Templeton Global Bond Fund

September 30, 2021

Product Profile

Product Details[1]

Fund Assets	$370,147,129.42
Fund Inception Date	07/15/1988
Number of Securities Including Cash	65
Base Currency	CAD
Morningstar Category ™	Global Fixed Income
Distribution Frequency	Monthly

Risk Classification[2]

Low	Low to Medium	Medium	Medium to High	High

	Inception Date
Series O	06/18/2001

Fund Codes

Series	CAD	USD
Series O	TML259	TML260

Templeton Global Bond Fund (Hedged)	CAD	USD
Series O	TML3717	—

Fund Description

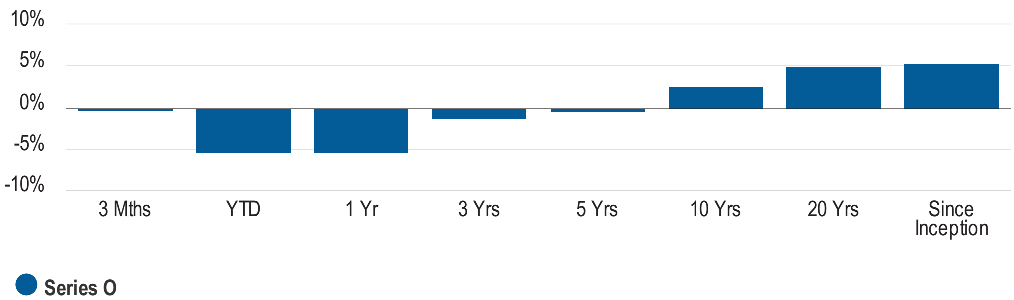
The Fund seeks to achieve high current income with capital appreciation by investing primarily in fixed income securities and preferred shares issued around the world. The Fund may not invest more than 25% of the total value of the invested assets (excluding cash) in a particular industry.

Performance Data[3]

Average Annual Total Returns[4] (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception (06/18/2001)
Series O	-0.27	-5.34	-5.40	-1.25	-0.41	2.49	5.05	5.42

The indicated rates of return are the Series O historical annual compounded total returns including changes in unit value and reinvestment of all distributions and do not take into account investment management fees, sales, redemption, distribution or optional charges or income taxes payable by any securityholder that would have reduced returns.



Calendar Year Returns (%)

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Series O	-1.40	-4.08	6.35	2.33	0.04	8.47	5.39	4.97	10.03	2.80

Portfolio Manager Insight[5]

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Currencies	Duration	Credit
HELPED	—	Argentina	—
	—	India	—
	—	—	—
HURT	South Korean Won	Brazil	—
	Brazilian Real	—	—
	Argentine Peso	—	—

1. All holdings are subject to change.
2. Each fund is assigned an investment risk rating in one of the following categories: low, low to medium, medium, medium to high or high risk. The risk ratings were determined using a methodology that assesses a fund's historical volatility risk as measured by the standard deviation of fund performance. However, just as a fund's historical performance may not be indicative of its future returns, a fund's historical volatility may not be indicative of its future volatility. In addition, other types of risk may exist that can affect a fund's returns. Please read the prospectus for more information on fund risk ratings.
3. The fund offers other series subject to different fees and expenses, which will affect their performance.
4. Periods shorter than one year are shown as cumulative total returns.
5. 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.

- The USD broadly strengthened during the third quarter, with some exceptions. The Canadian dollar (the fund's base currency) depreciated against the USD during the period. Currency positions in Latin America (the Brazilian real, Argentine peso and Chilean peso) and Asia ex Japan (the South Korean won) detracted from absolute fund performance, as did positions in northern European currencies. We are focusing on value opportunities in specific currencies, particularly in countries with strong trade dynamics, current account surpluses, better fiscal management and stronger growth potential, notably in Asia.
- Sovereign bond yields rose across much of the world in August and September after generally declining in July. On the whole, sovereign bond yields in most developed markets finished the quarter relatively flat to moderately higher, while emerging markets saw much greater variation, ranging from significantly higher upward adjustments in many countries to lower yields in a select few. Select duration exposures in Asia ex Japan (India) contributed to absolute fund performance, while duration exposures in Latin America had mixed results (Argentina contributed, while Brazil detracted). We continue to focus on higher-yielding local-currency bonds in specific emerging markets that have resilient economies, healthy or improving fiscal conditions and strong trade dynamics.
- From an overall positioning standpoint, we continue to maintain low portfolio duration. We are significantly underweight developed market duration, and we hold no duration exposure in the euro area. Instead, we continue to emphasise select local-currency sovereign bonds outside of the major developed markets, in countries that we view as having resilient fundamentals and attractive risk-adjusted yields. We are holding various unhedged local-currency sovereign bonds, notably in South Korea, Indonesia, India, Ghana, Brazil and Colombia. We are also focusing on value opportunities in specific currencies, notably in Asia. We are holding long exposures in the Chinese yuan, South Korean won, Japanese yen, Indonesian rupiah, Indian rupee, Singapore dollar, New Zealand dollar and Chilean peso against the USD. In credit markets, we see pockets of value in select sovereign credit exposures that have undervalued growth drivers and attractive risk-adjusted spreads. On the whole, we remain constructive in specific currencies and local-currency bond markets, notably in areas of Asia, as we largely expect the global recovery to continue through the remainder of 2021 into 2022.

Outlook & Strategy

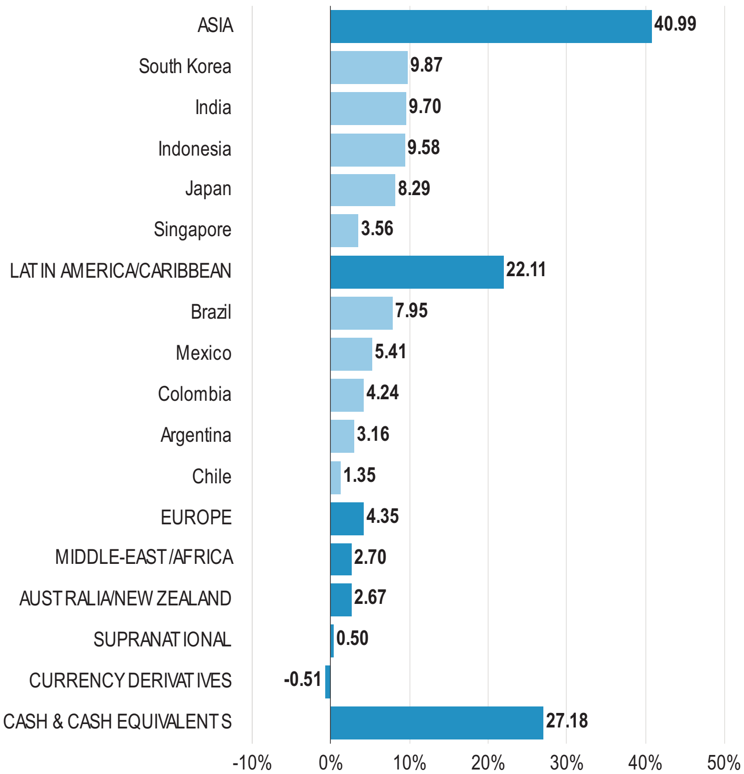
- We expect macroeconomic conditions in much of the world to continue to improve through the remainder of 2021 into 2022. However, economic recoveries are likely to remain uneven as countries are at different stages of handling the pandemic. Several emerging markets continue to lag the rest of the world in distributing vaccines, while others, like Chile, are close to the levels of developed markets. Some countries have begun to transition towards a post-COVID order, providing third dose booster shots, developing non-vaccine treatments and/or pivoting towards a policy stance of "living with COVID" to move beyond the damaging cycles of lockdowns and reopenings. On the whole, we remain optimistic for the ongoing global recovery, particularly for a number of emerging markets that stand to benefit from strong trade dynamics.
- While conditions appear broadly supportive of strategic rotations into risk assets, it remains crucial to be highly selective at the sovereign level given significant variations in economic conditions and policy responses. Risks to the global recovery include potential setbacks in vaccinations, particularly in emerging markets, as well as COVID-19 variants that have the potential to extend the duration and damage of the pandemic in certain regions.
- Structural risks associated with massive fiscal spending and excessive monetary accommodation also remain a medium- to longer-term concern in several countries. Debt levels have risen significantly in just about every country. Additionally, financial market overreliance on extraordinary monetary accommodation creates the preconditions for a potential financial market shock when policy begins to normalise. While our base case sees measured monetary tightening from the Fed and other major central banks that should avoid a repeat of the 2013 taper tantrum, we do anticipate scattered episodes of volatility as the world transitions from the massive fiscal stimulus and monetary accommodation of the last 18 months. Exiting the pandemic is unlikely to be a completely smooth transition.
- We expect inflation figures to remain elevated in 2021 in many countries, driven by a combination of factors that include cyclical upswings associated with resurgent economic activity, supply bottlenecks in certain sectors and base effects off of the pandemic shocks in 2020. These factors should be largely transitory, in our view, with inflation levels eventually moderating to secular trends in 2022, given elevated unemployment and automation factors that continue to dampen wage pressures. Additionally, a handful of sector components are having outsized impacts on the US inflation prints. As these component effects normalise, we would expect the headline figures to come down.
- However, excessive monetary accommodation, massive fiscal stimulus in the US and resurgent growth present inflationary risks that bear monitoring. Additionally, upward adjustments to housing rents to narrow the historically wide gap with surging house prices, as well as labour market mismatches from massive job losses and all-time highs in job openings, have the potential to create additional price pressures. The true test will be whether any of these factors become persistent enough to feed into longer-term inflation expectations, which would create self-sustaining price pressures. We currently see conditions for inflation expectations to moderate as near-term spikes in the inflation figures eventually wane, but we also continue to monitor the risks that would cause inflation expectations to become unanchored.
- Many central banks have begun considering when and at what pace to begin normalising policy. Specific emerging markets with inflation concerns have already begun raising rates, such as Brazil, Mexico, Chile, Peru, Russia and Hungary, while other countries are looking towards normalising policy to keep ahead of the curve, given strengthening economic conditions. A number of countries have indicated that rate hikes and/or asset-buying programme adjustments are likely to occur during the remainder of 2021. We expect a growing divergence on the monetary policy front as certain developed market central banks trend towards policy normalisation ahead of others, such as Norway, South Korea and New Zealand, while certain emerging market central banks are compelled to tighten policy to contend with rising inflationary pressures. Certain emerging markets have been able to stay ahead of the rate cycle, maintaining already high rates or hiking rates ahead of others, putting them in a stronger position to handle the upcoming global tightening cycle.

Portfolio Characteristics[a,b,c]

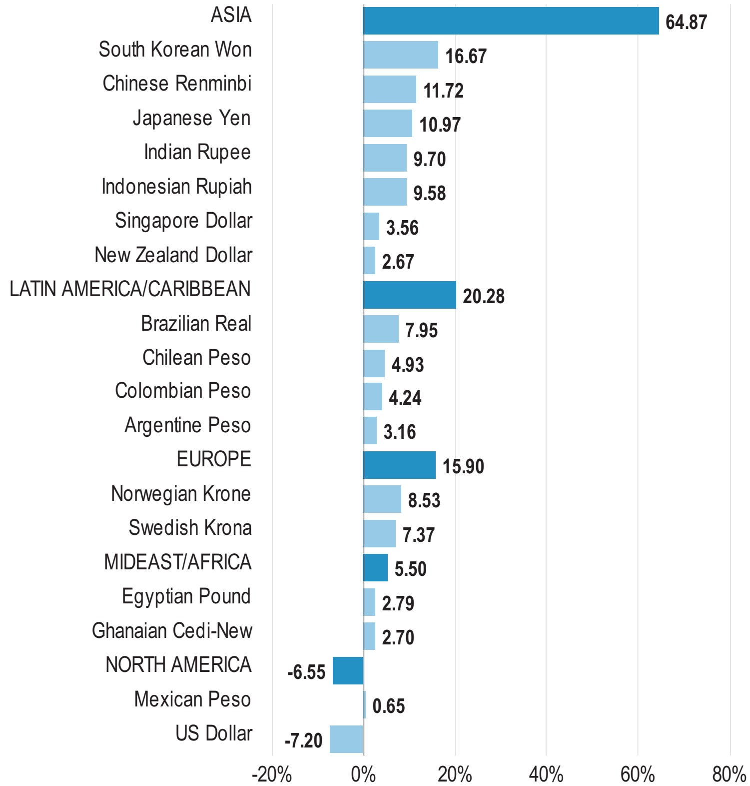
	Portfolio	JP Morgan Global Government Bond Index
Yield to Maturity	3.65%	0.59%
Average Duration	1.44 Yrs	8.13 Yrs
Average Weighted Maturity	1.69 Yrs	9.63 Yrs

Portfolio Diversification[a]

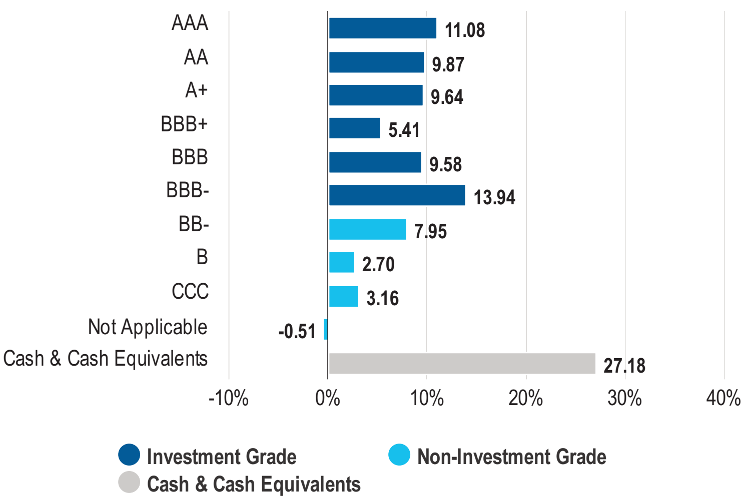
Geographic Allocation[d]
Market Value—Percent of Total



Currency Exposure[e]
Currency Exposure—Percent of Total



Credit Quality Allocation[d,f]
Market Value—Percent of Total



Supplemental Performance Statistics

Supplemental Risk Statistics[6,7]

	3 Yrs	5 Yrs	10 Yrs	Since Inception
Standard Deviation (%)	4.65	6.22	5.90	7.15
Tracking Error (%)	7.57	7.39	7.23	6.92
Information Ratio	-0.58	-0.14	-0.09	0.25
Beta	0.18	0.36	0.36	0.51
Sharpe Ratio	-0.49	-0.22	0.27	0.52

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Investment Philosophy

We believe:

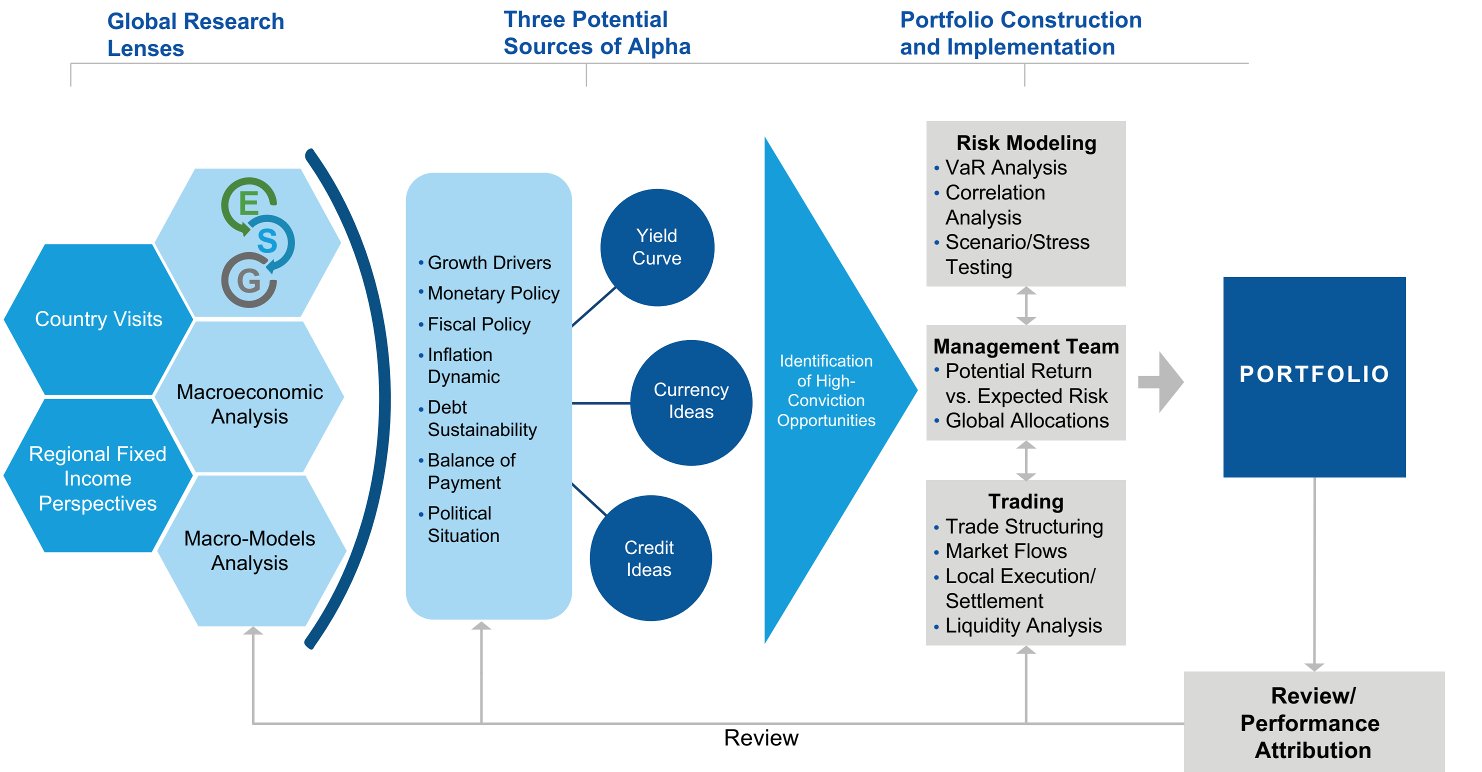
- An unconstrained approach to global fixed income investing can lead to long-term value potential
- Integrating global macroeconomic analysis and ESG indicators with in-depth country research can help identify long-term economic imbalances
- Actively allocating risk across three independent potential sources of return can deliver diversification benefits and the potential for more consistent returns in diverse markets

Investment Strategy

- Seeks to maximize total investment return consisting of a combination of interest income, currency gains and capital appreciation
- Utilizes a benchmark-agnostic approach to take advantage of an unconstrained worldview
- Seeks to maintain a longer-term volatility profile that is commensurate with that of a traditional global government bond index
- May utilize three independent sources of potential alpha
  - Yield curve
  - Currencies
  - Sovereign credit

6. Beta, Information Ratio and Tracking Error information are measured against the JP Morgan Global Government Bond Index.
7. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).

Investment Process[8,9,10]



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Michael Hasenstab, Ph. D.	22	26
Calvin Ho, Ph. D.	16	16

Additional Resources
Local Asset Management

Glossary

Average Duration: A measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years.

Average Weighted Maturity: An estimate of the number of terms to maturity, taking the possibility of early payments into account, for the underlying holdings. Maturity is expressed as a number of years.

Beta: A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

Information Ratio: In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

Sharpe Ratio: To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.

Standard Deviation: A measure of the degree to which returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

Tracking Error: Measure of the deviation of the return of a product compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment is managed, the smaller the tracking error.

8. The above chart is for illustrative and discussion purposes only. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions.
9. Regional Fixed Income is comprised of investment professionals located in affiliates of and joint venture partners with Franklin Templeton.
10. ESG refers to Environmental, Social and Governance indicators.

Yield to Maturity: Yield to Maturity (‘YTM’) also known as the ‘Gross Redemption Yield’ or ‘Redemption Yield’. The rate of return anticipated on a bond if it is held until the maturity date. YTM is considered a long-term bond yield expressed as an annual rate. The calculation of YTM takes into account the current market price, par value, coupon interest rate and time to maturity. It is also assumed that all coupons are reinvested at the same rate.

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b. Yield to Maturity, Average Duration and Average Weighted Maturity reflect certain derivatives held in Portfolio (or their underlying reference assets).
c. Yield figures quoted should not be used as an indication of the income that has or will be received. Yield figures are based on the portfolio's underlying holdings and do not represent a payout of the portfolio. Past performance is not an indicator or a guarantee of future performance.
d. Market value figures reflect the trading value of the investments. Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.
e. Notional exposure figures are intended to estimate the portfolio's exposure, including any hedged or increased exposure through certain derivatives held in the portfolio (or their underlying reference assets). Portfolio breakdown percentages may not total 100% and may be negative due to rounding, use of any derivatives, unsettled trades or other factors.
f. Ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations ('NRSRO'), such as Standard & Poor's, Moody's and Fitch. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from all three agencies are available, the middle rating is used; when two are available, the lowest rating is used; and when only one is available, that rating is used. Foreign government bonds without a specific rating are assigned the country rating provided by an NRSRO, if available. The Not Rated category consists of ratable securities that have not been rated by an NRSRO. The Not Applicable category consists of nonratable securities (e.g., equities). Cash includes equivalents, which may be rated.

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