FRANKLIN TEMPLETON

Franklin Euro Government Bond Fund

Franklin Templeton Investment Funds

A (Ydis) EUR
31 July 2019

Fund Commentary

Performance Review

- European bonds generally saw positive returns during the month. At its July meeting, the European Central Bank (ECB) chose to maintain interest rates at current levels but maintained its very dovish stance. Second-quarter gross domestic product growth in the eurozone slowed to 1.1% compared with a year earlier, down from 1.2% in the first three months of the year.
- For the month, the fund's A (Ydis) EUR shares returned 1.88%, and its benchmark, the Bloomberg Barclays Euro Government Bond Index, returned 1.60%.

ONE-MONTH KEY PERFORMANCE DRIVERS

	Duration	Selection & Allocation
HELPED	Eurozone overweight	Italian government bonds overweight
	—	French government bonds underweight
	—	German Bunds underweight
HURT	—	Irish government bonds overweight
	—	Romanian government bonds overweight
	—	Polish government bonds overweight

- The fund's sector allocation contributed to relative results, helped by an overweight position in Italian government bonds and underweight exposures to French and German sovereign debt, although overweight positions in Irish, Romanian and Polish government issues all detracted.
- The fund's duration and yield-curve exposure also boosted relative returns, due to an overweight duration stance in eurozone bonds.
- In contrast, the fund's positions in interest rate derivatives slightly hampered relative performance.

Outlook & Strategy

- We see the appointment of Christine Lagarde to succeed Mario Draghi, recently approved by the European Union's (EU) finance ministers, as confirming the idea that ECB policies will support the market over the short- to mid-term at the least.
- The outcome of the United Kingdom's (UK's) exit from the EU remains uncertain. The new UK Prime Minister Boris Johnson has said that he will seek to re-open negotiations with the EU to secure changes to the existing withdrawal agreement (which has so far failed to gain approval from the UK parliament), though EU leaders continue publicly to oppose any substantive amendments.
- We still expect some form of deal to be reached between the UK and the EU, although the possibility of the UK exiting without an agreement, following the expiry of the current deadline of October 31, has risen significantly.

Fund Details

Inception Date	08/01/1999
Benchmark	Bloomberg Barclays Euro Government Bond Index

Fund Description

The Fund's investment objective is to maximise total returns with a combination of interest income and capital appreciation by investing primarily in Euro denominated fixed-income securities issued by government and government-related issuers located throughout the European Monetary Union ("EMU").

Performance Data

Discrete Annual Performance (%) as at 31/07/2019

	7/18-7/19	7/17-7/18	7/16-7/17	7/15-7/16	7/14-7/15
A (Ydis) EUR	7.77	-0.28	-3.72	3.65	5.26
Bloomberg Barclays Euro Government Bond Index EUR	8.15	1.12	-3.57	6.91	5.40

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Performance Net of Management Fees as at 31/07/2019 (Dividends Reinvested) (%)[1,2]

	1 Mth	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Inception (08/01/1999)
A (Ydis) EUR	1.88	5.35	7.37	7.77	1.14	2.45	3.30	2.97
Bloomberg Barclays Euro Government Bond Index	1.60	4.88	7.40	8.15	1.79	3.51	4.37	4.56

Investment Team

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

John Beck
Years with Firm 29
Years Experience 32

David Zahn, CFA
Years with Firm 13
Years Experience 25

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 higher-quality debt securities issued or guaranteed by governments or government-related entities of countries within the EMU. Such securities have historically proven to present some stability over time and have benefitted from a limited exposure to interest rates or movements in the bond market in general. As a result, the performance of the Fund can fluctuate 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, 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. For a free copy of these documents, or for more information about any Franklin Templeton Investments' fund, please contact: Franklin Templeton Investments, Telephone: 0800 313 4049, Email: ftisalessupport@franklintempleton.co.uk or write to us at the address below. Alternatively, the information can be downloaded from our website www.franklintempleton.co.uk. All or most of the protections provided by the UK Regulatory System will not apply to Franklin Templeton Investment Funds (SICAV) Investors.

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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.

Franklin Euro Government Bond Fund charges all or part of its management fees to capital. This could lead to a higher level of income but may constrain capital growth.

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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.

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