

This letter is important and requires your immediate attention.

If you are in doubt, please consult your legal, financial or professional advisers.

15 September 2014

Dear Shareholder,

Franklin Templeton Investment Funds (the “Company”)

The purpose of this letter is to inform you of revisions to the Explanatory Memorandum dated December 2010, as amended, of the Company (the “**Current Explanatory Memorandum**”) in respect of:

- (1) the name of the Templeton Euro Liquid Reserve Fund;
- (2) the investment policies of certain of the sub-funds of the Company (the “**Funds**”);
- (3) the appointment of Franklin Templeton Investment Management Limited as a co-investment manager of the Franklin Mutual European Fund; and
- (4) a change in distribution frequency of Class A (Qdis) USD shares of the Templeton Global Equity Income Fund and its consequent re-designation.

The revision to the name of the Templeton Euro Liquid Reserve Fund shall take effect on 30 September 2014 and the change in distribution frequency of Class A (Qdis) USD shares of the Templeton Global Equity Income Fund shall take effect on 8 January 2015. The revisions to the investment policies of the Franklin MENA Fund and the Franklin Euro Government Bond Fund as well as the appointment of Franklin Templeton Investment Management Limited as a co-investment manager of the Franklin Mutual European Fund shall take effect on 31 October 2014.

1. Revision to name of Templeton Euro Liquid Reserve Fund

Over the past decade, Franklin Templeton has broadened its capabilities extensively by adding new investment platforms and strategies. In an effort to make investing with us easier, we are simplifying our branding and product naming conventions across the globe.

Our new naming approach is designed to enable investors to more easily search for and find our funds as well as enhance their understanding of our diverse product line-up. We hope this will have a positive impact on the experience we offer our investors.

With effect from 30 September 2014, the Templeton Euro Liquid Reserve Fund shall be renamed as “Franklin Euro Liquid Reserve Fund”, and all references to the Fund’s name in the Current Explanatory Memorandum shall be revised accordingly.

2. Revisions to investment policies of certain Funds

To better reflect the Funds' investment policies, the investment policies of the following Funds will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

The Funds will be managed in accordance with their revised investment policies and applicable rules and regulations.

I. Franklin MENA Fund

The second and third paragraphs of the objective and policy of the Franklin MENA Fund on page 14 of the Current Explanatory Memorandum will be revised and restated as set out below.

“The Fund invests primarily in transferable securities such as equity securities ~~and fixed income securities~~ of companies (i) incorporated in the Middle East and North Africa countries (“MENA countries”) including, but not limited to the Kingdom of Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Bahrain, Oman, Egypt, Jordan and Morocco, and/or (ii) which have their principal business activities in MENA countries across the entire market capitalisation spectrum (including small to mid-sized companies) as well as in financial derivative instruments. The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may include, inter alia, forwards and financial futures contracts, or options on such contracts, and equity-linked notes (including participatory notes) dealt on either Regulated Markets or over-the-counter.*

In addition, since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may invest in other types of transferable securities, including equity, equity-related and fixed income securities of issuers worldwide. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

** It generally means that at least two-thirds of the Fund's net assets (without taking into account ancillary liquid assets) shall be invested into the relevant securities. In exceptional market circumstances (such as extreme volatility) and on a temporary basis only, 100% of the Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading.”*

The revisions are to clarify the meaning of the term “primarily” in relation to the Fund's investments in transferable securities and that the Fund: (i) does not intend to invest primarily in fixed income securities; (ii) may utilise certain financial derivative instruments for hedging, efficient portfolio management and/or investment purposes; (iii) may invest in participatory notes, which are a type of equity-linked notes; and (iv) the Fund's investments in other transferable securities may include equity-related securities. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

For details of the relevant risk considerations pertaining to the Fund's use of derivatives and participatory notes, please refer to the sub-section “Derivative risk” of the “Risk Considerations” section on page 41 of the Current Explanatory Memorandum of the Company and to paragraph 7(B) headed “Participatory Notes Risk” on page 9 of the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum.

II. Franklin Euro Government Bond Fund

The following new paragraph will be inserted as the last paragraph of the objective and policy of the Franklin Euro Government Bond Fund on page 28 of the Current Explanatory Memorandum:

“If and for so long as the Fund accepts investments by insurance undertakings subject to the provisions of the German law on the supervision of insurance undertakings (Versicherungsaufsichtsgesetz - VAG), the Fund will not invest in (i) unrated securities, (ii) securities that are rated B minus and below by Standard & Poor's Corporation and/or Fitch Ratings Limited, or B3 and below by Moody's Investors Service, Inc. (if at any time the Fund's assets are no longer compliant with this rating requirement due to a downgrade, they shall be sold, at the best interest of the investors, within 6 months' time), (iii) securitised debt without investment grade rating and (iv) use financial derivative instruments for anything other than hedging purposes.”

The revisions are an elaboration of the existing investment policy of the Fund as a result of compliance with applicable legal and regulatory requirements, to clarify that the Fund will not invest in certain securities or make use of financial derivative instruments for anything other than hedging purposes for so long as it accepts investments by insurance undertakings subject to the provisions of the German law on the supervision of insurance undertakings.

3. Appointment of Franklin Templeton Investment Management Limited as a co-investment manager of the Franklin Mutual European Fund

The Management Company has delegated the portfolio management of Franklin Mutual European Fund (“**FMEF**”) to the existing investment manager, Franklin Mutual Advisers, LLC.

After reviewing the existing management structure of FMEF, the Management Company has decided to appoint Franklin Templeton Investment Management Limited as an additional investment manager in order that FMEF may benefit from the expertise of an investment manager based in Europe.

Under the new structure, Franklin Mutual Advisers, LLC and Franklin Templeton Investment Management Limited will each be a co-investment manager of FMEF. Each of the co-investment managers will be delegates of the Management Company and will manage the portions of the assets of FMEF that are allocated to them, on a discretionary basis.

Rest assured, these changes will have no impact on the investment objective and policy of FMEF, nor the manner in which FMEF is being managed. There will also be no change in the fee level in respect of FMEF.

As a result of these changes, the list of Funds managed by Franklin Mutual Advisers, LLC as set out on page 87 of the Current Explanatory Memorandum shall be amended by adding the symbol “*” immediately after the name of FMEF and adding the following footnote under the list:

*“*Franklin Mutual Advisers, LLC has been appointed as a Co-Investment Manager of this Fund, together with Franklin Templeton Investment Management Limited.”*

The list of Funds managed by Franklin Templeton Investment Management Limited as set out on page 87 of the Current Explanatory Memorandum shall be amended by adding the words “Franklin Mutual European Fund*,” at the top of the list, adding the following footnote as the first footnote under the list and re-numbering the existing footnotes accordingly:

*“*Franklin Templeton Investment Management Limited has been appointed as a Co-Investment Manager of this Fund, together with Franklin Mutual Advisers, LLC.”*

4. Change in distribution frequency and re-designation of Class A (Qdis) USD shares of the Templeton Global Equity Income Fund

From 8 January 2015, the distribution frequency for the Class A (Qdis) USD share class of the Templeton Global Equity Income Fund will change from quarterly to monthly. Consequently, the share class will be re-designated as “Class A (Mdis) USD”.

The change is being implemented to provide shareholders of the share class with a more regular income stream. Shareholders should note that the distributions (if any) received each month are likely to be less than prior distributions, which are made on a quarterly basis. This is due to the increase in distribution frequency and there is no intention to change the total level of distributions (if any) in respect of the share class when measured over the period of one quarter.

Investors should note that distributions (if any) are dependent on the availability of income received by the Fund from its underlying investments and are not guaranteed. Distributions may be reinvested or distributed in cash. Distributions that are reinvested in additional shares will continue to earn income and potential capital gains, whereas distributions that are paid in cash will no longer continue to earn income or capital gains since the funds will have been paid out to shareholders.

Action to be taken by investors of the Class A (Qdis) USD shares of the Templeton Global Equity Income Fund only

If you do not agree with the change to the distribution frequency for the Class A (Qdis) USD share class of the Templeton Global Equity Income Fund, you may request, free of charge from 8 December 2014 until 4 p.m. on 7 January 2015 (Hong Kong time), the redemption of your shares of that share class or the switching of such shares into shares of other share classes or of other Funds of the Company that are authorized¹ by the Securities and Futures Commission of Hong Kong, details of which are disclosed in the Current Explanatory Memorandum.

The Company comprises a wide range of Funds catering for many different objectives. Exchanges of your existing holding may be made into other Funds within the Company. On receipt of your instructions, we will execute the switch for you in accordance with the provisions of the Current Explanatory Memorandum, free of any charge. Please note that although the Company will not charge you any fees for switching, in some cases your bank, investment adviser or other intermediary may charge you switching and/or transaction fees.

If you do not wish to switch your shares and would like to redeem and receive a cash payment, the redemption will be made in accordance with the provisions of the Current Explanatory Memorandum, free of charge. Please return your instructions to the Hong Kong Representative at 17/F, Chater House, 8 Connaught Road Central, Hong Kong.

¹ SFC authorization is not a recommendation or endorsement of a scheme nor does it guarantee the commercial merits of a scheme or its performance. It does not mean the scheme is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

You should consult your professional advisers as to the possible tax or other consequences of buying, holding, transferring or selling any of the Company's shares affected by the changes described above, under the laws of your country of citizenship, residence and domicile.

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The Management Company accepts full responsibility for the accuracy of the information contained in this letter as at the date of its publication and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

If you require further information please do not hesitate to contact your investment consultant or call our Investor Hotline at +852 2805 0111.

Yours faithfully,

For and on behalf of
Franklin Templeton Investments (Asia) Limited
富蘭克林鄧普頓投資(亞洲)有限公司


David Chang
Director