



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.

29 November 2013

Dear Shareholder,

Franklin Templeton Investment Funds (the “Company”)

- **Appointment of Management Company and Replacement of Principal Distributor**
- **Provisions on “Prohibited Persons”**

The purpose of this letter is to inform you of (1) the appointment of Franklin Templeton International Services S.A. (to be renamed as “Franklin Templeton International Services S.à.r.l.” on 1 January 2014) as the management company (the “Management Company”) and Principal Distributor of the Company and (2) measures which the Company may take in order to restrict or prevent the ownership of shares of the Company by “Prohibited Persons” (as explained below).

Unless otherwise defined herein, terms and expressions used in this letter shall have the same meanings as those defined in the Explanatory Memorandum dated December 2010, as amended, of the Company (the “Current Explanatory Memorandum”).

1. Appointment of Management Company and Replacement of Principal Distributor

The Company is currently organized as a self-managed investment company whereby the board of directors of the Company is responsible for the Company’s management and administration. Under this structure, the Company has at all times delegated its portfolio management function to the Investment Managers, its administration function to the Registrar and Transfer, Corporate, Domiciliary and Administrative Agent and its distribution function to the Principal Distributor.

Recent European and Luxembourg regulations have had the effect of reinforcing management and administration requirements for the Company. As a consequence, and in order to centralize the management and administration functions in one “central” entity, it is envisaged that on 1 January 2014 (the “Effective Date”), the Company will appoint its existing Registrar and Transfer, Corporate, Domiciliary and Administrative Agent, Franklin Templeton International Services S.A. as its management company. It is also envisaged that Management Company will replace Templeton Global Advisors Limited as the Principal Distributor with effect from the Effective Date.

The Management Company is part of Franklin Templeton Investments. The Management Company was incorporated in Luxembourg on 17 May 1991 as a company subject to general company law. It was founded to provide secretarial, corporate and financial services for collective investment undertakings (including undertakings for collective investment in transferable securities or UCITS), including business management, transfer agency, domiciliary, corporate and registrar functions. The Management Company is also engaged in the promotion and distribution of shares of collective investment undertakings. The Management Company has been approved by its home regulator (the *Commission de Surveillance du Secteur Financier*) as a management company regulated by chapter 15 of the Law of December 17, 2010 and will comply at all times with article 102 of the Law of December 17, 2010.

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Once appointed, the Management Company will be responsible for the following functions in respect of the Company:

- (a) investment management function (including risk management);
- (b) administration function (including fund accounting); and
- (c) distribution function (including marketing).

The Management Company will ensure compliance of the Company with applicable laws and constitutive documents and oversee the implementation of the Company's investment objectives, strategies and policies as set out in the Current Explanatory Memorandum.

As the Management Company will, in turn, at all times delegate portfolio management to the existing Investment Managers of the Company (which will have discretionary investment management powers), this will not have any impact on the way the Company is managed.

Rest assured, there will be no change to the investment objective, policies or restrictions of the Funds of the Company as a result of the proposed appointment of the Management Company. The constitutive documents of the Company will also remain unchanged.

The existing investment managers will be remunerated by the Management Company out of the investment management fee received from the Company and the appointment of the Management Company will not result in any change in the fee levels and costs borne by the Company.

The Current Explanatory Memorandum will be updated to reflect this change if and when implemented.

2. Measures to restrict or prevent the ownership of shares by Prohibited Persons

The Company may need to restrict or prevent its shares from being owned by a person, firm or corporate body in cases where (in the opinion of the Company) such ownership may be detrimental to the Company or its shareholders, may result in a breach of any applicable law or regulations or may expose the Company or its shareholders to liabilities or any other disadvantages that it or they would not have otherwise incurred or been exposed to. Such persons, firms or corporate bodies are herein referred to as "Prohibited Persons".

To protect the Company and its shareholders from the detrimental effects of ownership of shares by Prohibited Persons, the Company will adopt measures in order to restrict or prevent the ownership of shares of the Company by Prohibited Persons. The measures are intended to protect existing shareholders of the Company who are not Prohibited Persons, and are not expected to have an adverse impact on the holdings of such shareholders.

A summary of the measures (which will also be disclosed in the Current Explanatory Memorandum) is provided below:-

“PROHIBITED PERSONS

The Company may restrict or prevent the ownership of Shares by any person, firm or corporate body if in the opinion of the Company such holding may be detrimental to the Company or its shareholders, may result in a breach of any applicable law or regulations or may expose the Company or its shareholders to liabilities or any other disadvantages that it or they would not have otherwise incurred or been exposed to. Such persons, firms or corporate bodies are herein referred to as "Prohibited Persons".

The actions that the Company may take in order to restrict or prevent the ownership of Shares by Prohibited Persons are described in full in the Articles and include (in summary):

- 1) *declining to issue and/or register transfers of Shares;*
- 2) *requiring the furnishing of representations and warranties and/or information, supported by affidavit;*
- 3) *redeeming all or part of the Shares held by a relevant Shareholder; and*
- 4) *declining to accept the vote of any Prohibited Person at any meeting of shareholders of the Company.”.*

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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