

Fund Commentary

Performance Review

- Positive market momentum persisted and corporate credit spreads tightened in April amidst supportive factors such as better than expected earnings and an accommodative policy stance from the US Federal Reserve (Fed). Yields broadly rose across much of the world during the month, as heightened risk aversion from March subsided in April. The US dollar broadly strengthened against a wide range of developed and emerging market currencies, with a few notable exceptions.
- For the month, the fund's A (Mdis) USD shares returned 1,36%, and its benchmark, the Custom 50% JP Morgan Global High Yield + 50% JP Morgan EMBI Global Index, returned 0,76%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Credit Sectors	Credit Quality	Duration	Currencies
HELPED	—	—	US Treasuries	Ghanaian Cedi
	—	—	—	—
	—	—	—	—
HURT	Industry Allocation	—	—	—
	—	—	—	—
	—	—	—	—

- Industry allocation detracted from relative performance overall, led by portfolio positioning in utility, wireline provider and packaging industries.
- Security selection had a largely neutral effect on results—performance gains from security selection in technology, utility and building/construction industries were largely neutralised by negative results from security selection in wireless, energy and finance industries.
- Similarly, ratings-quality tilt had a largely neutral effect on overall performance.
- The yield on the 10-year US Treasury note rose nine basis points to end the month at 2.50%. Duration exposure to US Treasuries contributed to absolute fund performance. We expect US Treasury yields to continue to rise on economic resilience in the US and growing levels of Treasury debt issuance.
- In April, the US dollar broadly strengthened against a number of currencies, with some specific exceptions such as the Mexican peso. Currency positions in Africa (the Ghanaian cedi) contributed to absolute fund results. We continued to hold currency positions in a number of countries that we believe have strong growth fundamentals and compelling interest-rate differentials.

Outlook & Strategy

- While the US economy has generally remained resilient, we remain cognizant of an array of geopolitical risks, such as the ongoing trade negotiations with China and Brexit stalemate that could impact the market at any point in time. Furthermore, as we are in the latter stages of the economic cycle, we remain committed to our credit selection discipline.
- Despite the potential challenges, we maintain a positive outlook on high-yield market fundamentals, due in part to the continued strength of the US economy as well as the Fed's accommodative policy stance. Looking ahead, we will continue to balance the ever-evolving set of potential risks and rewards in our portfolio positioning and value creation proposition.
- Though global growth shows signs of moderating, it still remains around average trend levels. We do not expect a global recession—we expect global growth to moderate and desynchronise in 2019 as the global economy transitions towards US-led growth.
- Outside of the developed markets, we are focused on specific countries that are less externally vulnerable and more domestically driven, and that have orthodox fiscal and monetary policies. Select countries with stronger fundamentals and higher interest rates should be better positioned to absorb external shocks, such as higher rates in the US.

Fund Details

Inception Date	27.09.2007
Benchmark	Custom 50% JP Morgan Global High Yield + 50% JP Morgan EMBI Global Index

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 investing principally in fixed and floating-rate debt securities of issuers globally, including those in emerging markets.

Performance Data
Discrete Annual Performance (%) as at 30.04.2019

	4/18-4/19	4/17-4/18	4/16-4/17	4/15-4/16	4/14-4/15
A (Mdis) USD	0,30	2,22	11,28	-3,04	-3,66
Custom 50% JP Morgan Global High Yield + 50%	5,77	1,92	11,81	1,34	3,32
JP Morgan EMBI Global Index USD					

Performance Net of Management Fees as at 30.04.2019 (Dividends Reinvested) (%)^{1,2}

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (27.09.2007)
A (Mdis) USD	1,36	1,56	6,08	0,30	4,49	1,28	6,03	4,00
Custom 50% JP Morgan Global High Yield + 50%	0,76	3,16	7,70	5,77	6,43	4,76	9,05	7,03
JP Morgan EMBI Global Index								

Investment Team
Michael Hasenstab, Ph.D.

Years with Firm 20
Years Experience 24

Glenn Voyles, CFA

Years with Firm 25
Years Experience 26

Patricia O'Connor, CFA

Years with Firm 21
Years Experience 23

Calvin Ho, Ph.D.

Years with Firm 13
Years Experience 14

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 by any government or corporate entity worldwide. 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 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.

References to indexes are made for comparative purposes only and are provided to represent the investment environment existing during the time periods shown.

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2. 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.

