Templeton Global Bond Fund–Class A, C

Global Fixed Income
Fixed Income
September 30, 2020

Product Profile

Product Details[1]

Fund Assets	$17,547,294,300.38
Fund Inception Date	09/18/1986
Number of Holdings	212
Investment Style	Global Fixed Income
Benchmark	FTSE World Government Bond Index
Lipper Classification	International Income Funds
Morningstar Category™	Nontraditional Bond
Dividend Frequency	Monthly, on or near the 20th

	Inception Date
Class A	09/18/1986
Class C	05/01/1995

	CUSIP	NASDAQ Symbol
Class A	880 208 103	TPINX
Class C	880 208 301	TEGBX

	Maximum Sales Charges
Class A	3.75% initial sales charge
Class C	1.00% contingent deferred sales charge (CDSC) in the first year only

	Total Annual Operating Expenses With Waiver	Total Annual Operating Expenses Without Waiver
Class A	0.92%	0.99%
Class C	1.32%	1.39%

	30-Day Standardized Yield[2] With Waiver	30-Day Standardized Yield[2] Without Waiver
Class A	1.51%	1.51%
Class C	1.17%	1.17%

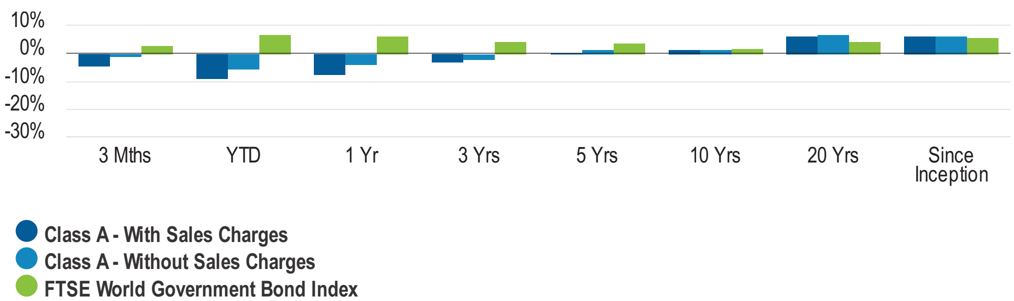
Fund Description

The fund seeks current income with capital appreciation and growth of income, by investing at least 80% of its net assets in bonds issued by governments, government related entities and government agencies located around the world. The fund regularly enters into various currency-related and other transactions involving derivative instruments.

Performance Data[3,4]

Average Annual Total Returns[5,6] (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception
Class A - With Sales Charges	-4.48	-8.73	-7.36	-3.02	0.69	1.41	6.64	6.50
Class A - Without Sales Charges	-0.76	-5.16	-3.74	-1.78	1.45	1.80	6.85	6.62
Class C - With Sales Charges	-1.84	-6.35	-4.95	-2.17	1.04	1.40	6.42	5.84
Class C - Without Sales Charges	-0.86	-5.43	-4.03	-2.17	1.04	1.40	6.42	5.84
FTSE World Government Bond Index	2.94	7.14	6.77	4.36	3.95	1.86	4.71	5.87



Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton at (800) DIAL BEN/342-5236 or visit franklintempleton.com for the most recent month-end performance.

The fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 04/30/2021. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.

1. All holdings are subject to change.
3. Class A: Prior to 3/1/19, these shares were offered at a higher initial sales charge of 4.25%; thus actual returns would have differed. Total returns with sales charges have been restated to reflect the current maximum initial sales charge of 3.75%. On 01/01/1993, a plan of distribution was implemented for these shares under Rule 12b-1, which affects subsequent performance. Class C: Prior to 01/01/2004, these shares were offered with an initial sales charge; thus actual returns may differ. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.
4. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.
5. Periods shorter than one year are shown as cumulative total returns.
6. Since inception return for the benchmark is calculated to the fund inception date.

Calendar Year Returns (% Without Sales Charge)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Class A	0.63	1.27	2.35	6.22	-4.26	1.58	2.22	15.81	-2.38	12.68
Class C	0.22	0.86	1.94	5.87	-4.71	1.24	1.73	15.40	-2.83	12.30
FTSE World Government Bond Index	5.90	-0.84	7.49	1.60	-3.57	-0.48	-4.00	1.65	6.35	5.17

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If the sales charge had been included, the returns would have been lower.

Portfolio Manager Insight[7]

Performance Review

QUARTERLY KEY PERFORMANCE DRIVERS

	Currencies	Duration	Credit
HELPED	Japanese Yen (Net-Positive Position)	Short-Term US Treasuries	—
	Norwegian Krone	Argentina	—
	—	Indonesia	—
HURT	Australian Dollar (Net-Negative Position)	—	—
	Euro (Net-Negative Position)	—	—
	Argentine Peso	—	—

- The US dollar broadly weakened against most developed and emerging market currencies during the quarter, but finished on a strengthening trend in September, reversing the weakening pattern that had lasted from mid-May through the end of August. The fund's net-negative positions in the Australian dollar and the euro detracted from absolute performance. Currency positions in Latin America (the Argentine peso) and Asia ex Japan (the Indonesian rupiah) also detracted from absolute fund results. However, the fund's net-positive position in the Japanese yen contributed to absolute performance, as did positions in northern European currencies (the Norwegian krone).
- Developed market sovereign bond yields fluctuated during the quarter, rising in August on reflation expectations but dropping in September as broad risk aversion returned to global financial markets. Yields finished higher in a number of local-currency emerging markets, notably in Latin America. We held select duration exposures in countries with relatively higher yields that we believe have compelling valuations and varying degrees of economic resilience to external shocks. The fund's exposure to short-term US Treasuries contributed to absolute results, as did select duration exposures in Latin America (Argentina and Mexico) and Asia ex Japan (Indonesia).
- From a positioning standpoint, we continue to maintain low portfolio duration. We are significantly underweight developed market duration, preferring to hold short- to intermediate-term US Treasuries, while holding no exposure to the long end of the curve. We hold no duration exposure in the eurozone. Instead, we continue to emphasize select local-currency positions outside of the major developed markets, in countries that we view as having resilient fundamentals and attractive risk-adjusted yields. We are counter-balancing those various risk exposures with perceived safe-haven investments, such as the Japanese yen and Swiss franc, and we are hedging a substantial amount of local-currency risk through proxy hedges (negative Australian dollar) and direct hedges (Indian rupee, South Korean won, Mexican peso and Brazilian real). We are avoiding credit markets, which we view as significantly overstretched and vulnerable to insolvencies. Overall, we are aiming the strategies to be a portfolio diversifier against overvalued asset classes that remain vulnerable to ongoing economic shocks.

Outlook & Strategy

- We remain cautious on the risk profiles across global fixed income markets as the COVID-19 pandemic continues to impact economic activity around the world. The broad-based selloffs across asset classes in September demonstrate the highly correlated and currently vulnerable state of global financial markets, in our assessment. Several asset classes remain broadly overvalued, in our view, reflecting an underappreciation for the likelihood for successive waves of infections, growing insolvencies and deepening economic hardship. We see elevated risks for a significant correction in financial markets given the extreme dislocations between asset prices and macroeconomic fundamentals.
- We continue to aim at positioning our strategies to be uncorrelated to vulnerable asset classes while delivering high income and defending capital. We're currently focusing on specific perceived safe-haven investments, while emphasizing a select set of higher-yielding emerging markets that have relatively resilient domestic economies. We're aiming to derive alpha from different sources than the low-to-negative yielding developed fixed income markets, which have limited upside potential left and asymmetric interest-rate risks as yields grind to historic lows.
- We continue to see conditions for a gradual recovery in the global economy, with the potential for setbacks and multiple stages of relief rallies and corrections in financial markets before a more sustainable growth recovery takes hold. There are still unknowns over how long the pandemic will last and what the impacts will be as governments struggle to effectively maintain reopened economies.
- Additionally, economic recoveries in many regions have shown signs of leveling off in recent months, demonstrating that the improvements in the late spring and summer months were rebounds from the extreme low points in March and April, not trends that could be extrapolated through upcoming quarters. We remain concerned that as the pandemic persists through the fall and winter months that cost-cutting by businesses and rising insolvencies will worsen with each month of stifled activity. Geopolitical risks also remain elevated as the United States heads toward elections in November and the United Kingdom struggles to agree to terms before its year-end deadline for withdrawal from the European Union. Elevated political and economic uncertainty, as well as significant overvaluations in several asset classes, pose risks for global financial markets in the quarter ahead.

- Our outlook for emerging markets as a whole remains cautious; however, we see risk-adjusted value in specific countries. It remains crucial to be selective. Tragically we have seen the consequences of weak environmental, social and governance (ESG) factors in specific emerging markets during the pandemic. Countries that were less prepared for a health crisis due to weaker health care systems and less developed infrastructure, and/or less prepared for an economic crisis due to fiscal imbalances, high levels of debt and external dependencies, have suffered greater damage to lives and livelihoods. By contrast, countries that were in stronger fundamental shape before the crisis, with stronger institutions, lower levels of debt and more diversified economies, have generally fared better. Several domestically oriented economies continue to have comparatively better prospects than externally dependent economies, given the collapse in global aggregate demand and diminished levels of trade. We continue to monitor broader conditions and expect that the impacts of the COVID-19 pandemic could persist for multiple quarters, potentially pushing out the timeline for when certain investment opportunities may become suitable.

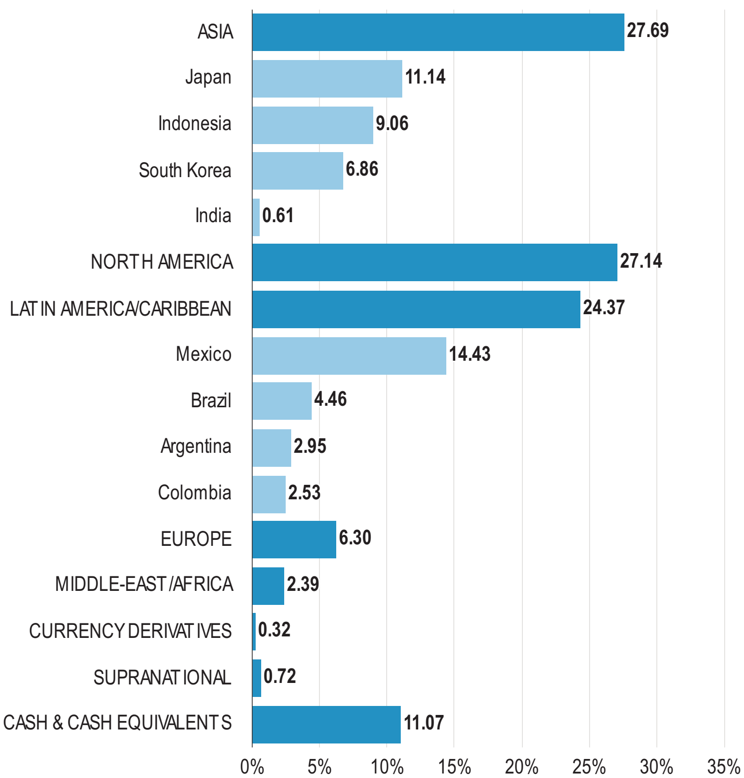
7. The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. 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.

Portfolio Characteristics[8,9,10,11]

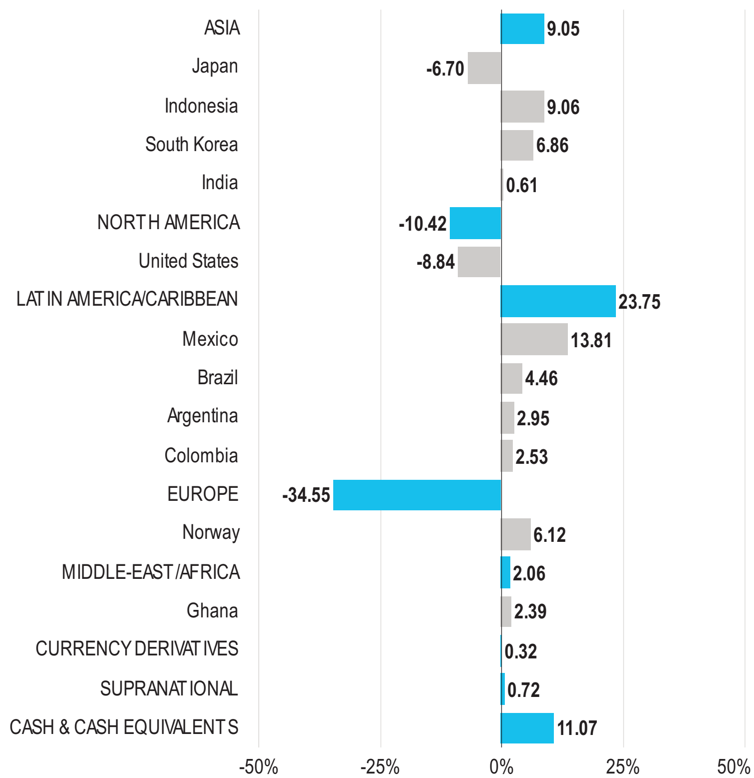
	Portfolio	FTSE World Government Bond Index
Annual Turnover Ratio (12/31/2019)	32.63%	-
Average Duration	2.49 Yrs	8.86 Yrs
Average Weighted Maturity	2.77 Yrs	10.33 Yrs

Portfolio Diversification[8]

Geographic Allocation[12]
Market Value—Percent of Total



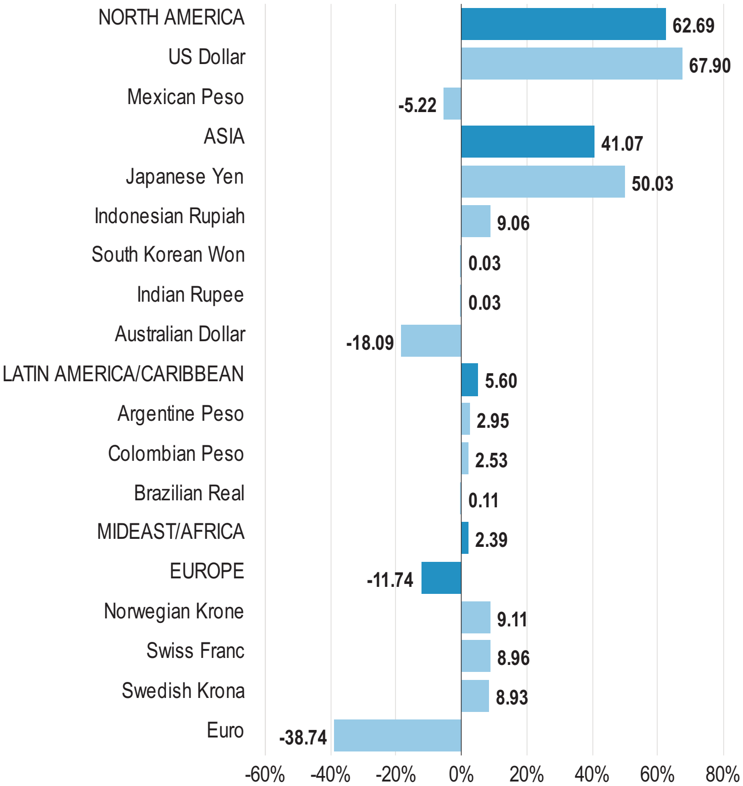
Geographic Allocation vs. FTSE World Government Bond Index[12,13]
Market Value—Percent of Total



9. Turnover Ratio is as of the fund's fiscal year-end.
10,13. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

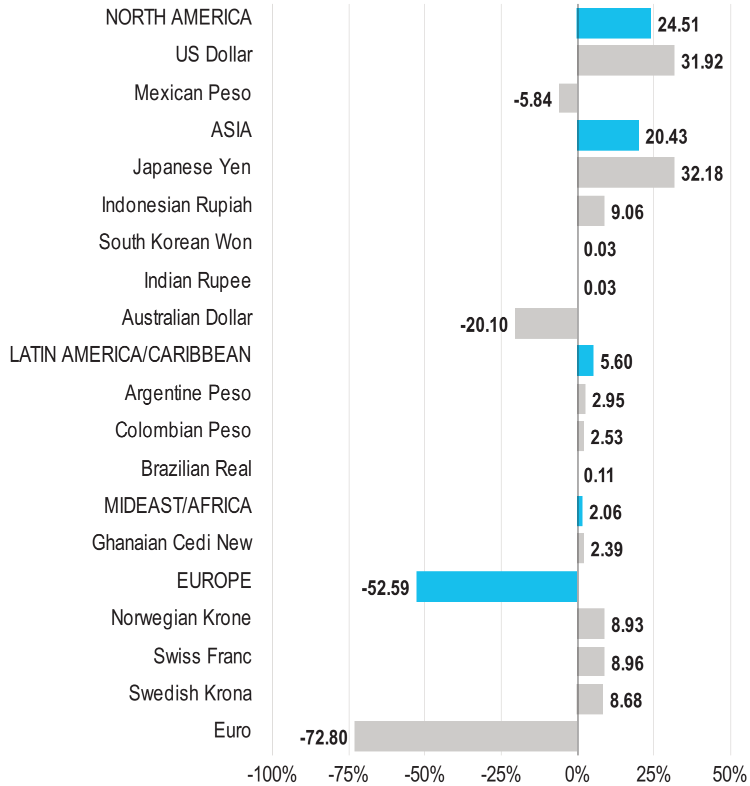
Currency Exposure[14]

Notional Exposure—Percent of Total



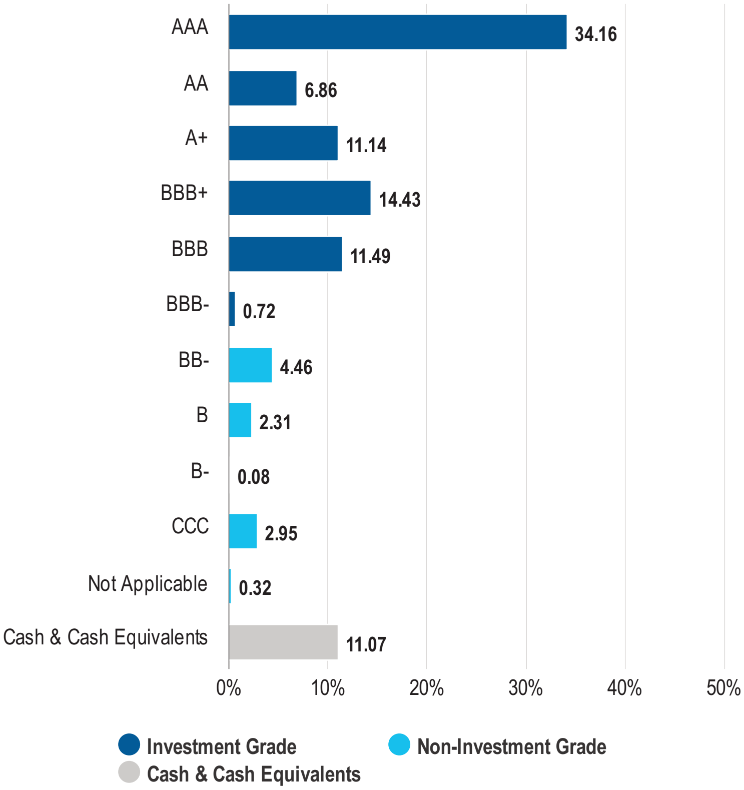
Currency Exposure vs. FTSE World Government Bond Index[14,15]

Notional Exposure—Percent of Total

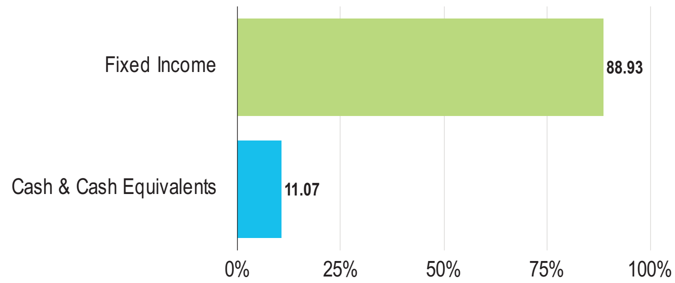


15. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

Credit Quality Allocation[12,16]
Market Value—Percent of Total



Asset Allocation[12]
Market Value—Percent of Total



Supplemental Performance Statistics

Supplemental Risk Statistics[17,18]
Class A

	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	6.12	6.51	7.16
Tracking Error (%)	8.18	9.50	8.52
Information Ratio	-0.75	-0.26	-0.01
Sharpe Ratio	-0.55	0.05	0.17

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Investment Philosophy

We believe that applying a fundamental, research-driven approach focused on identifying potential sources of total return (current income and capital appreciation) worldwide and seeking to capitalize on global interest rates and currency trends provides the best potential for solid risk-adjusted returns. The strategy is run independently of its benchmark, allowing the manager to hold only the positions it believes have the best potential to maximize risk-adjusted returns. This is a high alpha seeking strategy that invests globally and may include allocations to both developed and emerging markets.

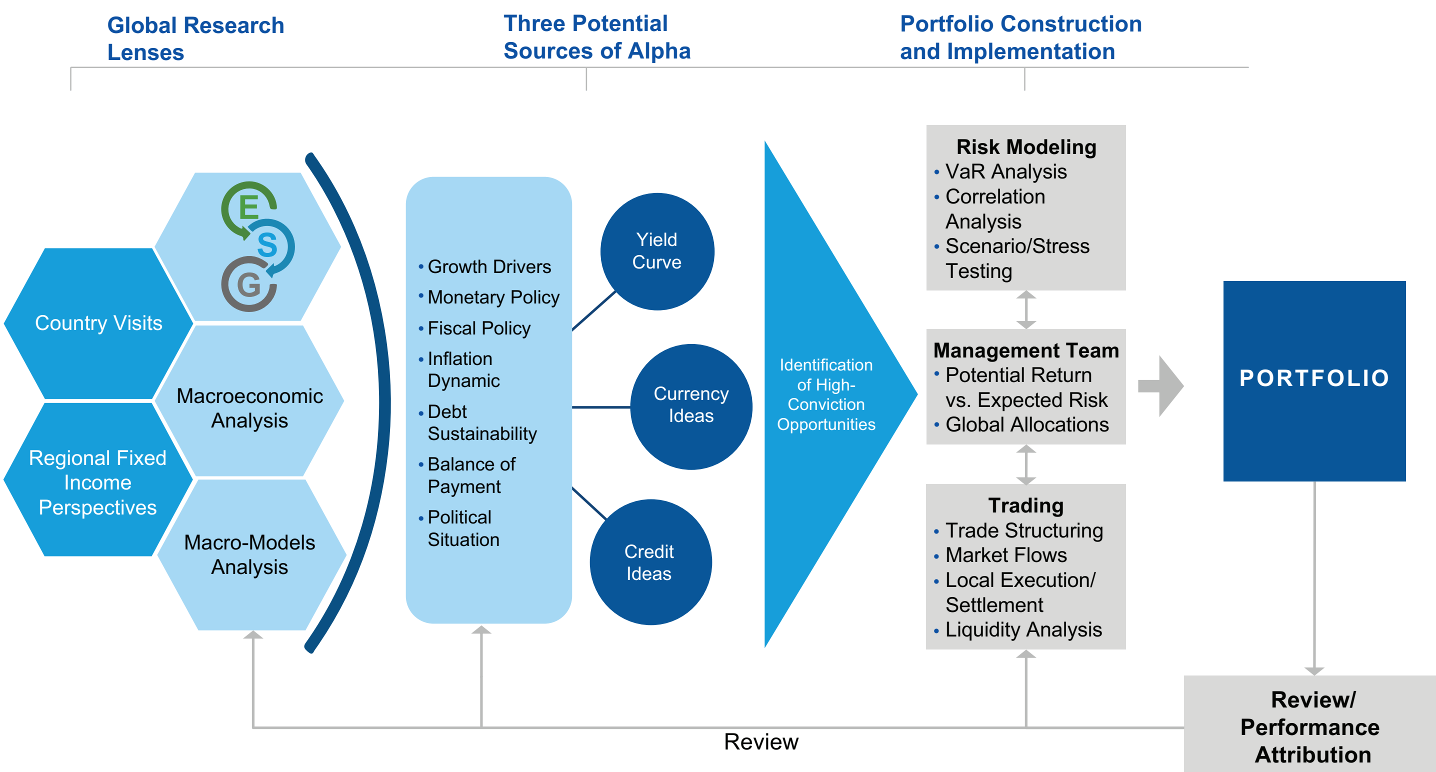
Investment Process

Investment Strategy
Long-Term, Opportunistic Value Approach

16. 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.
17. Information Ratio and Tracking Error information are displayed for the product versus the FTSE World Government Bond Index.
18. 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).

- Long-term, fundamentally driven investment focus
- Total return approach that is not benchmark driven
- Identify economic imbalances that may lead to value opportunities in:
  - Yield curve
  - Currencies
  - Sovereign credit
- Active positioning across these three areas
  - Precisely isolate desired exposures
  - Risk budget composition will shift based on relative attractiveness during global economic and credit cycles

Investment Process[19,20]



Investment Team

Portfolio Manager	Years with Firm	Years Experience
Michael Hasenstab, Ph. D.	21	25
Calvin Ho, Ph. D.	15	15

Annual Turnover Ratio: Percentage of a fund's holdings replaced with other holdings during a fund's most recent full fiscal year.

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.

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.

19. 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.
20. The Regional Fixed Income is comprised of investment professionals located in affiliates of and joint venture partners with Franklin Templeton.

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.

What Are The Risks?
All investments involve risks, including possible loss of principal. Derivatives, including currency management strategies, involve costs and can create economic leverage in the portfolio which may result in significant volatility and cause the fund to participate in losses on an amount that exceeds the fund's initial investment. The fund may not achieve the anticipated benefits, and may realize losses when a counterparty fails to perform as promised. The markets for particular securities or types of securities are or may become relatively illiquid. Reduced liquidity will have an adverse impact on the security's value and on the fund's ability to sell such securities when necessary to meet the fund's liquidity needs or in response to a specific market event. Foreign securities involve special risks, including currency fluctuations (which may be significant over the short term) and economic and political uncertainties; investments in emerging markets involve heightened risks related to the same factors. Sovereign debt securities are subject to various risks in addition to those relating to debt securities and foreign securities generally, including, but not limited to, the risk that a government entity may be unwilling or unable to pay interest and repay principal on its sovereign debt, or otherwise meet its obligations when due. Investments in lower-rated bonds include higher risk of default and loss of principal. Bond prices generally move in the opposite direction of interest rates. As the prices of bonds in the fund adjust to a rise in interest rates, the fund's share price may decline. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. These and other risks are discussed in the fund's prospectus.

Important Legal Information
Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial professional, call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

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Source: FactSet, FTSE. Important data provider notices and terms available at www.franklintempletondatasources.com.

2. The fund's 30-Day Standardized Yield is calculated using the net income (interest and dividends) per share earned over a trailing 30-day period (annualized), divided by the fund's share price at the end of that period. It may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders. **Past performance is not an indicator or a guarantee of future performance.**
8. All holdings are subject to change.
11. Average Duration and Average Weighted Maturity reflect certain derivatives held in the portfolio (or their underlying reference assets).
12. 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.
14. 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.

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