. Information Ratio and Tracking Error information are displayed for the product versus the Hybrid: Bloomberg US Treasury (1-3 Y) Index to 30 Sep 2014 then Bloomberg US Government & Credit (1-3 Y) Index.

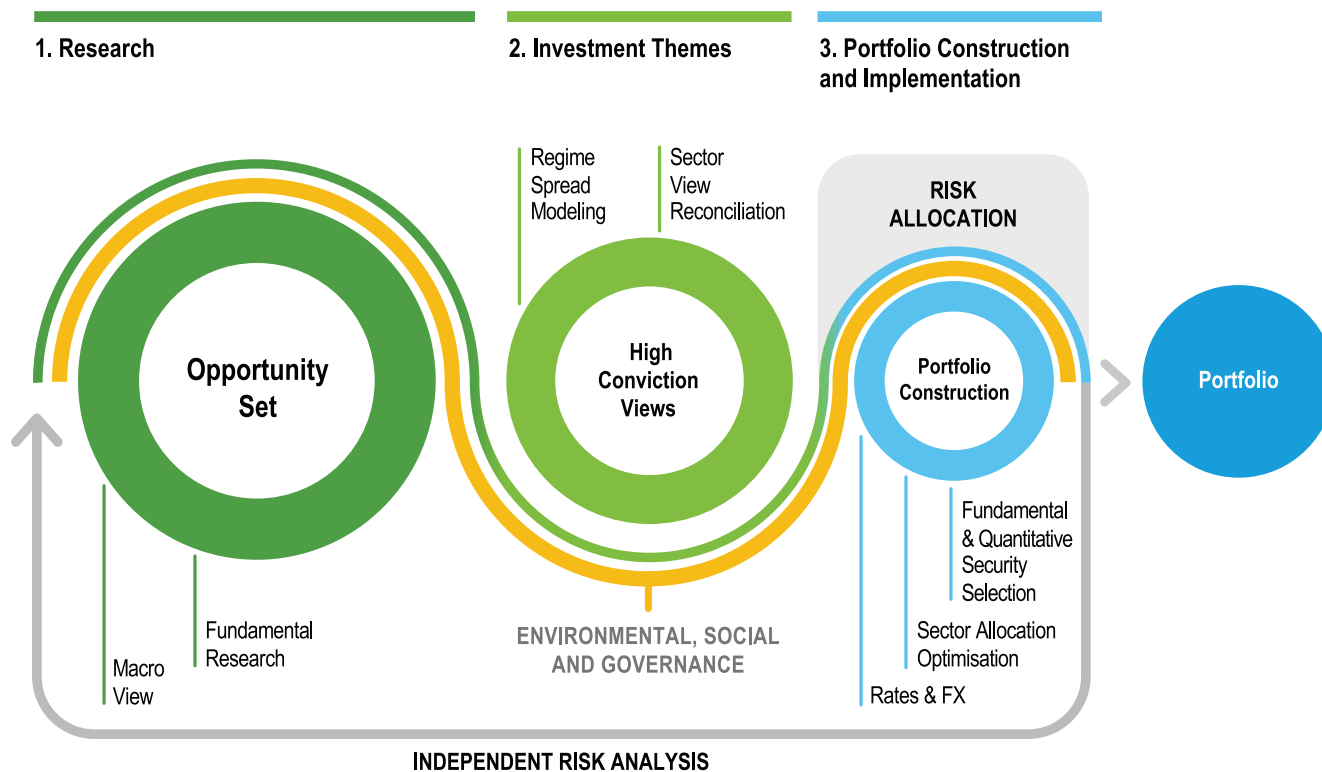
7. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) 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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## Investment Process

Our investment process marries independently-derived macroeconomic and fundamental sector-specific research with quantitative insights.



### Research

The Quarterly Research and Strategy Forum is the starting point for our investment process. Investment teams present and debate independently derived macro, fundamental, and quantitative research, establishing key investment themes.

Individual sector teams dedicated to global sovereigns, corporate credit, securitised debt, and municipal bonds are responsible for preparing and presenting independent research which culminates in a fundamentals-driven outlook and recommendation for their sectors.

### Investment Themes

Our proprietary model provides unbiased forecast of spreads in each sector. Applying economic forecasts and machine learning, the model maps this forecast to an historic economic regime /environment considering how spreads in different sectors have behaved.

We perform a reconciliation between the macro views, quantitative input, fundamental views, and cross sector considerations to arrive at high conviction spread forecasts across all sectors.

Comparing expected spreads with prevailing market spreads identifies which sectors look expensive relative to our forecast 'fair value' and which sectors have more promising relative value and expected return.

The goal of this process is to provide the investment team with a high conviction view of expected spreads, to aid in the portfolio optimising process.

### Portfolio Construction and Implementation

We use a sophisticated portfolio optimisation in our aim to maximise expected excess return for a given level of risk. Sector allocation, coupled with our top-down macro views, drive the final allocations for each strategy.

We conduct a 'neighbourhood analysis' to determine optimal allocation bands. This process seeks to ensure that risk is efficiently allocated to our highest conviction views in a way that is consistent, repeatable, and designed for accountability.

Each sector allocation is then populated with the highest conviction securities of each sector team. This process brings together factor-based quantitative security rankings and active fundamental credit recommendations into prioritised, potential buy and sell lists at the security level.

Material environmental, social, and governance (ESG) issues are an integral component of our bottom-up research and risk/return forecasts. Analysts have access to multiple ESG data sources to help build a qualitative view of each issuer and security.

### Risk Management

Throughout the portfolio construction process, portfolio managers collaborate with our independent Investment Risk Management Group, using a mosaic of risk metrics, to monitor and evaluate the level and sources of risk in each portfolio, and to ensure the allocation of risk is commensurate with the forward-looking views of the investment team, level of conviction, and the portfolio's investment objectives and guidelines.

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**Investment Team**

<b>Portfolio Manager</b>	<b>Years with Firm</b>	<b>Years Experience</b>
Sonal Desai, Ph. D.	11	27
David Yuen, CFA	25	33
Tina Chou	16	18
Kent Burns, 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 in relatively short-term debt securities mainly in the U.S., but may invest up to 25% in non-U.S. issuers. 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 to a small degree over time. Other significant risks include: credit risk, foreign currency risk, derivative instruments 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.

**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](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.

**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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- 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.
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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. Yield to Maturity, Yield to Worst, Average Duration and Average Weighted Maturity reflect certain derivatives held in portfolio (or their underlying reference assets).
- f. All holdings are subject to change.
- g. 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.**
- h. 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.
- i. 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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