

## Fund Commentary

### Performance Review

- Fixed income markets generally declined in April, led lower by government bond indices, while equities advanced. The Gulf Cooperation Council (GCC) bond market moved higher amid spread compression. Factors that influenced markets globally included the accommodative policies of major central banks and better-than-expected economic data from the United States, China and the eurozone.
- For the month, the fund's A (Mdis) USD shares returned 1,32%, and its benchmark, the FTSE MENA Broad Bond GCC Issuers Index, returned 1,05%.

### ONE-MONTH KEY PERFORMANCE DRIVERS

	Currencies	Duration	Credit
HELPED	—	—	Sovereigns, quasi-sovereigns, corporate industrials (Security Selection)
	—	—	Local-currency treasury bills, Off-benchmark exposure (Asset Allocation)
	—	—	—
HURT	—	—	Corporate industrials sector (Asset Allocation)
	—	—	Cash exposure (Asset Allocation)
	—	—	Sovereign sector (Asset Allocation)

- The portfolio's relative performance was mainly helped by security selection. Sovereigns contributed to selection on bonds issued by Qatar and Oman.
- Selection among quasi-sovereigns and corporate industrials also had a positive effect, as Adnoc boosted relative returns from quasi-sovereigns, and a convertible issue from NMC Healthcare and a bond from Kuwait Energy contributed within corporate industrials.
- In contrast, asset allocation was a detractor, due to an underweight exposure to the relatively strong sovereign sector, along with an overweight to the weaker corporate industrials sector. In addition, there was a negative impact from an allocation to cash in a period of spread tightening. An off-benchmark exposure to Egyptian local-currency treasury bills offset some of the overall asset allocation detraction.

### Outlook & Strategy

- The first quarter of 2019 was positive for many 'risk' asset classes, and GCC bonds continued to perform into April, whereas emerging-market (EM) bonds overall produced a more modest performance during the month.
- The reception of investment markets to new issuance remains particularly strong, as investors continue to allocate to the GCC region on the back of its staggered inclusion in JPMorgan's EM bond indices, which will continue through to September. The Saudi Aramco deal during April was a good example of the demand currently seen for the asset class.
- Looking forward, we remain constructive on many of the drivers that produced the positive results year-to-date. We have, however, started to reduce risk and adopt a more cautious stance, as valuations appear less attractive after the strong start to the year.
- We expect crude oil prices to be supported in the near term, but note that the technical backdrop is deteriorating with shorts being built and inventories increasing. We also see US-dollar strength in the first quarter of 2019 as somewhat perplexing, given the strength of 'risk' assets generally. We view the disconnect between rates and foreign currency markets with caution. A strong US dollar can have adverse consequences for emerging markets.
- We also remain mindful of other risks and issues that could unsettle GCC bond markets, including reduction in the pace of fiscal reforms in key markets, though still find the outlook for the remainder of the year to be a positive one. The typically slower activity during Ramadan and the summer may prove supportive for GCC bond markets, although, if volatility or issuance reappear, they are likely to provide us with fresh opportunities.

### Fund Details

Inception Date	30.08.2013
Benchmark	FTSE MENA Broad Bond GCC Issuers Index

### Fund Description

The fund's investment objective is to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation and currency gains in the long term.

## 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	9,31	-0,07	7,34	0,50	7,01
FTSE MENA Broad Bond	9,15	-1,28	5,14	1,17	6,00
GCC Issuers Index USD					

### 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	Since Inception (30.08.2013)
A (Mdis) USD	1,32	4,88	7,16	9,31	5,45	4,75	5,78
FTSE MENA Broad Bond	1,05	3,72	5,74	9,15	4,25	3,97	4,66
GCC Issuers Index							

## Investment Team

**Mohieddine (Dino) Kronfol**  
 Years with Firm 12  
 Years Experience 23

**Sharif Eid**  
 Years with Firm 10  
 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 mainly in debt securities issued by any type of entity located in Gulf Cooperation Council (GCC) member countries. 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 fluctuates moderately 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, emerging markets 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.

### 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.

