

Fund Commentary
Performance Review

- The global equity market overall advanced in April 2019, supported by the accommodative policies of major central banks and better-than-expected economic data from the United States, China and the eurozone. Additionally, corporate earnings reports from certain sectors were perceived favourably.
- For the month, the fund's A (Ydis) USD shares returned 2,81%, and its benchmark, the MSCI All Country World Small Cap Index, returned 2,87%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Stocks	Sectors	Countries
Helped	Interpump Group S.p.A.	Industrials (Stock Selection)	Sweden (Stock Selection)
	Dometic Group AB	Health Care (Underweight)	Netherlands (Stock Selection)
	Tutor Perini Corporation	Real Estate (Underweight)	Italy
Hurt	Duluth Holdings, Inc. Class B	Consumer Discretionary (Stock Selection)	United States (Stock Selection)
	Mullen Group Ltd.	Financials (Stock Selection)	Switzerland (Stock Selection)
	Ferro Corporation	Information Technology (Stock Selection, Underweight)	Germany (Stock Selection)

- In April, shares of US-based workwear apparel company Duluth Holdings traded lower after the company's quarterly results fell short of investors' expectations. The company's shares rose considerably in the second half of 2018, while as expected its sales have slowed. We believe the company's retail channel should provide room for revenue growth as Duluth reaches new customers and grows its location count.
- Mullen Group, a Canadian oil services company that owns a network of independently operated businesses, also detracted from relative performance. Looking at the longer term, Mullen has a diversified business mix and a strong track record for generating attractive returns on capital. The company's strategy is to be the dominant player in select niche markets with favourable competitive dynamics (better pricing power, higher barriers to entry).
- Italy-based Interpump Group lifted relative performance. The company specialises in the production and marketing of high pressure and very high pressure pumps and also operates in the field of hydraulic engineering.

Outlook & Strategy

- Investors frustrated by the market's seeming disregard of fundamental value could be forgiven for concluding that the rules of finance and economics have changed. Valuations seem to no longer matter; one-fifth of the global sovereign bond market has traded at negative yields, and financial assets like equities have traded near all-time highs relative to real assets like commodities. Volatility is presumed dead, as evidenced by the largest net short position on record in Cboe Volatility Index (VIX) futures at the end of April.
- A market that pays no heed to fundamentals creates challenges for value investors, and a market that rewards indiscriminate, index-level exposure creates challenges for active stockpickers. The question for investors is who will ultimately win this tug of war between central planning and free market capitalism. If market-based principles ultimately prevail as they have in the past, fundamental value investors should be well-positioned to eventually benefit from the significant opportunities and irregularities evident in financial markets today.

Fund Details

Inception Date	08.07.1991
Benchmark	MSCI All Country World Small Cap Index

Fund Description

The fund aims to achieve long-term capital appreciation by investing in equity and debt obligations of smaller companies throughout the world, including emerging markets. The fund invests principally in common stocks.

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) USD	-5,71	14,86	17,67	-10,90	-0,97
MSCI All Country World Small Cap Index USD	-0,32	15,41	17,61	-3,61	7,05

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 (08.07.1991)
A (Ydis) USD	2,81	6,90	15,81	-5,71	8,42	2,37	8,34	5,68
MSCI All Country World Small Cap Index	2,87	6,07	16,47	-0,32	10,61	6,90	13,28	-

Investment Team

Harlan Hodes

Years with Firm 17
Years Experience 19

David Tuttle, CFA

Years with Firm 16
Years Experience 14

Tina Sadler, CFA

Years with Firm 21
Years Experience 23

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 equity securities of smaller companies around the world. Such securities have historically been subject to significant price movements that may occur suddenly due to market or company-specific factors. As a result, the performance of the Fund can fluctuate considerably over time. Other significant risks include: currency 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.

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.

