



FRANKLIN TEMPLETON
INVESTMENTS

Franklin Templeton Investment Funds

FINANCIAL REPORT FOR THE HALF-YEAR ENDED 31 DECEMBER 2017



Franklin Templeton Investment Funds

Financial report for the half-year ended 31 December 2017

Templeton Global Equity Fund ARSN 104 669 427

Franklin Global Growth Fund ARSN 132 597 972

Franklin Templeton Multisector Bond Fund ARSN 137 298 714

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This interim report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made in respect of Franklin Templeton Investment Funds during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The Responsible Entity of Franklin Templeton Investment Funds is Franklin Templeton Investments Australia Limited (ABN 87 006 972 247).

The Responsible Entity's registered office is Level 19, 101 Collins Street, Melbourne VIC 3000.

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DIRECTORS' REPORT

The Responsible Entity of the Franklin Templeton Investment Funds (the "Funds") for the financial half-year ended 31 December 2017 was Franklin Templeton Investments Australia Limited (the "Responsible Entity").

The directors of Franklin Templeton Investments Australia Limited, the Responsible Entity and Manager of Franklin Templeton Investment Funds, present their report together with the financial statements of the Funds for the financial half-year ended 31 December 2017.

- Templeton Global Equity Fund
- Franklin Global Growth Fund
- Franklin Templeton Multisector Bond Fund

PRINCIPAL ACTIVITIES

The Funds continued to invest funds in accordance with the provision of the Funds' Constitution.

The Funds did not have any employees during the financial half-year.

There were no significant changes in the nature of the Funds' activities during the financial half-year.

DIRECTORS

The following persons held office as directors of the Responsible Entity during the financial half-year and up to the date of this report:

M A Harrison (Appointed 15 January 2018)

M L Wilton (Resigned 15 January 2018)

P M Wilmshurst

J A Plafker

M B Browning

DIRECTORS' REPORT CONTINUED

REVIEW AND RESULTS OF OPERATIONS

The Funds invest in equity securities, listed unit trusts, listed property trusts, unlisted unit trusts, fixed interest securities, money market securities, derivatives and cash and cash equivalents. The investment policy of the Funds continues to be in accordance with the provisions of the Funds' Constitution.

The performance of the Funds, as represented by the results of their operations, was as follows:

	TEMPLETON GLOBAL EQUITY FUND		FRANKLIN GLOBAL GROWTH FUND		FRANKLIN TEMPLETON MULTISECTOR BOND FUND	
	Half-year ended 31 December 2017	Half-year ended 31 December 2016	Half-year ended 31 December 2017	Half-year ended 31 December 2016	Half-year ended 31 December 2017	Half-year ended 31 December 2016
Net operating profit/(loss) before finance costs attributable to unitholders (\$'000)	10,722	20,737	14,638	5,424	(2,138)	31,005
Distributions - Ordinary Class						
Distributions paid and payable (\$'000)	541	646	–	–	–	–
Distributions (cents per unit)	0.3938	0.4608	–	–	–	–
Distributions - I Class						
Distributions paid and payable (\$'000)	–	–	324	308	249	–
Distributions (cents per unit)	–	–	0.6470	0.6766	0.3543	–
Distributions - W Class						
Distributions paid and payable (\$'000)	–	–	238	153	751	–
Distributions (cents per unit)	–	–	0.5345	0.5048	0.2225	–
Distributions - Total						
Distributions paid and payable (\$'000)	541	646	562	461	1,000	–

Franklin Templeton Investment Funds

Financial report for the half-year ended 31 December 2017

DIRECTORS' REPORT CONTINUED

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

In the opinion of the directors, there were no significant changes in the state of affairs of the Funds that occurred during the financial half-year.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL HALF-YEAR

Maria Wilton resigned as a director of Franklin Templeton Investments Australia Limited on 15 January 2018.

Matthew Harrison was appointed as a director of Franklin Templeton Investments Australia Limited on 15 January 2018.

There are no other significant events that have occurred since the balance date which would impact on the financial position of the Funds as disclosed in the balance sheet as at 31 December 2017, or on the results and cash flows of the Funds for the financial half-year ended on that date.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS OF OPERATIONS

The Funds will continue to be managed in accordance with the investment objectives and guidelines as set out in the governing documents of the Funds and in accordance with the provisions of the Funds' Constitution.

The results of the Funds' operations will be affected by a number of factors, including the performance of investment markets in which the Funds invest. Investment performance is not guaranteed and future returns may differ from past returns. As investment conditions change over time, past returns should not be used to predict future returns.

INDEMNITY AND INSURANCE OF OFFICERS AND AUDITORS

No insurance premiums were paid for out of the assets of the Funds in regards to insurance cover provided to either the officers of the Responsible Entity or the auditors of the Funds. So long as the officers of the Responsible Entity act in accordance with the Funds' Constitution and the Law, the Responsible Entity remain indemnified out of the assets of the Funds against losses incurred while acting on behalf of the Funds. The auditors of the Funds are in no way indemnified out of the assets of the Funds.

FEES PAID TO AND INTERESTS HELD IN THE FUNDS BY THE RESPONSIBLE ENTITY OR ITS ASSOCIATES

Fees paid to the Responsible Entity and its associates out of the Funds' property during the financial half-year are disclosed in note 8 of the financial statements.

No fees were paid out of the Funds' property to the directors of the Responsible Entity during the financial half-year (2016: Nil).

The number of interests in the Funds held by the Responsible Entity or its associates as at the end of the financial half-year are also disclosed in note 8 of the financial statements.

INTERESTS IN THE FUNDS

The movement in units on issue in the Funds during the financial half-year is disclosed in note 6 of the financial statements.

The value of the Funds' assets and liabilities are disclosed in the balance sheet and derived using the basis set out in note 2 of the financial statements.

ENVIRONMENTAL REGULATION

The operations of the Funds are not subject to any particular or significant environmental regulations under a Commonwealth, State or Territory law.

ROUNDING OF AMOUNTS TO THE NEAREST THOUSAND DOLLARS

Amounts in the directors' report have been rounded to the nearest thousand dollars in accordance with *ASIC Corporations (Rounding in Financial/Directors' Report) Instrument 2016/191*, unless otherwise indicated.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the Auditor's independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 4.

This report is made in accordance with a resolution of the directors.

Matthew Harrison

Director
Matthew Harrison

Melbourne
14 March 2018

AUDITOR'S INDEPENDENCE DECLARATION



Auditor's Independence Declaration

As lead auditor for the review of Templeton Global Equity Fund, Franklin Global Growth Fund, and Franklin Templeton Multisector Bond Fund for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b) no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in black ink, appearing to read 'D Coogan', with a long horizontal flourish extending to the right.

David Coogan
Partner
PricewaterhouseCoopers

Melbourne
14 March 2018

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Franklin Templeton Investment Funds

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STATEMENTS OF COMPREHENSIVE INCOME

	Notes	TEMPLETON GLOBAL EQUITY FUND		FRANKLIN GLOBAL GROWTH FUND		FRANKLIN TEMPLETON MULTISECTOR BOND FUND	
		Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000	Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000	Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000
Investment income							
Interest income		–	3	28	17	8,795	10,150
Dividend income		–	–	1,170	938	–	–
Distribution income		673	770	–	–	–	–
Net gains/(losses) on financial instruments held at fair value through profit or loss		10,181	20,091	14,138	4,941	(8,932)	22,751
Other operating income		–	–	–	–	2	–
Total investment income/(loss)		10,854	20,864	15,336	5,896	(135)	32,901
Expenses							
Management costs	8	132	127	672	454	2,002	1,895
Transaction costs		–	–	25	18	–	–
Other operating expenses		–	–	1	–	1	1
Total operating expenses		132	127	698	472	2,003	1,896
Operating profit/(loss) for the half-year		10,722	20,737	14,638	5,424	(2,138)	31,005
Financing costs attributable to unitholders							
Distributions to unitholders	7	–	(646)	(562)	(461)	(1,000)	–
(Increase)/decrease in net assets attributable to unitholders	6	–	(20,091)	(14,076)	(4,963)	3,138	(31,005)
Profit/(loss) for the half-year		10,722	–	–	–	–	–
Other comprehensive income for the half-year		–	–	–	–	–	–
Total comprehensive income for the half-year*		10,722	–	–	–	–	–

* Effective from 1 July 2017, Templeton Global Equity Fund units have been reclassified from financial liability to equity. Refer note 1 for further detail. As a result, equity transactions, including distributions have been disclosed in the statement of changes in equity for the financial half-year ended 31 December 2017.

The above statements of comprehensive income should be read in conjunction with the accompanying notes.

BALANCE SHEETS

	Notes	TEMPLETON GLOBAL EQUITY FUND		FRANKLIN GLOBAL GROWTH FUND		FRANKLIN TEMPLETON MULTISECTOR BOND FUND	
		As at 31 December 2017	As at 30 June 2017	As at 31 December 2017	As at 30 June 2017	As at 31 December 2017	As at 30 June 2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets							
Cash and cash equivalents		210	432	7,771	3,890	122,944	113,141
Margin accounts		–	–	–	–	9,132	9,675
Receivables		204	307	172	252	457	4,365
Accrued income		297	14,814	46	74	–	–
Due from brokers - receivable for securities sold			–	–	1,975	–	–
Financial assets held at fair value through profit or loss	4	159,329	140,923	142,738	111,272	355,689	323,470
Total assets		160,040	156,476	150,727	117,463	488,222	450,651
Liabilities							
Margin accounts		–	–	–	–	5,447	3,911
Distribution payable	7	228	12,222	562	5,761	500	11,819
Payables		209	594	514	460	1,640	2,733
Due to brokers - payable for securities purchased		60	–	2,670	651	–	–
Financial liabilities held at fair value through profit or loss	5	–	–	–	2	11,455	9,732
Total liabilities (excluding net assets attributable to unitholders)		497	12,816	3,746	6,874	19,042	28,195
Net assets attributable to unitholders - equity*	6	159,543	–	–	–	–	–
Net assets attributable to unitholders - liability*	6	–	143,660	146,981	110,589	469,180	422,456

* Effective from 1 July 2017, Templeton Global Equity Fund units have been reclassified from financial liability to equity. Refer note 1 for further details.

The above balance sheets should be read in conjunction with the accompanying notes.

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STATEMENTS OF CHANGES IN EQUITY

	TEMPLETON GLOBAL EQUITY FUND		FRANKLIN GLOBAL GROWTH FUND		FRANKLIN TEMPLETON MULTISECTOR BOND FUND	
	Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000	Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000	Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000
Total equity at the beginning of the half-year	–	–	–	–	–	–
Reclassification due to AMIT tax regime implementation*	143,660	–	–	–	–	–
Comprehensive income for the half-year						
Profit/(loss) for the half-year	10,722	–	–	–	–	–
Other comprehensive income for the half-year	–	–	–	–	–	–
Total comprehensive income for the half-year	10,722	–	–	–	–	–
Transactions with unitholders						
Applications	20,757	–	–	–	–	–
Redemptions	(17,101)	–	–	–	–	–
Reinvestment of distributions	2,046	–	–	–	–	–
Distributions paid and payable	(541)	–	–	–	–	–
Total transactions with unitholders	5,161	–	–	–	–	–
Total equity at the end of the half-year*	159,543	–	–	–	–	–

* Effective from 1 July 2017, Templeton Global Equity Fund units have been reclassified from financial liability to equity. Refer note 1 for further detail. As a result, equity transactions, including distributions have been disclosed in the above statement for the financial half-year ended 31 December 2017.

The above statements of changes in equity should be read in conjunction with the accompanying notes.

STATEMENTS OF CASH FLOWS

	TEMPLETON GLOBAL EQUITY FUND		FRANKLIN GLOBAL GROWTH FUND		FRANKLIN TEMPLETON MULTISECTOR BOND FUND	
	Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000	Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000	Half-year ended 31 December 2017 \$'000	Half-year ended 31 December 2016 \$'000
Cash flows from operating activities						
Proceeds from sale of financial assets held at fair value through profit or loss	3,543	22,896	14,282	13,323	4,427,374	1,103,409
Purchase of financial assets held at fair value through profit or loss	(11,921)	(5,189)	(27,624)	(22,808)	(4,463,781)	(1,041,613)
Transaction costs on purchases and sales of financial assets held at fair value through profit or loss	–	–	(25)	(18)	–	–
Interest received	–	2	26	16	9,369	11,157
Dividend income received	–	–	1,250	398	–	–
Distributions income received	15,190	13,868	–	–	–	–
Other income received	–	–	–	–	2	4
Management costs paid	(133)	(183)	(592)	(455)	(1,939)	(2,187)
Payment of other expenses	–	–	(7)	(2)	(14)	(1)
Net cash inflow/(outflow) from operating activities	6,679	31,394	(12,690)	(9,546)	(28,989)	70,769
Cash flows from financing activities						
Proceeds from applications by unitholders	20,861	11,353	27,140	18,349	107,060	44,577
Payments for redemptions by unitholders	(17,273)	(23,677)	(7,277)	(3,590)	(58,452)	(156,341)
Distributions paid	(10,489)	(18,948)	(3,298)	(3,994)	(8,300)	–
Net cash inflow/(outflow) from financing activities	(6,901)	(31,272)	16,565	10,765	40,308	(111,764)
Net increase/(decrease) in cash and cash equivalents	(222)	122	3,875	1,219	11,319	(40,995)
Cash and cash equivalents at the beginning of the half-year	432	–	3,890	1,723	113,141	71,470
Effects of foreign currency exchange rate changes on cash and cash equivalents	–	–	6	28	(1,516)	(408)
Cash and cash equivalents at the end of the half-year	210	122	7,771	2,970	122,944	30,067
Non-cash financing activities	2,046	3,496	2,463	3,451	4,019	–

The above statements of cash flows should be read in conjunction with the accompanying notes.

Franklin Templeton Investment Funds

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NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

These financial statements cover the Franklin Templeton Investment Funds (the "Funds") as managed investment schemes. The respective constitution dates are as follows:

- Templeton Global Equity Fund 31 March 2003
- Franklin Global Growth Fund 11 July 2008
- Franklin Templeton Multisector Bond Fund 20 May 2009

Reclassification of units from financial liability to equity

On 5 May 2016, a new tax regime applying to Managed Investment Trusts ("MITs") was established under the Tax Laws Amendment (New Tax System for Managed Investment Trusts) Act 2016. The Attribution Managed Investment Trust ("AMIT") regime allows MITs that meet certain requirements to make an irrevocable choice to be an AMIT. In order to allow the Funds to elect into the AMIT tax regime, the Funds' Constitution have been amended and the other conditions to adopt the AMIT tax regime have been met effective 1 July 2017. The Responsible Entity is therefore no longer contractually obligated to pay distributions. Consequently the units in the Funds have been reclassified from a financial liability to equity on 1 July 2017. Multiclass funds do not meet the criteria under AASB 132, the units in these Funds will remain as a financial liability for the purpose of these financial statements, see note 6 for further information.

The financial statements were authorised for issue by the directors on 14 March 2018. The directors of the Responsible Entity have the power to amend and reissue the financial statements.

2. BASIS OF PREPARATION OF INTERIM REPORT

This interim general purpose financial report for the financial half-year ended 31 December 2017 has been prepared in accordance with accounting standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*.

This interim report includes financial statements for Templeton Global Equity Fund, Franklin Global Growth Fund and Franklin Templeton Multisector Bond Fund as individual entities.

The Funds are for-profit unit trusts for the purpose of preparing the financial statements.

Units are redeemable at the unitholders' option, however, applications and redemptions may be suspended by the Responsible Entity if it is in the best interests of the unitholders.

The units can be put back to the Funds at any time for cash based on the redemption price, which is equal to a proportionate share of the Funds' net asset value attributable to the unitholders.

The units are carried at the redemption amount that is payable at balance sheet date if the holder exercises the right to put the unit back to the Funds. This amount represents the expected cash flows on redemption of these units.

Units are classified as equity when they satisfy the following criteria under AASB 132 *Financial instruments: Presentation*:

- the puttable financial instrument entitles the holder to a pro-rata share of net assets in the event of the Funds' liquidation
- the puttable financial instrument is in the class of instruments that is subordinate to all other classes of instruments and class features are identical
- the puttable financial instrument does not include any contractual obligations to deliver cash or another financial asset, or to exchange financial instruments with another entity under potentially unfavorable conditions to the Fund, and it is not a contract settled in the Fund's own equity instruments; and
- the total expected cash flows attributable to the puttable financial instrument over the life are based substantially on the profit or loss.

Effective from 1 July 2017, the Templeton Global Equity Fund units have been reclassified from financial liability to equity as they satisfied all the above criteria.

This interim financial report does not include all the notes of the type normally included in an annual report. Accordingly, this report is to be read in conjunction with the annual report for the financial year ended 30 June 2017 and any public announcements made in the respect of the Funds during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial year and corresponding half-year reporting period.

New accounting standards or amendments adopted by the Funds

There are no new standards, interpretations or amendments to existing standards that are effective for the first time for the financial half-year beginning 1 July 2017 that would be expected to have a material impact on the Funds.

Compliance with International Financial Reporting Standards

The financial statements of the Funds also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

NOTES TO THE FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENT

The Funds measure and recognise the following assets and liabilities at fair value on a recurring basis:

- Financial assets / liabilities designated at fair value through profit or loss (FVTPL)
- Financial assets / liabilities held for trading
- Derivative financial instruments

The Funds have no assets or liabilities at fair value on a non-recurring basis in the current reporting period.

AASB 13 requires disclosure of fair value measurements by level of the following fair value hierarchy;

- quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

(i) Fair value in an active market (level 1)

The fair value of financial assets and liabilities traded in active markets is based on their quoted market prices at the end of the reporting period without any deduction for estimated future selling costs.

The Funds value their investments in accordance with the accounting policies set out in note 2 to the financial statements. For the majority of investments, the Funds rely on information provided by independent pricing services for the valuation of investments.

The quoted market price used for financial assets held by the Funds is the last traded market price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

(ii) Fair value in an inactive or unquoted market (level 2 and level 3)

The fair value of financial assets and liabilities that are not traded in an active market is determined using valuation techniques. These include the use of recent arm's length market transactions, reference to the current fair value of a substantially similar other instrument, discounted cash flow techniques, option pricing models or any other valuation technique that provides a reliable estimate of prices obtained in actual market transactions.

Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate used is a market rate at the end of the reporting period applicable for an instrument with similar terms and conditions.

For other pricing models, inputs are based on market data at the end of the reporting period. Fair values for unquoted equity investments are estimated, if possible, using applicable price/earnings ratios for similar listed companies adjusted to reflect the specific circumstances of the issuer.

The fair value of derivatives that are not exchange traded is estimated at the amount that the Funds would receive or pay to terminate the contract at the balance sheet date taking into account current market conditions (volatility and appropriate yield curve) and the current creditworthiness of the counterparties. The fair value of a forward contract is determined as a net present value of estimated future cash flows, discounted at appropriate market rates as at the valuation date. The fair value of an option contract is determined by applying the Black Scholes option valuation model.

Investments in other unlisted unit trusts are recorded at the redemption value per unit as reported by the investment managers of such funds.

Some of the inputs to these models may not be market observable and are therefore estimated based on assumptions.

The output of a model is always an estimate or approximation of a value that cannot be determined with certainty, and valuation techniques employed may not fully reflect all factors relevant to the positions the Funds hold. Valuations are therefore adjusted, where appropriate, to allow for additional factors including liquidity risk and counterparty risk.

The carrying value less impairment provision of other receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Fund for similar financial instruments.

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NOTES TO THE FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENT (CONTINUED)

Recognised fair value measurements (continued)

The following tables present the Funds' financial assets and liabilities (by asset class) measured at fair value according to the fair value hierarchy at 31 December 2017 and 30 June 2017.

	TEMPLETON GLOBAL EQUITY FUND			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2017				
Financial assets				
Financial assets designated at fair value through profit or loss:				
Unlisted unit trusts	–	159,329	–	159,329
Total	–	159,329	–	159,329

30 June 2017

Financial assets

Financial assets designated at fair value through profit or loss:

Unlisted unit trusts	–	140,923	–	140,923
Total	–	140,923	–	140,923

	FRANKLIN GLOBAL GROWTH FUND			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000

31 December 2017

Financial assets

Financial assets held for trading:

Derivatives	–	3	–	3
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Financial assets designated at fair value through profit or loss:

Equity securities	142,735	–	–	142,735
Total	142,735	3	–	142,738

30 June 2017

Financial assets

Financial assets designated at fair value through profit or loss:

Equity securities	111,272	–	–	111,272
Total	111,272	–	–	111,272

Financial liabilities

Financial liabilities held for trading:

Derivatives

Forward currency contracts	–	2	–	2
Total	–	2	–	2

NOTES TO THE FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENT (CONTINUED)

Recognised fair value measurements (continued)

	FRANKLIN TEMPLETON MULTISECTOR BOND FUND			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
31 December 2017				
Financial assets				
Financial assets held for trading:				
Derivatives				
Forward currency contracts	–	12,574	–	12,574
Swaps	–	1,084	–	1,084
Financial assets designated at fair value through profit or loss:				
Equity securities	–	31	18	49
Fixed interest securities	–	301,508	–	301,508
Money market securities	–	39,247	–	39,247
Convertible notes	–	1,227	–	1,227
Total	–	355,671	18	355,689
Financial liabilities				
Financial liabilities held for trading:				
Derivatives				
Forward currency contracts	–	8,943	–	8,943
Swaps	–	2,512	–	2,512
Total	–	11,455	–	11,455

Franklin Templeton Investment Funds

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NOTES TO THE FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENT (CONTINUED)

Recognised fair value measurements (continued)

	FRANKLIN TEMPLETON MULTISECTOR BOND FUND			
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
30 June 2017				
Financial assets				
Financial assets held for trading:				
Derivatives				
Forward currency contracts	–	15,575	–	15,575
Swaps	–	379	–	379
Financial assets designated at fair value through profit or loss:				
Equity securities	15	13	–	28
Fixed interest securities	–	275,784	–	275,784
Money market securities	–	30,470	–	30,470
Convertible notes	–	1,234	–	1,234
Total	15	323,455	–	323,470
Financial liabilities				
Financial liabilities held for trading:				
Derivatives				
Forward currency contracts	–	7,161	–	7,161
Swaps	–	2,571	–	2,571
Total	–	9,732	–	9,732

The Funds' policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

3. FAIR VALUE MEASUREMENT (CONTINUED)

Recognised fair value measurements (continued)

Transfers between levels

	FRANKLIN TEMPLETON MULTISECTOR BOND FUND		
	Level 1 \$'000	Level 1 \$'000	Level 2 \$'000
At 31 December 2017			
Transfers between levels 1 and 3:			
Equity securities	(15)	–	15
At 30 June 2017			
Equity securities	–	–	–

The transfer from level 1 to level 3 from Franklin Templeton Multisector Bond Fund relates to an equity security that is infrequently traded.

Movement in level 3 financial instruments

The following table presents the movement in level 3 financial instruments:

	FRANKLIN TEMPLETON MULTISECTOR BOND FUND	
	As at 31 December 2017 \$'000	As at 30 June 2017 \$'000
Equity securities		
Opening balance 1 July 2017	–	–
Purchases	–	–
Sales	–	–
Transfer into level 3	15	–
Transfer out of level 3	–	–
Gains and losses recognised in profit or loss	3	–
Closing balance	18	–
Total unrealised gains or losses for the half-year included in the statement of comprehensive income for financial assets and liabilities held at the balance sheet date	3	–

Franklin Templeton Investment Funds

Financial report for the half-year ended 31 December 2017

NOTES TO THE FINANCIAL STATEMENTS

4. FINANCIAL ASSETS HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	TEMPLETON GLOBAL EQUITY FUND		FRANKLIN GLOBAL GROWTH FUND		FRANKLIN TEMPLETON MULTISECTOR BOND FUND	
	As at 31 December 2017	As at 30 June 2017	As at 31 December 2017	As at 30 June 2017	As at 31 December 2017	As at 30 June 2017
	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000
Held for trading						
Derivatives	–	–	3	–	13,658	15,954
Total held for trading	–	–	3	–	13,658	15,954
Designated at fair value through profit or loss						
Equity securities	–	–	142,735	111,272	49	28
Fixed interest securities	–	–	–	–	301,508	275,784
Money market securities	–	–	–	–	39,247	30,470
Convertible notes	–	–	–	–	1,227	1,234
Unlisted unit trusts	159,329	140,923	–	–	–	–
Total designated at fair value through profit or loss	159,329	140,923	142,735	111,272	342,031	307,516
Total financial assets held at fair value through profit or loss	159,329	140,923	142,738	111,272	355,689	323,470
Comprising:						
Derivatives						
Forward exchange contracts	–	–	3	–	12,574	15,575
Swaps	–	–	–	–	1,084	379
Total derivatives	–	–	3	–	13,658	15,954
Equity securities						
International equity securities listed on a prescribed stock exchange	–	–	142,735	111,272	49	28
Total equity securities	–	–	142,735	111,272	49	28
Fixed interest securities						
International government bonds	–	–	–	–	301,144	275,210
International corporate bonds	–	–	–	–	364	574
Total fixed interest securities	–	–	–	–	301,508	275,784
Money market securities						
International money market securities	–	–	–	–	39,247	30,470
Total money market securities	–	–	–	–	39,247	30,470
Convertible notes						
International convertible notes	–	–	–	–	1,227	1,234
Total convertible notes	–	–	–	–	1,227	1,234
Unlisted unit trusts						
Australian unlisted trusts	159,329	140,923	–	–	–	–
Total unlisted unit trusts	159,329	140,923	–	–	–	–
Total financial assets held at fair value through profit or loss	159,329	140,923	142,738	111,272	355,689	323,470

The above balance sheets should be read in conjunction with the accompanying notes.

NOTES TO THE FINANCIAL STATEMENTS

5. FINANCIAL LIABILITIES HELD AT FAIR VALUE THROUGH PROFIT OR LOSS

	FRANKLIN GLOBAL GROWTH FUND		FRANKLIN TEMPLETON MULTISECTOR BOND FUND	
	As at 31 December 2017	As at 30 June 2017	As at 31 December 2017	As at 30 June 2017
	Fair value \$'000	Fair value \$'000	Fair value \$'000	Fair value \$'000
Held for trading				
Derivatives	–	2	11,455	9,732
Total held for trading	–	2	11,455	9,732
Total financial liabilities held at fair value through profit or loss	–	2	11,455	9,732
Comprising:				
Derivatives				
Forward exchange contracts	–	2	8,943	7,161
Swaps	–	–	2,512	2,571
Total derivatives	–	2	11,455	9,732
Total financial liabilities held at fair value through profit or loss	–	2	11,455	9,732

6. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS

Under AASB 132 Financial Instruments: Presentation, puttable financial instruments meet the definition of a financial liability to be classified as equity where certain strict criteria are met. The Funds shall classify a financial instrument as an equity instrument from the date when the instrument has all the features and meets the conditions.

Prior to 1 July 2017, the Funds classified its net assets attributable to unitholders as liabilities in accordance with AASB 132. On 1 July 2017, the Funds have elected into the AMIT tax regime. The Funds' Constitution has been amended on the same date and they no longer have a contractual obligation to pay distributions to unitholders.

The Templeton Global Equity Fund meets the criteria set out under AASB 132 and net assets attributable to unitholders is classified as equity from 1 July 2017 onwards. As a result of the reclassification of net assets attributable to unitholders from liabilities to equity, the Fund's distributions are no longer classified as finance cost in the statement of comprehensive income, but rather as distributions paid in the statement of changes in equity.

Franklin Templeton Investment Funds

Financial report for the half-year ended 31 December 2017

NOTES TO THE FINANCIAL STATEMENTS

Movement in number of units and net assets attributable to unitholders during the financial half-year were as follows:

6. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

	31 December 2017	31 December 2017	30 June 2017	30 June 2017
	No. '000	\$'000	No. '000	\$'000
Templeton Global Equity Fund - Ordinary Class				
Opening balance *	132,397	143,660	145,208	143,219
Applications	18,748	20,757	21,801	24,019
Redemptions	(15,443)	(17,101)	(38,187)	(41,355)
Units issued upon reinvestment of distributions	1,884	2,046	3,575	3,534
Increase/(decrease) in net assets attributable to unitholders	–	–	–	14,243
Distributions paid and payable	–	(541)	–	–
Profit/(loss) for the half-year	–	10,722	–	–
Closing balance*	137,586	159,543	132,397	143,660
Templeton Global Growth Fund - I Class				
Opening balance	45,442	66,274	36,797	47,671
Applications	5,724	8,999	7,632	10,130
Redemptions	(2,534)	(4,076)	(1,457)	(2,042)
Units issued upon reinvestment of distributions	1,425	2,078	2,470	3,210
Increase/(decrease) in net assets attributable to unitholders	–	8,276	–	7,305
Closing balance	50,057	81,551	45,442	66,274
Franklin Global Growth Fund - W Class				
Opening balance	33,739	44,315	24,683	28,826
Applications	12,871	18,105	13,616	17,484
Redemptions	(2,301)	(3,175)	(4,954)	(6,359)
Units issued upon reinvestment of distributions	293	385	394	462
Increase/(decrease) in net assets attributable to unitholders	–	5,800	–	3,902
Closing balance	44,602	65,430	33,739	44,315

* Net assets attributable to unitholders are classified as equity at 31 December 2017 and as a financial liability at 30 June 2017. Refer to note 2 for further details.

NOTES TO THE FINANCIAL STATEMENTS
6. NET ASSETS ATTRIBUTABLE TO UNITHOLDERS (CONTINUED)

	31 December 2017	31 December 2017	30 June 2017	30 June 2017
	No. '000	\$'000	No. '000	\$'000
Franklin Templeton Multisector Bond Fund - I Class				
Opening balance	70,241	80,497	136,376	143,979
Applications	8,610	9,910	8,354	9,477
Redemptions	(14,240)	(16,483)	(74,489)	(79,963)
Units issued upon reinvestment of distributions	1,902	2,176	–	–
Increase/(decrease) in net assets attributable to unitholders	–	(502)	–	7,004
Closing balance	66,513	75,598	70,241	80,497
Franklin Templeton Multisector Bond Fund - W Class				
Opening balance	300,560	341,959	329,873	346,512
Applications	81,880	93,229	86,033	96,841
Redemptions	(35,780)	(40,813)	(115,346)	(127,887)
Units issued upon reinvestment of distributions	1,618	1,843	–	–
Increase/(decrease) in net assets attributable to unitholders	–	(2,636)	–	26,493
Closing balance	348,278	393,582	300,560	341,959

As stipulated within the Funds' Constitution, each unit represents a right to an individual share in the Funds and does not extend to a right in the underlying assets of the Funds.

Franklin Templeton Investment Funds

Financial report for the half-year ended 31 December 2017

NOTES TO THE FINANCIAL STATEMENTS

7. DISTRIBUTIONS TO UNITHOLDERS

	31 December 2017	31 December 2017	31 December 2016	31 December 2016
	\$'000	GPU	\$'000	GPU
Templeton Global Equity Fund - Ordinary Class				
Distribution paid/payable				
– September	313	0.2281	434	0.3058
– December	228	0.1657	212	0.1550
	541	0.3938	646	0.4608
Franklin Global Growth Fund - I Class				
Distribution paid/payable				
– December	324	0.6470	308	0.6766
	324	0.6470	308	0.6766
Franklin Global Growth Fund- W Class				
Distribution paid/payable				
– December	238	0.5345	153	0.5048
	238	0.5345	153	0.5048
Distributions - Total	562		461	
Franklin Templeton Multisector Bond Fund I Class				
Distribution paid/payable				
– September	129	0.1743	–	–
– December	120	0.1800	–	–
	249	0.3543	–	–
Franklin Templeton Multisector Bond Fund - W Class				
Distribution paid/payable				
– September	371	0.1133	–	–
– December	380	0.1092	–	–
	751	0.2225	–	–
Distributions - Total	1,000		–	

NOTES TO THE FINANCIAL STATEMENTS

8. RELATED PARTY TRANSACTIONS

Responsible Entity

The Responsible Entity of the Franklin Templeton Investment Funds is Franklin Templeton Investments Australia Limited.

Key management personnel**(a) Directors**

The following persons held office as directors of Franklin Templeton Investments Australia Limited during the financial half-year or since the end of the financial half-year and up to the date of this report:

M A Harrison (Appointed 15 January 2018)

M L Wilton (Resigned 15 January 2018)

P M Wilmshurst

J A Plafker

M B Browning

	Number of units held - opening Units	Number of units held - closing Units	Fair value of investments \$	Interest held %	Number of units acquired	Number of units disposed	Distributions paid/payable by the Fund \$
Key management personnel's unitholding							
31 December 2017							
Templeton Global Equity Fund	384,742	418,328	484,131	0.30	33,586	–	1,645
31 December 2016							
Templeton Global Equity Fund	332,043	384,215	432,856	0.28	52,172	–	1,767

(b) Other Key Management Personnel

There was no other person considered to be Key Management Personnel with the authority for the strategic direction and management of the Funds.

(c) Compensation of Key Management Personnel

No amount is paid by the Funds directly to the directors of the Responsible Entity. Consequently, no compensation as defined by AASB 124 Related Party Disclosure is paid by the Funds to the directors as Key Management Personnel.

Franklin Templeton Investment Funds

Financial report for the half-year ended 31 December 2017

NOTES TO THE FINANCIAL STATEMENTS

8. RELATED PARTY TRANSACTIONS (CONTINUED)

Related party transactions

During the financial half-year ended 31 December 2017, the Responsible Entity was entitled to receive an all-inclusive management cost (inclusive of GST, net of RITC available to the Funds) over the Funds' average net assets attributable to unitholders for the financial half-year as follows:

	TEMPLETON GLOBAL EQUITY FUND		FRANKLIN GLOBAL GROWTH FUND		FRANKLIN TEMPLETON MULTISECTOR BOND FUND	
	Half-year ended 31 December 2017	Half-year ended 31 December 2016	Half-year ended 31 December 2017	Half-year ended 31 December 2016	Half-year ended 31 December 2017	Half-year ended 31 December 2016
ICR (%)						
Ordinary Class Units	1.13	1.13	–	–	–	–
I Class Units	–	–	0.96	0.96	0.70	0.70
W Class Units	–	–	1.13	1.13	0.93	0.93

Management costs include management fees and other expenses or reimbursements deducted in relation to the Fund, but do not include transactional and operational costs such as brokerage. Management costs are not paid directly by the unitholders of the Fund.

Where monies are invested into other funds managed by the Responsible Entity, the management fees charged in those funds are rebated to the Fund and offset against the expense in the statement of comprehensive income.

All related party transactions are conducted on normal commercial terms and conditions. The transactions during the financial half-year and amounts payable at financial half-year end between the Funds and the Responsible Entity are as follows:

	TEMPLETON GLOBAL EQUITY FUND		FRANKLIN GLOBAL GROWTH FUND		FRANKLIN TEMPLETON MULTISECTOR BOND FUND	
	Half-year ended 31 December 2017	Half-year ended 31 December 2016	Half-year ended 31 December 2017	Half-year ended 31 December 2016	Half-year ended 31 December 2017	Half-year ended 31 December 2016
Management costs for the half-year paid by the Funds to the Responsible Entity	131,737	127,207	671,504	453,959	2,002,047	1,895,398
Total fees payable to the Responsible Entity at half-year end	157,472	119,258	500,889	324,223	1,374,103	1,254,042

NOTES TO THE FINANCIAL STATEMENTS

8. RELATED PARTY TRANSACTIONS (CONTINUED)

Related party investments

The Funds held investments in the following schemes which were also managed by the Responsible Entity or its related parties:

	TEMPLETON GLOBAL EQUITY FUND						
	Number of units held - opening	Number of units acquired	Number of units disposed	Number of units held - closing	Net fair value of investment \$	Interest held %	Distributions received/receivable \$
Investments							
31 December 2017							
Templeton Global Trust Fund	119,569,440	9,914,092	(2,946,314)	126,537,218	159,010,464	91.83	672,331
31 December 2016							
Templeton Global Trust Fund	139,362,476	4,695,984	(20,342,709)	123,715,751	154,101,577	92.05	770,135

9 COMMITMENTS AND CONTINGENCIES

There are no outstanding contingent assets, contingent liabilities or commitments as at 31 December 2017 (30 June 2017: Nil).

10 EVENTS SUBSEQUENT TO REPORTING DATE

Maria Wilton resigned as a director of Franklin Templeton Investments Australia Limited on 15 January 2018.

Matthew Harrison was appointed as a director of Franklin Templeton Investments Australia Limited on 15 January 2018.

There were no other significant events after the balance sheet date.

Franklin Templeton Investment Funds

Financial report for the half-year ended 31 December 2017

DIRECTOR'S DECLARATION

In the opinion of the Directors of the Responsible Entity:

- (a) the financial statements and notes set out on pages 5 to 22 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
 - (ii) giving a true and fair view of the Funds' financial position as at 31 December 2017 and of their performance, as represented by the results of their operations for the financial half-year ended on that date.
- (b) the financial statements and notes also comply with International Financial Reporting Standards.
- (c) there are reasonable grounds to believe that the Funds will be able to pay their debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors.

Matthew Harrison

Director
Matthew Harrison

Melbourne
14 March 2018

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS OF TEMPLETON GLOBAL EQUITY FUND, FRANKLIN GLOBAL GROWTH FUND, AND FRANKLIN TEMPLETON MULTISECTOR BOND FUND



Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Templeton Global Equity Fund, Franklin Global Growth Fund, and Franklin Templeton Multisector Bond Fund (the Registered Schemes), which comprises the balance sheets as at 31 December 2017, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the half-year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the half-year financial report

The directors of the Responsible Entity (Franklin Templeton Investments Australia Limited) of the Registered Schemes are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors of the Responsible Entity determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement whether due to fraud or error. In note 2, the directors also state that the financial statements comply with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Registered Schemes' financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Templeton Global Equity Fund, Franklin Global Growth Fund, and Franklin Templeton Multisector Bond Fund, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

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INDEPENDENT AUDITOR'S REVIEW REPORT TO THE UNITHOLDERS OF TEMPLETON GLOBAL EQUITY FUND,
FRANKLIN GLOBAL GROWTH FUND, AND FRANKLIN TEMPLETON MULTISECTOR BOND FUND



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Templeton Global Equity Fund, Franklin Global Growth Fund, and Franklin Templeton Multisector Bond Fund:

1. is not in accordance with the *Corporations Act 2001* including:
 - a. giving a true and fair view of the Registered Schemes' financial position as at 31 December 2017 and of its performance for the half-year ended on that date;
 - b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.
2. does not comply with IAS 34 *Interim Financial Reporting* as issued by the International Accounting Standards Board as disclosed in note 2.

A handwritten signature in cursive script that reads 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in cursive script that reads 'David Coogan'.

David Coogan
Partner

Melbourne
14 March 2018