## Fund Details

<table>
<thead>
<tr>
<th>Inception Date</th>
<th>28 February 1991</th>
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</thead>
<tbody>
<tr>
<td>Investment Style</td>
<td>Fixed Income</td>
</tr>
<tr>
<td>Benchmark(s)</td>
<td>JP Morgan Global Government Bond Index</td>
</tr>
</tbody>
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### FUND OBJECTIVE

Templeton Global Bond Fund (the “Fund”) primarily invests in fixed- or floating-rate debt securities and debt obligations of government or government-related issuers of any nation. The Fund managers seek to provide superior risk-adjusted total investment returns consisting of interest income, capital appreciation and currency gains by identifying sources of investment opportunities worldwide. Fund managers may purchase U.S. dollar and non-U.S. dollar-denominated securities. Fund managers employ a high-alpha strategy by identifying sources of high current income and capital appreciation worldwide that aims to profit from global interest rate and currency inefficiencies. The portfolio includes exposure to local and sovereign government bonds of developed and emerging market countries, and foreign currencies. It may also invest in securities or structured products linked to assets or currencies of any nation under certain conditions.

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### WHY CONSIDER THIS FUND

A flexible mandate allows managers to actively manage both interest rate and currency movements. The flexibility of the Fund allows portfolio managers to take advantage of opportunities around the globe that offer the highest expected risk-adjusted returns. There are three sources of potential returns that can each be evaluated and capitalised on independently: interest rate, currency and sovereign credit. The managers isolate the precise risk exposures held by the Fund, so that only those with the most attractive valuations remain.

**Our macro viewpoint is built from on-the-ground research.**

The experienced, multinational research team performs fundamentals-based macroeconomic research that underlies our investment theses. This perspective is informed by frequent country visits and the insights of a research team from across Australia, Brazil, Canada, China, India, Korea, Malaysia, Mexico, Poland, Singapore, the U.A.E., the U.S. and the U.K.

**Our approach is fundamentals driven.**

The Fund will often take short-term contrarian positions in order to position for long-term appreciation. Fund managers invest primarily in investment-grade global government bonds, limiting sub-investment-grade exposure to less than 25% of the Fund’s market weight, thus reducing credit risk. Fund managers aim to be invested in countries with strong enough balance-of-payments and macroeconomic fundamentals to generate good investment performance and help weather unforeseen economic shocks.

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"We invest in countries that benefit from strong currencies, solid economic growth and even the potential for falling rates, which can boost the value of existing bonds. We focus on long-term fundamentals and don’t get side-tracked by market fluctuations.”

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Michael Hasenstab, Ph.D.
Executive Vice President, CIO, Portfolio Manager
Templeton Global Bond Fund

INVESTMENT PHILOSOPHY & PROCESS

Templeton Global Macro seeks to provide superior risk-adjusted returns by anticipating changes in the factors that determine variations in bond prices and currency values. The group adopts an active management approach, based on top-down, in-depth research of the economy and sectors, combined with bottom-up securities valuations and portfolio construction.

Templeton Global Macro’s approach to investing in the global bond market considers the total return of each security, taking into account interest rate, currency, credit and sovereign risk. Team members provide value-added research to find profitable investment opportunities for the Fund by investigating macroeconomic conditions, geopolitical risks, monetary policies, interest rates and currencies in all investable countries around the world.

The Fund invests primarily in locally issued government bonds of developed and developing countries, emerging market sovereign credit, and foreign currencies. Although the Fund is not limited in its exposure to non-investment-grade issuers, managers tend to keep such exposure under 25%. The Fund’s base currency is the U.S. dollar, however, the Fund has the flexibility to have limited or negative exposure to U.S. dollars. Additionally, currency exposure can add alpha through cross-currency exposures that position for the appreciation of one currency against another, independent of U.S. dollar movements. In this way, the Fund's flexibility to have limited or negative exposures to currencies can enhance returns in any environment.

Our international bond strategies offer a unique combination of flexibility and expertise with the aim of maximizing total return. The core of the investment process is Franklin Templeton’s fixed income global investment platform. Importantly, our London, New York, Singapore and San Mateo offices, as well as local investment management offices in Australia, Brazil, Canada, China, India, Korea, Malaysia, Mexico, Poland and the U.A.E., function as one fully integrated investment team. Having such broad expertise creates opportunities to actively manage and take advantage of unique dynamics in individual markets.

The team employs fundamental, country-by-country macroeconomic research, coupled with quantitative analysis, as can be seen in the diagram shown. This process combines in-depth country research, macroanalytic models and on-the-ground insight from local market participants and policymakers with rigorous risk and portfolio construction techniques. The process incorporates regular feedback—between team members, between traders and risk specialists and between performance analysts, who all benefit from the expertise of the rest of Franklin Templeton’s fixed income professionals.

Templeton Global Bond Fund capitalises on international investment opportunities in both sovereign and local currency markets. The Fund managers and the research team seek investment opportunities throughout the world by identifying market disequilibria, or inefficiencies, in the fixed income and currency markets.

Fund managers apply an active management, benchmark-agnostic style, pursuing absolute returns over a one to three year time horizon. We also take into consideration the full market cycle, which is usually a period of three to five years.

With a long-term, fundamentally driven investment focus, Portfolio Manager Dr. Michael Hasenstab and his team perform global macroeconomic analyses aiming to identify economic imbalances leading to value in developed and emerging market countries via:

- Interest rate (duration) analysis
- Currency analysis
- Sovereign credit analysis

1. This unit is comprised of investment professionals located in affiliates of and joint venture partners with Franklin Templeton. The Local Asset Management Group is not a part of, but does share research with both, Franklin Templeton Fixed Income Group and Templeton Global Macro.
The portfolio and research team adds value by independently evaluating and exploiting the three drivers throughout both developed and emerging bond markets. The team’s approach has been to take a very broad, global perspective and look beyond the core markets (mostly developed) that get the most attention. There are scores of peripheral markets that not only provide excellent sources of diversification, but often offer the potential for higher returns, than traditional markets.

The team’s flexibility allows us to invest in local bond markets for both bond and currency exposure, or to invest in different kinds of instruments such as derivatives or to pair currencies by taking a long exposure in one and a short exposure in another. The Fund is not managed to the benchmark; if the managers do not see value in a country’s bonds, the Fund will have no exposure.

Fund managers might also buy short-term Treasuries, for example, as we have done in Sweden, to add exposure to a currency without interest rate risk. In certain cases, such as to gain exposure to the yen without receiving the very low yields provided by Japanese government bonds, managers buy currency forwards or other instruments denominated in yen such as supranational bonds. These are bonds issued by institutions such as the European Investment Bank and the World Bank and like government bonds, they carry the highest possible credit rating.

PORTFOLIO CONSTRUCTION
To construct the portfolios, team members precisely identify desired currency, duration and credit exposures to reflect the most attractive risk exposures relative to current valuations. These exposures are then isolated and compiled to ensure that only the most attractive opportunities are held. These positions are discussed among Franklin Templeton Investments’ extended fixed income professionals to validate positioning.

Our investment process aims to identify countries with improving macroeconomic fundamentals. Research into specific Environmental, Social and Governance (ESG) factors, combined with the teams’ fundamental macroeconomic analysis, is integral to the decision-making process.

During the implementation phase, traders and other on-the-ground professionals advise on market flows, trade structuring and local execution. The team takes into consideration the level of risk aversion in the global markets: on a security-by-security basis, the portfolio team maintains a keen awareness of risk, building a portfolio within a specific risk budget. The risk budget will shift, based on relative attractiveness of each security during global economic and credit cycles. The team uses proprietary and state-of-the art, third-party tools to measure risk, including scenario analysis where analysts model potential crises, such as geopolitical risks or oil price shocks, to analyze the impact on currency values and interest rates.
The Fund’s ability to generate excess returns from currencies, interest rates and credit in a wide variety of economies with differing business cycles makes it an excellent diversifier within a broader portfolio of different asset classes. The fundamentals-driven analysis used by the strategy has enabled the Fund to deliver strong long-term risk-adjusted returns in a variety of global environments while maintaining an investment-grade credit rating throughout its history.

**Sell Discipline:**
Positions are sold for one or more of the following reasons:
- Another name or investment opportunity has substantially greater value;
- Positions reach target sell levels set by analysts; or
- The fundamentals of a given issue change, warranting a revaluation of the expected risk return profile.

Redemptions from and inflows into the Fund are treated similarly. In the short term, the assets are bought or sold to meet redemptions or subscriptions are put to work based on current market valuations and long-term targets. Fund managers will then continue to optimise the portfolio to achieve target weightings. They generally do not simply allocate new cash or redemptions across all holdings unless this strategy fits with their view on valuations and long-term targets.

**RISK MANAGEMENT**

The Fund has specific investment guidelines and requirements that are set forth by the board of directors of Franklin Templeton Investment Funds and is reviewed on a quarterly basis to ensure that the risk management process is adhered to:

**Security Selection Constraints**
Fund managers are required to remain within the general guidelines established for all Franklin Templeton global fixed income portfolios.

**Asset Classes**
The Fund primarily invests in fixed and floating-rate debt obligations of government or government-related agencies and currencies throughout the world. The Fund may invest in corporate securities and in certain financial derivatives or products linked to assets or currencies of any nation.

**Credit Quality**
The Fund may invest in securities that are rated below investment grade.

**Country/Regional/Emerging Markets Limits**
The Fund is benchmark-agnostic and maintains no set limits on region or country weightings. However, the Fund aims for as broad diversification as possible.

**Min/Max Security Positions**
The Fund has no specific minimum/maximum security restrictions. Generally most positions may be 1% to 5% in size to maximise diversification. Higher conviction positions may be scaled up to 5% or more and finally the Fund’s highest conviction views may be scaled up to 10% or more. Position size will rarely exceed 15%. Typically no more than a handful of positions reach this level.

**Cash Policy**
Portfolio managers intend to remain close to fully invested in fixed income securities at all times. Reported cash and cash equivalent numbers may exceed 10% in extraordinary periods.

**Currency Policy**
There is no specific limit. Futures and other derivatives may be used for hedging purposes, as well as for expressing positive and negative currency views.

**Derivatives**
Financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivatives may result in negative exposures in a specific yield curve/duration, currency, or credit.

Risk management is integrated into every aspect of the Fund’s investment process. Templeton Global Macro primarily focuses on three types of risk:

- **Security-specific risk** is addressed primarily through the quality of Templeton Global Macro’s research. A disciplined sell methodology also helps to minimise security-specific risk.
- **Portfolio risk** is addressed by creating fund portfolios that are well-diversified and benefit from Templeton Global Macro’s best thinking. Weekly strategy meetings act as a forum for Fund managers to review their positioning relative to the group’s investment outlook. On a quarterly basis, formal portfolio review meetings are conducted where the Fund managers, the fixed income CIO and risk managers review positioning and performance relative to peers and internal guidelines.
- **Operational risk** is minimised by the due diligence of the Fund managers and by the Investment Risk Management Group. A comprehensive system of checks and balances involving distinct and independent groups ensures that all investment guidelines and restrictions are strictly adhered to and performance relative to peers and internal guidelines.
PORTFOLIO MANAGEMENT TEAM

Franklin Templeton has an integrated global fixed income platform made up of over 170 investment professionals in multiple offices around the world. Templeton Global Macro is comprised of a core team of investment professionals based in San Mateo, California and Singapore who are actively involved in the management of the Fund. This team benefits from Franklin Templeton’s Global Sovereign and Emerging Markets Debt professionals based in New York and London as well as Local Asset Management teams in Australia, Brazil, Canada, China, India, Korea, Malaysia, Mexico, Poland, Singapore, and the U.A.E.

Michael Hasenstab, Ph.D., based in San Mateo, California, United States, is the lead portfolio manager of the Fund. Calvin Ho, Ph.D., also based in San Mateo, California, is back-up portfolio manager of the Fund.

Michael Hasenstab, Ph.D., is executive vice president and chief investment officer for Templeton Global Macro, which conducts in-depth global macroeconomic analysis covering thematic topics, regional and country analysis, and interest rate, currency and sovereign credit market outlooks. Templeton Global Macro offers global, unconstrained investment strategies through a variety of investment vehicles ranging from retail mutual funds to unregistered, privately offered hedge funds. Dr. Hasenstab is a portfolio manager for a number of funds, including Templeton Global Bond Fund and Templeton Global Total Return Fund.

Dr. Hasenstab is economic advisor to the CEO of Franklin Resources, Inc., providing his perspective and insight through the lens of Templeton Global Macro. In addition, he is a member of Franklin Resources’ executive committee, a small group of the company’s top leaders responsible for shaping the firm’s overall strategy.

Dr. Hasenstab has received numerous industry awards and accolades throughout his investment career. Over the last decade, the funds that he and his team manage have collectively received more than 400 awards from various rating agencies globally, including Lipper and Morningstar.

In addition, various publications have recognized Dr. Hasenstab’s investment expertise including, most recently, his being named one of Forbes’ Money Masters of 2015. Investment Week named him Global Bond Manager of the Year in 2008, 2010 and 2011 and recognized him as one of the most influential fund managers in 2010. Morningstar awarded him Fixed Income Manager of the Year in Canada in 2013 and Fund Manager of the Year in the U.S. in 2010. In 2011 and 2012, he was highlighted as one of the most influential young people in business in Fortune’s 40 under 40.

Dr. Hasenstab initially joined Franklin Templeton Investments in July 1995. After a leave of absence to obtain his doctor of philosophy (Ph.D.) degree, he rejoined the company in April 2001. He has worked and traveled extensively abroad, with a special focus on Asia.

Dr. Hasenstab holds a Ph.D. in economics from the Asia Pacific School of Economics and Management at Australian National University, a master’s degree in economics of development from the Australian National University, and a B.A. in international relations/political economy from Carleton College in the United States.
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 government or government-related entities in any country and in derivatives. Such securities and derivatives have historically been subject to price movements, generally due to interest rates, foreign exchange rates or movements in the bond market. As a result, the performance of the Fund can fluctuate 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, emerging markets 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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Nothing in this document should be construed as investment advice. Opinions expressed are the author’s at publication date and they are subject to change without prior notice.

Subscriptions to shares of the Fund can only be made on the basis of the current prospectus of the Fund and, where available, the relevant Key Investor Information Document, accompanied by the latest available audited annual report and the latest semi-annual report if published thereafter.

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. Past performance is not an indicator or a guarantee of future performance. 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.

An investment in the Fund entails risks which are described in the Fund’s prospectus and, where available, the relevant Key Investor Information Document.

In emerging markets, the risks can be greater than in developed markets.

No shares of the Fund may be directly or indirectly offered or sold to residents of the United States of America. Shares of the Fund are not available for distribution in all jurisdictions and prospective investors should confirm availability with their local Franklin Templeton representative before making any plans to invest. The Fund is only registered for public distribution in Luxembourg.

Any research and analysis contained in this document has been procured by Franklin Templeton for its own purposes and is provided to you only incidentally. References to particular industries, sectors or companies are for general information and are not necessarily indicative of a fund’s holding at any one time.

Please consult your financial advisor before deciding to invest. A copy of the latest prospectus, and if available for this product the Key Investor Information Document, the annual report and semi-annual report, if published thereafter can be found, on our website www.ftidocuments.com or can be obtained, free of charge, from Franklin Templeton International Services S.à r.l.–Supervised by the Commission de Surveillance du Secteur Financier - 8A, rue Albert Borschette, L-1246 Luxembourg - Tel: +352-46 66 67-1 - Fax: +352-46 66 76.

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