

Fund Commentary

Performance Review

- In April, European bond indices generally returned marginally positive returns. Corporate bonds outperformed government debt, with market participants continuing to favour assets perceived as carrying more risk. Corporate spreads reached their lowest levels since the third quarter of 2018.
- For the month, the fund's A (Ydis) EUR shares returned 0,00%, and its benchmark, the Bloomberg Barclays Euro Aggregate (1-3Yr) Index, returned 0,02%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Selection & Allocation	Duration	Currencies	Non-Eurozone Market Exposure
HELPED	Spanish government bonds selection	Eurozone underweight	—	—
	Eurozone corporate investment-grade financial bonds selection	—	—	—
	Eurozone corporate high-yield financial bonds overweight	—	—	—
HURT	—	—	—	—
	—	—	—	—
	—	—	—	—

- The fund's sector allocation and security selection helped relative returns, aided by positioning in corporate financial bonds and selection in Spanish government issues.
- The fund's duration and yield-curve positioning also added to relative performance, owing to an underweight duration stance on eurozone bonds.
- There were no significant detractors from relative results.

Outlook & Strategy

- The delay in the United Kingdom leaving the European Union lengthens the period of uncertainty and is a negative for the economies of both parties.
- The ECB's confirmation that it expects no interest rate rises for the remainder of 2019 underlines policymakers' concerns over the downside risks to growth prospects in the eurozone, notwithstanding better-than-expected first-quarter growth for the bloc.
- Although the first-quarter rebound provided some vindication for our belief that sentiment on the region had become too pessimistic, we expect growth to continue at the current level or slightly above it, underpinned by solid domestic demand, rather than returning to the above-trend expansion seen in 2017.

Fund Details

Inception Date	21.02.2014
Benchmark	Bloomberg Barclays Euro Aggregate (1-3Yr) Index

Fund Description

The fund aims to maintain a degree of capital preservation and liquidity, while maximising total returns and income.

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 (Ydis) EUR	-1,09	-0,16	0,66	-0,20	1,90
Bloomberg Barclays Euro Aggregate (1-3Yr) Index EUR	0,17	-0,06	0,22	0,51	1,38

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	Since Inception (21.02.2014)
A (Ydis) EUR	0,00	0,20	0,30	-1,09	-0,20	0,22	0,27
Bloomberg Barclays Euro Aggregate (1-3Yr) Index	0,02	0,25	0,30	0,17	0,11	0,44	0,49

Investment Team

Sonal Desai, Ph.D.
Years with Firm 9
Years Experience 25

David Zahn, CFA
Years with Firm 12
Years Experience 25

Rod MacPhee, CFA
Years with Firm 5
Years Experience 12

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 denominated mainly in Euros but may invest up to 10% in non-Euro denominated 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. 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. 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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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.

