

## Fund Commentary

### Performance Review

- US REITs were down slightly in April and lagged broader equity markets, following a very strong first-quarter performance. In April, US REITs started to report first-quarter earnings with initial results better than expectations. Asian property markets generally declined and underperformed broader equity markets as expectations of shareholder returns at major property companies receded and general investors rotated to export-oriented and manufacturing sectors. Continental European property stocks posted slightly negative returns in April while UK property stocks advanced modestly and outperformed the overall European part of the global benchmark index.
- For the month, the fund's A (Qdis) USD shares returned -1,33%, and its benchmark, the FTSE EPRA/NAREIT Developed Index, returned -1,28%.

### ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Industries/Sectors	Countries
HELPED	Rexford Industrial Realty	Industrial Property (Overweight)	Japan (Stock Selection)
	Unite Group	Office Space (Stock Selection)	United States (Stock Selection)
	Nomura Real Estate Holdings	Residential (Stock Selection)	United Kingdom
HURT	Mitsui Fudosan	Triple-Net Leasing (Stock Selection)	Germany
	CK Asset Holdings	Diversified (Stock Selection)	Hong Kong (Stock Selection)
	Deutsche Wohnen	Hotel/Resort (Stock Selection)	Australia

- Within the industrial property sector, significant contributors included US-based REITs Rexford Industrial Realty and Prologis. The industrial sector in the United States has continued to demonstrate strong demand with the overall vacancy rate at the lowest level since 2002 and net asking rents at their highest level since 1989. These metrics underscore supply-chain demand boosted by consumer spending, business inventories and industrial production. Uncertainty regarding tariffs may cool this trend, but as of the first quarter of 2019, demand or rental growth in the sector has not been impacted.
- Other notable contributors over the reporting period included Equity LifeStyle Properties. Shares in the company, which owns and operates manufactured homes and resort communities, rose modestly amid continued strength in manufactured housing fundamentals, which have benefited from steady demand and very limited supply. Despite a premium valuation, the stock has remained an outperformer partially due to the attractiveness of the company's predictable cash flow characteristics, evidenced by consistently strong core results with earnings beats and guidance raises.
- Shares of large-capitalization, diversified Japanese REITs (JREITs) such as Mitsui Fudosan and Mitsubishi Estate declined over the reporting period as regional financial institutions sold JREITs for capital gains in the beginning of the new fiscal year starting in April. More broadly, however, we expect Mitsui Fudosan's earnings to continue strengthening beyond 2020 against the backdrop of a tight vacancy rate in Central Tokyo, given Mitsui Fudosan is the biggest office supplier of new grade A office buildings from 2018–2020.

### Outlook & Strategy

- We expect revenues and per-share profit growth trends to remain positive in many listed property markets. We believe that recovering economies have been generating demand growth that exceeds commercial property construction deliveries, which should lead to further rental growth in many markets and property sectors. Despite the potential for higher interest rates, most property companies have moderate-to-low leverage ratios and limited exposure to variable rate debt, in our analysis. However, factors affecting profit growth and share-price performance vary by market.
- We believe real estate securities offer a compelling way to potentially capture strong income and capital appreciation from real estate at attractive prices by exploiting natural short-term inefficiencies in the equity markets. Public markets exhibit pricing inefficiencies from time to time, and we believe a disciplined investment process that includes both quantitative and qualitative methodologies can add value.

### Fund Details

Inception Date	29.12.2005
Benchmark	FTSE EPRA/NAREIT Developed Index

### Fund Description

The Fund aims to maximise total investment return consisting of income and capital appreciation, by investing in real estate investment trusts (REITs) and other companies whose principal business is real estate oriented. These investments shall qualify as transferable securities. The Fund will seek to invest in companies across a wide range of real estate sectors and countries. The base currency of the Fund is U.S. Dollar.

## 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 (Qdis) USD	7,44	3,73	-0,72	0,07	9,60
FTSE EPRA/NAREIT Developed Index USD	10,63	5,14	3,07	2,79	10,88

### Performance Net of Management Fees as at 30.04.2019 (Dividends Reinvested) (%)<sup>1,2</sup>

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (29.12.2005)
A (Qdis) USD	-1,33	2,17	13,43	7,44	3,43	3,95	9,33	2,03
FTSE EPRA/NAREIT Developed Index	-1,28	2,24	13,39	10,63	6,24	6,44	12,62	5,84

## Investment Team

**Wilson Magee**  
Years with Firm 8  
Years Experience 37

**Daniel Pettersson**  
Years with Firm 11  
Years Experience 14

**Donna Ming-Yuan Lee**  
Years with Firm 12  
Years Experience 17

### 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 REITs and other equity securities of the real estate sector. Such REITs and securities have historically been subject to significant price movements that may occur suddenly due to market or real estate-specific factors. As a result, the performance of the Fund can fluctuate considerably 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: currency risk, liquidity risk, derivatives 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.

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

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.

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1. Source for all information is Franklin Templeton Investments. Benchmark related data provided by FactSet. Past performance is not an indicator or a guarantee of future performance. Portfolio holdings are subject to change. Periods greater than one year are shown as average annual total returns. Sales charges and other commissions, taxes and other relevant costs paid by investor are not included.
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.

