FRANKLIN TEMPLETON
INVESTMENTS

This letter is important and requires your immediate attention.

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

23 August 2013

Dear Shareholder,

Franklin Templeton Investment Funds (the "Company")

The purpose of this letter is to inform you of the adoption of a swing pricing policy by the Company.

From time to time, there may be subscriptions, redemptions and/or switches in and out of the sub-funds of the Company (each, a "Fund"). To accommodate such dealing activity, the investment manager of a Fund (the "Investment Manager") may need to buy or sell the underlying investments of the Fund.

The actual cost of purchasing or selling the underlying investments of a Fund may deviate from the carrying value of these investments in the Fund's valuation due to transaction costs (such as dealing charges and taxes) and any spread between the buying and selling prices of the underlying investments. Significant and/or frequent shareholder dealing activity can give rise to the "dilution" of a Fund's assets, whereby the Fund suffers a reduction in its net asset value per share as a result of the transaction costs and/or spread incurred in the purchase or sale of its underlying investments.

To protect the shareholders' interests from the effects of dilution (as explained above), the Company may adopt a swing pricing mechanism as part of its valuation policy with effect from 14 October 2013. The details of the swing pricing mechanism (which will be added to the Explanatory Memorandum dated December 2010, as amended, of the Company) are as follows:-

> ***"SWING PRICING ADJUSTMENT***
>
> *A Fund may suffer reduction of the Net Asset Value per Share due to investors purchasing, redeeming and/or switching in and out of the Fund at a price that does not reflect the dealing and other costs associated with the Fund's portfolio trades undertaken by the Investment Manager to accommodate such purchasing, redeeming and/or switching activity. Such reduction in the Net Asset Value per Share as a result of the dealing costs associated with the Fund's portfolio trades is known as "dilution".*
>
> *In order to counter this dilution impact and to protect Shareholders' interests, a swing pricing mechanism may be adopted by the Company as part of its valuation policy. If on any Valuation Day, the aggregate net investor(s) transactions in Shares of a Fund exceed a pre-determined threshold, as determined as a percentage of the net assets of that Fund from time to time by the Board of Directors, the Net Asset Value per Share may be adjusted upwards or downwards to reflect the costs attributable to net inflows and net outflows respectively. The net inflows and net outflows will be determined by the Company based on the latest available information at the time of calculation of the Net Asset Value.*
>
> *Typically, such adjustment will increase the Net Asset Value per Share when there are net inflows into the Fund and decrease the Net Asset Value per Share when*

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there are net outflows. The Net Asset Value per Share of each share class in a Fund will be calculated separately but any adjustment will, in percentage terms, affect the Net Asset Value per Share of each share class in a Fund identically.

As this adjustment is related to the inflows and outflows of money from the Fund, it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the Company will need to make such adjustments.

The swing pricing mechanism may be applied across all Funds of the Company. The extent of the price adjustment will be reset by the Company on a periodic basis to reflect an approximation of current dealing and other costs. Such adjustment may vary from Fund to Fund and will not exceed 2% of the original Net Asset Value per Share."

Investors should also take note of the following risks in relation to dilution and swing pricing:-

"Dilution and Swing Pricing Risk

The actual cost of purchasing or selling the underlying investments of a Fund may be different from the Fund's valuation of these investments. The difference may arise due to transaction costs (such as dealing charges and taxes) and/or any spread between the buying and selling prices of the underlying investments.

These dilution costs can have an adverse effect on the overall value of the Fund and thus the Net Asset Value per Share may be adjusted in order to avoid disadvantaging existing Shareholders. The size of the adjustment impact is determined by factors such as the volume of transactions, the purchase or sale prices of the underlying investments and the valuation method adopted to calculate the value of the underlying investments of the Fund."

The investment managers of the Company and the Directors of the Company accept full responsibility for the accuracy of the information contained in this letter as at the date of its publication and confirm, having made all reasonable enquiries, that to the best of their 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

David Chang
Director