FRANKLIN TEMPLETON

STRAIGHT TALK ON TEMPLETON GLOBAL BOND FUND

FIXED INCOME

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"We continue to position Templeton Global Bond Fund for rising rates by maintaining low portfolio duration and aiming at a negative correlation to US Treasuries. We view one of the biggest risks over the next several quarters to be rising US interest rates."*

Templeton Global Macro integrates global macroeconomic analysis with in-depth country research to help identify long-term imbalances that translate into investment opportunities.

*Sub-fund of the Luxembourg-domiciled SICAV Franklin Templeton Investment Funds.

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LONG-TERM OPPORTUNITIES REMAIN AMID GLOBAL UNCERTAINTY

We remain focused on three main areas of investment potential: 1) the profound value in specific emerging markets (EM), 2) short US Treasuries in a rising-rate environment, and 3) active currency management with the ability to take both long and short positions. These three broad sources of investment return really excite us about the opportunity set for the next couple of years.

First, we have been investing in select EMs that appear to have strong underlying fundamentals. By recognizing the major changes that EMs have experienced over the past decade, we have laid out a framework to assess the investment risks and opportunities in individual markets. We focus on the quality of macroeconomic policies, the willingness to take on structural reforms, and the extent to which individual countries have learned the lessons of past crises, among other factors.

Second, we continue to position Templeton Global Bond Fund for rising rates by maintaining low portfolio duration and aiming at a negative correlation to US Treasuries. We view one of the biggest risks over the next several quarters to be rising US interest rates.

Third, we believe it's important to have a highly flexible strategy that can directionally position across the currency markets. One of the most attractive aspects of the currency markets is there is generally always something undervalued; things are usually never in perfect alignment.

Our approach emphasizes having a long-term view. We recognize that when investing globally, many opportunities take time to materialize, and we are willing to ride through volatility.

Straight Talk on Templeton Global Bond Fund is designed to help strengthen your understanding of the fund and its strategy. On the following pages we'll review:

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REGIONAL OUTLOOKS

January 2019

Below are key regional themes that have been identified through the investment team's analysis of global macro dynamics as well as country-specific research.

EUROPE

We expect the euro to depreciate against the dollar.

- The euro has weakened against the dollar in recent months as growth in Europe has moderated while inflation has remained subdued and persistently below the European Central Bank (ECB) target.
- ECB President Mario Draghi has continued to indicate that rates are likely to remain unchanged until at least the summer of 2019.
- We believe the euro also continues to be vulnerable to unresolved structural and political risks across Europe, including recent debt sustainability and banking concerns in Italy.

US

We expect US Treasury yields to rise.

- We expect growing inflation pressures due to rising wages on the back of exceptional strength in the US labor market, late-stage fiscal stimulus, deregulation and tax cuts, and sector tariffs, which would be supportive of higher rates.
- We believe that the increased borrowing needs of the US government due to a growing deficit coupled with a decline in US Treasury buying from the Fed and foreign governments will leave a large funding gap that will need to be filled by price-sensitive buyers demanding a much higher yield.
- As rates trend higher in the US, we expect the US dollar to strengthen against a number of vulnerable currencies, most notably the euro and Japanese yen.

EMERGING MARKETS: FUNDAMENTALLY UNDERVALUED

We continue to see a subset of EMs that we think have excellent value and better underlying fundamentals than markets have indicated.

- Across EMs, we continue to see significant variations between vulnerable economies and a number of much stronger ones.
- Several EMs have significantly improved their resiliencies over the last decade by increasing their external reserve cushions, bringing their current accounts into surplus or close to balance, improving their fiscal accounts, and reducing US-dollar liabilities.
- We have positive outlooks for several local-currency exposures in specific EMs that we view as undervalued, particularly in India, Indonesia, Mexico and Colombia.[1]

EMERGING MARKETS: TURNAROUND STORIES

We see value in specific economies that are in transition from prior crises and now appear on a path to recovery over the medium term, such as Brazil or Argentina.[1]

- Brazil and Argentina have moved away from failed populist experiments and returned to more orthodox policies.
- Both countries are undergoing significant structural shifts, including taking pro-market and fiscally conservative approaches while maintaining credible monetary policy, proactive business environments, and outward-looking trade.
- We expect the performance of these countries to be driven primarily by domestic policies as opposed to global market sentiment.

1. Templeton Global Bond Fund had the following geographic allocations as of 31 December 2018: Brazil: 12.67%; Mexico: 12.56%; Indonesia: 10.64%; India: 9.03%; Argentina: 4.85%; Colombia: 3.89%.

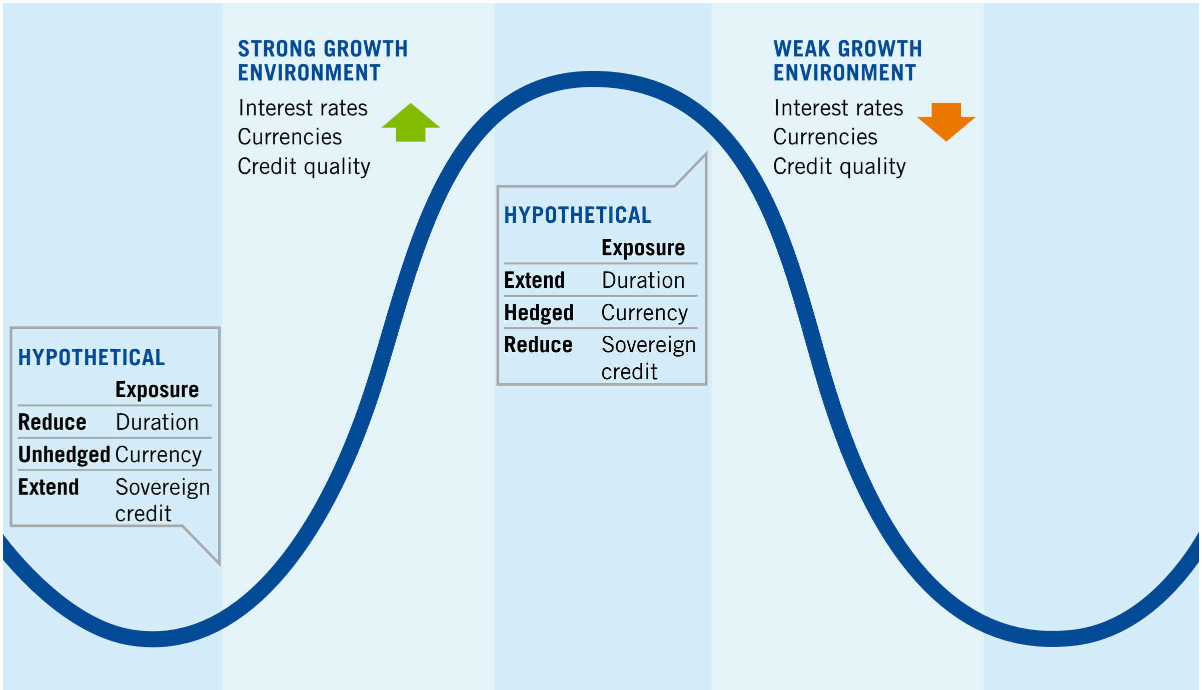
AN UNCONSTRAINED APPROACH

Templeton Global Bond Fund seeks current income with capital appreciation and growth of income by investing at least 80% of its net assets in bonds of governments, government-related entities and government agencies located around the world. The fund regularly enters into various currency-related and other transactions involving derivative instruments.

The fund is run independently of its benchmark, allowing managers to hold only the positions they believe have the best potential to maximize risk-adjusted returns. The team works to identify economic imbalances that may lead to value opportunities (or alpha) in three distinct areas:

CURVE (DURATION) | CURRENCY | CREDIT

Potential alpha sources can vary from country to country with the economic cycle



This is a hypothetical example intended solely to illustrate a framework for our idea generation. It is for illustrative purposes only and is not intended to reflect any actual positioning of the portfolio and does not constitute investment advice.

FUND POSITIONING

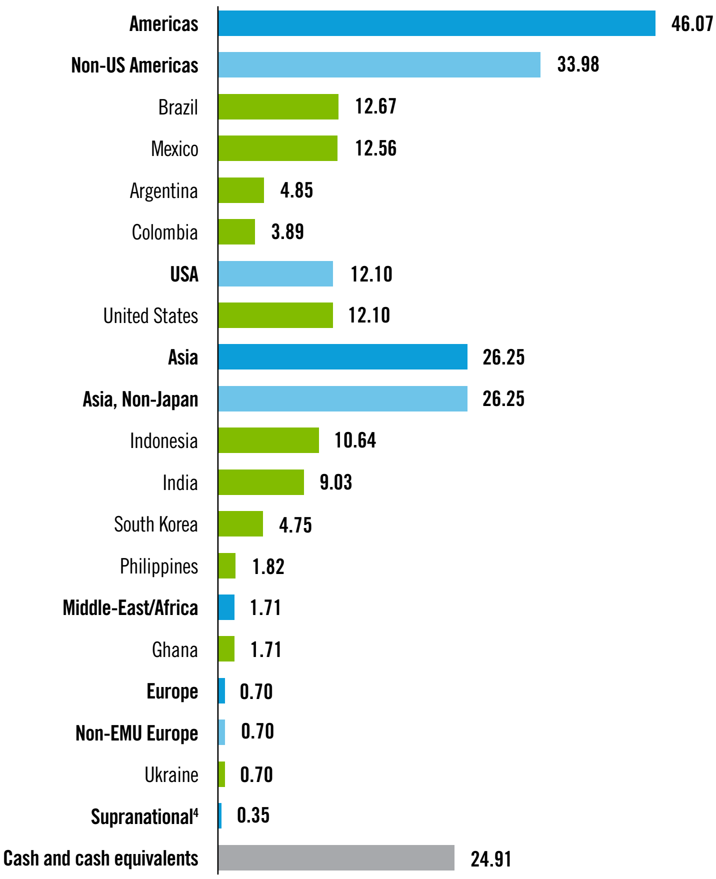
We continue to prefer select local-currency markets in Asia and Latin America that we believe have attractive medium to longer-term valuations. Currently, we favor currencies in countries where growth remains healthy, yet the local currency remains fundamentally undervalued.

Additionally, we have net-negative positions in the euro and Japanese yen, as we anticipate continued monetary accommodation and low rates in the eurozone and Japan with rising rates in the US. We believe those increasing rate differentials should depreciate the euro and yen.

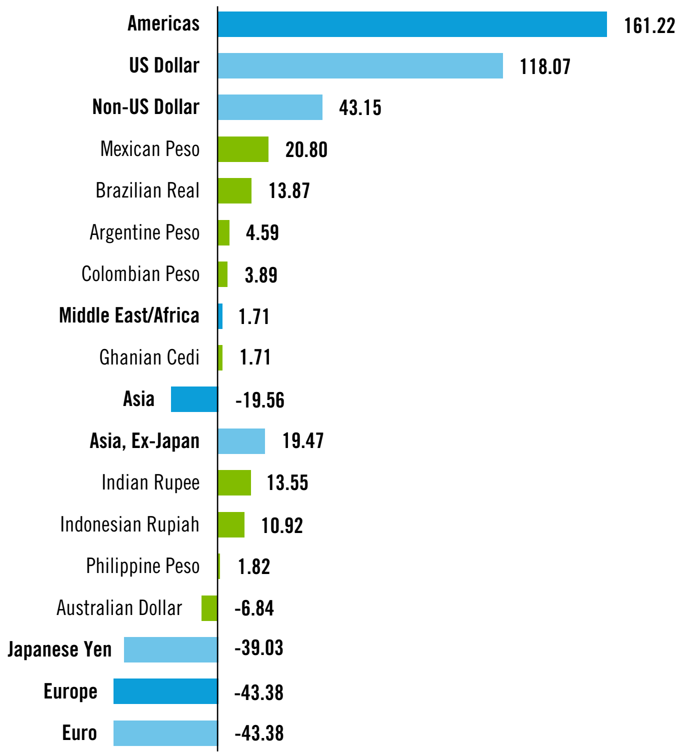
TEMPLETON GLOBAL BOND FUND

Region | Sub-region | Country | Cash and cash equivalents

Geographic allocation[2] %
As of 31 December 2018 – Market Value



Currency exposure[3] %
As of 31 December 2018 – Notional Exposure



As of 31/12/2018. Portfolio holdings are subject to change. Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors. Information is historical and may not reflect current or future portfolio characteristics. For the fund's most recent portfolio information, visit franklintempleton.lu.

2. Market value figures reflect the trading value of the investments.

3. 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).

4. A supranational is an entity formed by two or more central governments through international treaties to promote economic development for the member countries.

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YIELD CURVE POSITIONING

The core of our strategy remains positioning ourselves to navigate a rising-rate environment. We have continued to maintain low portfolio duration while aiming at a negative correlation with US Treasury returns. We also actively seek duration opportunities that may offer positive real yields without undue interest-rate risk, such as yield curve exposures in countries with compelling levels of yield, healthy underlying fundamentals and prudent monetary policies.

THE FUND'S AVERAGE DURATION WAS SIGNIFICANTLY LOWER THAN THE BENCHMARK, WHILE THE YIELD TO MATURITY WAS SIGNIFICANTLY HIGHER

Templeton Global Bond Fund average duration and yield to maturity vs. JP Morgan Global Government Bond Index
As of 31 March 2019

	Average duration	Yield to maturity
Templeton Global Bond Fund[5]	-1.90 years[6]	8.35%[7]
JP Morgan Global Government Bond Index[8]	8.15 years	1.29%

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

"Taking an unconstrained approach to global fixed income investing enables us to position defensively against developed-market interest-rate risks, while we pursue more attractive risk-adjusted returns around the globe."

CALVIN HO, Ph.D., Director of Research

5. As of 31/03/2019. Portfolio holdings are subject to change. For the fund's most recent portfolio information, visit franklintempleton.lu.
6. Duration shown is the option-adjusted duration. Duration is an indication of a fund's sensitivity to changes in interest rates. The option-adjusted duration formula takes into account embedded call options and redemption features that impact a bond's expected cash flow, and thus its interest rate sensitivity. The figure reflects certain derivatives held in the portfolio (or their underlying reference assets).
7. Not representative of the amount of income shareholders can expect to receive from the fund. Yield to maturity (YTM) is the rate of return anticipated on a bond if it is held until the maturity date. The calculation of YTM takes into account the current market price, par value, coupon interest rate and time to maturity. For a fund, this represents the weighted average yield to maturity of the portfolio's holdings.
8. Source: Morningstar. See www.franklintempletondatasources.com for additional data provider information. Indexes are unmanaged and one cannot invest directly in an index. Index figures do not reflect any fees, expenses or sales charges.

CURRENCY OPPORTUNITIES

Recently, we have been particularly excited about the opportunity set in currencies and the flexibility the currency market allows to potentially profit from gains in a currency (going long) as well as declines in a currency (going short). For example, the fund is positioned to potentially benefit from currency divergence in monetary policy between the European Central Bank (ECB) and Bank of Japan (BOJ) versus the US Federal Reserve (Fed) by being long the US dollar against a short euro, and long the US dollar against a short Japanese yen. At the same time, the fund could be short the US dollar against the Indonesian rupiah, to position for potential appreciation of the rupiah as we believe it is undervalued.

Examples of recent opportunities in currencies

	Analysis	Action
EUROPE	Continued monetary accommodation by the ECB and increasing political risk should lead to depreciation of the euro	Short euro against Long US dollar
JAPAN	Continued monetary accommodation by the BOJ should lead to depreciation of the yen	Short yen against Long US dollar
INDONESIA	Country has strong growth, prudent fiscal policy, and healthy levels of foreign exchange reserves, currency appears undervalued	Long Indonesian rupiah against US dollar

The information provided is not a complete analysis of every material fact regarding any country, region, market, investment or strategy. Holdings are subject to change. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or recommendation or solicitation to buy, sell or hold any security or to adopt an investment strategy; it is intended only to provide insight into the fund's portfolio selection process.

RESULTS—A RECORD OF STRONG PERFORMANCE

The fund (A(Mdis) USD Class) has outperformed its benchmark 76% of the time, over longer time periods

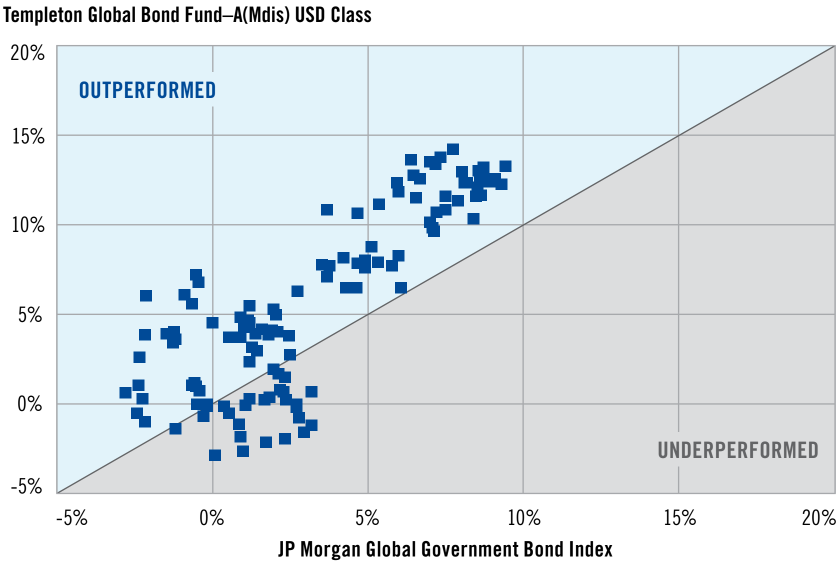
Having the flexibility to invest globally in any country or currency allows the Templeton Global Bond Fund investment team to take advantage of opportunities in interest rates, currencies and sovereign credits worldwide, and the results speak for themselves.

Over the past 10 years, Templeton Global Bond Fund–A(Mdis) USD Class outperformed its benchmark, the JP Morgan Global Government Bond Index, 93 out of 120 monthly rolling three-year periods, as illustrated in the chart below.[9]

TEMPLETON GLOBAL BOND FUND A(MDIS) VS. JP MORGAN GLOBAL GOVERNMENT BOND INDEX[10]

Monthly rolling three-year returns[11]

10-year period ended 31 March 2019



Templeton Global Bond Fund–A(Mdis) USD Class outperformed the JP Morgan Global Government Bond Index 93 out of 120 monthly rolling three-year periods.

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. All performance data shown is in the currency stated, include reinvested dividends and are net of management fees. Sales charges and other commissions, taxes and other relevant costs paid by the investor are not included in the calculations. Performance may also be affected by currency fluctuations. Currency fluctuations may affect the value of overseas investments.*

9. The fund offers other share classes subject to different fees and expenses, which will affect their performance.

10. Source: © 2019 Morningstar, Inc. See www.franklintempletondatasources.com for additional data provider information. Indexes are unmanaged and one cannot invest directly in them. Index returns do not reflect any fees, expenses or sales charges.

11. Annualized rolling periods are plotted on a monthly basis. The leading diagonal line links points of return for the index (lower axis). For every point of return along this line there is a corresponding return for the fund represented by the blue square (left axis). Any point above the line represents fund outperformance relative to the index for that period. Any point below the line represents fund underperformance relative to the index for that period.

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★★★★★
MORNINGSTAR RATING™

As of 31 March 2019, the fund's A(Mdis) USD Class shares received a 5-star overall Morningstar Rating™ measuring risk-adjusted returns against 902, 758 and 439 Global Bond funds for the 3-, 5-, and 10-year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5-, and 10-year (if applicable) rating metrics.[12]

TEMPLETON GLOBAL BOND FUND

Average annual total returns
As of 31 March 2019

	1-year	5-year	10-year	Since inception (28/02/1991)
A(Mdis) USD	2.15%	0.93%	4.79%	6.36%
JP Morgan Global Government Bond Index[13]	-1.00%	0.94%	2.43%	5.25%

TEMPLETON GLOBAL BOND FUND

Discrete Annual Performance
As of 31 March 2019

	March 2019–2018	March 2018–2017	March 2017–2016	March 2016–2015	March 2015–2014
A (Mdis) USD	2.15%	-0.85%	10.03%	-6.59%	0.61%
JP Morgan Global Government Bond Index[13]	-1.00%	7.60%	-3.48%	5.85%	-3.73%

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For more information on Templeton Global Bond Fund, please contact your financial advisor.

12. Source: Morningstar® 31/03/2019. For each mutual fund and exchange traded fund with at least a 3-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance, and does not take into account the effects of sales charges and loads, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. The weights are: 100% 3-year rating for 36–59 months of total returns, 60% 5-year rating/40% 3-year rating for 60–119 months of total returns, and 50% 10-year rating/30% 5-year rating/20% 3-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent 3-year period actually has the greatest impact because it is included in all three rating periods. The fund's Advisor Class shares received a Morningstar Rating of 4, 3 and 4 star(s) for the 3-, 5- and 10-year periods, respectively. Morningstar Rating is for the named share class only; other classes may have different performance characteristics. **Past performance is not an indicator or a guarantee of future performance.** © 2019 Morningstar, Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.
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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 issued by government or government-related entities in any country and in derivatives. Such securities and derivatives 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 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, currency risk, derivatives risk, liquidity risk, emerging markets 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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