

**This letter is important and requires your immediate attention.**

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

7 March 2014

Dear Shareholder,

**Franklin Templeton Investment Funds (the “Company”)**

The purpose of this letter is to inform you of the following revisions to the Explanatory Memorandum dated December 2010, as amended, of the Company (the “**Current Explanatory Memorandum**”) in respect of the Company and its sub-funds (each a “**Fund**” and collectively, the “**Funds**”):

- (i) the investment restrictions and risk management policy of the Company and the Funds (see paragraphs 1 to 5 below);
- (ii) the names of the following Funds (see paragraph 6 below); and
- (iii) the investment policies of the following Funds (see paragraphs 7 to 24 below).

The revisions to Fund names shall take effect on 31 March 2014 and the revisions to investment policies, investment restrictions and risk management policy shall take effect on 17 April 2014.

**1. Revisions to the restrictions on the Company’s investment in transferable securities and liquid assets**

For clarification purposes, each of the references to “Community law” in paragraphs a)(vii) and a)(ix) of the section “INVESTMENT RESTRICTIONS – 1. Investment in transferable securities and liquid assets” on page 52 of the Current Explanatory Memorandum shall be replaced by a reference to “EU law”.

For the purpose of complying with legal and regulatory requirements, the following amendments will be made to paragraph d)(vii) of the section “INVESTMENT RESTRICTIONS – 1. Investment in transferable securities and liquid assets” on page 54 of the Current Explanatory Memorandum (with changes marked up):-

*“d)(vii) where any Fund has invested in accordance with the principle of risk spreading in transferable securities and money market instruments issued or guaranteed by any EU Member State, its local authorities, or public international bodies of which one or more EU Member States are members ~~or~~, by any other State of the OECD, by Singapore or any member state of the G20, the Company may invest 100% of the assets of any Fund in such securities provided that such Fund must hold securities from at least six different issues and securities from one issue must not account for more than 30% of that Fund's net assets.”*

## **2. Revisions to the restrictions on the Company's investment in other assets**

For clarification purposes, the following amendments will be made to paragraph c) of the section "INVESTMENT RESTRICTIONS – 2. Investment in other assets" on page 57 of the Current Explanatory Memorandum (with changes marked up):-

*"c) The Company may not enter into ~~transactions involving~~ direct commodities transactions or commodity contracts, except that the Company may, in order to hedge risks, enter into financial futures on such transactions within the limits laid down in clause 3. c) below."*

## **3. Revisions to the limits and restrictions on the Company's use of financial derivative instruments**

For the purpose of complying with legal and regulatory requirements, the section "INVESTMENT RESTRICTIONS – 3. Financial derivative instruments" on pages 57 to 63 of the Current Explanatory Memorandum shall be revised as follows:-

- (A) the following paragraphs shall be inserted immediately after the fourth paragraph of the section:

*"The Company on behalf of a relevant Fund may only choose swap counterparties that are first class financial institutions selected by the Board of Directors and that are subject to prudential supervision and belonging to the categories approved by the Commission de Surveillance du Secteur Financier ("CSSF") for the purposes of OTC derivative transactions and specialized in these types of transactions.*

*As the case may be, collateral received by each Fund in relation to OTC derivative transactions may offset net exposure to the counterparty provided it meets a range of standards, including those for liquidity, valuation, and issuer credit quality. Collateral primarily consist of cash and highly rated sovereign bonds. Collateral value is reduced by a percentage (a "haircut") which accounts for short term fluctuations in the value of the collateral. Net exposures are calculated daily by the counterparty and subject to the terms of the agreements, including a minimum transfer amount, collateral levels may fluctuate between the Fund and the counterparty depending on the market movement of the exposure. Non-cash collateral received is not sold, reinvested or pledged. Cash collateral may be reinvested in a manner consistent with the provisions established in the Credit Support Annex ("CSA") of the International Swaps and Derivatives Association Master Agreement ("ISDA Master Agreement") executed with the relevant counterparty and with the risk diversification requirements detailed in the section on "Investment Restrictions" in (a) shares or units issued by short term money market undertakings for collective investment as defined in the Guidelines on a Common Definition of European Money Market Funds, (b) deposits with a credit institution having its registered office in an EU Member State or with a credit institution situated in a non-EU Member State provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in the EU Law, (c) high quality government bonds that are deemed eligible collateral according to the terms of the CSA of the ISDA Master Agreement, and (d) reverse repurchase agreement transactions provided the transactions are with credit institutions subject to the prudential supervision and the Company may recall at any time the full amount of cash on accrued basis. The Company has policies with respect to the reinvestment of collateral (specifically, that derivatives or other instruments that may contribute to leverage may not be used) such that it would not impact the global exposure calculation."; and*

- (B) the disclosure on currency hedging as provided in item c) of the section shall be revised by:

- (I) replacing the words “*held by the Company*” in the second paragraph of that item with the words “*held by the relevant Fund*”; and
- (II) deleting the fourth paragraph beginning with “*The Company may not*” in its entirety.

**4. Revisions to the restrictions on the Company’s use of techniques and instruments relating to transferable securities and money market instruments**

For the purpose of clarification and to comply with legal and regulatory requirements, the following amendments will be made to the section “INVESTMENT RESTRICTIONS – 4. Use of techniques and instruments relating to transferable securities and money market instruments” appearing on page 63 of the Current Explanatory Memorandum:-

- (I) the first paragraph of the section shall be amended as follows (with changes marked up):

*“To the maximum extent allowed by, and within the limits set forth in, the Law ~~relating to collective investment undertakings of 17 December 2010~~ as well as any present or future related Luxembourg laws or implementing regulations, circulars and the Luxembourg supervisory authority's positions (the “Regulations”), in particular the provisions of (i) article 11 of the Grand-Ducal regulation of February 8, 2008 relating to certain definitions of the ~~Law relating to collective investment undertakings~~ Luxembourg Law of 20 December 2002 on undertakings for collective investment and of (ii) CSSF Circulars 08/356 and 13/559 relating to the rules applicable to undertakings for collective investments when they use certain techniques and instruments relating to transferable securities and money market instruments, each Fund may for the purpose of generating additional capital or income or for reducing costs or risks (A) enter, either as purchaser or seller, into optional as well as non optional repurchase transactions and (B) engage in securities lending transactions.”;*

- (II) the fifth paragraph of the section shall be deleted in its entirety and replaced with the following paragraph:

*“As the case may be, collateral received by each Fund in relation to any of these transactions may offset net exposure by the counterparty provided it meets a range of standards, including those for liquidity, valuation, and issuer credit quality. Collateral primarily consist of cash and highly rated sovereign fixed income securities. Collateral value is reduced by a percentage (a “haircut”) which provides for short term fluctuations in the value of the collateral. Net exposures are calculated daily by the counterparty and subject to the terms of the agreements, including a minimum transfer amount, collateral levels may fluctuate between the Fund and the counterparty depending on the market movement of the exposure. Non-cash collateral received is not sold, reinvested or pledged. Cash collateral received by each Fund in relation to any of these transactions may be reinvested in a manner consistent with the investment objectives of such Fund and with the risk diversification requirements detailed in the section on “Investment Restrictions” in (a) shares or units issued by short term money market undertakings for collective investment as defined in the Guidelines on a Common Definition of European Money Market Funds, (b) deposits with a credit institution having its registered office in a Member State or with a credit institution situated in a non-Member State provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law, (c) high quality government bonds, and (d) reverse repurchase agreement transactions provided the transactions are with credit institutions subject to the prudential supervision and the Company may recall at any time the full amount of cash on accrued basis. The Company has policies with respect to the reinvestment of collateral (specifically, that derivatives or other instruments that may contribute to leverage may not be used) such that it would not impact the Global Exposure calculation.”;* and

- (III) the following paragraph will be inserted as a new paragraph immediately following the end of the existing second paragraph:

*“The securities lending agent receives a fee of up to 10% of the gross revenue generated as a result of the lent securities for its services, the remainder of the revenue being received and retained by the relevant lending Fund.”*

The wording on the securities lending agent’s fee is being added for disclosure purposes to comply with applicable regulatory requirements and do not reflect any change to the fee structure of the Company. The additional disclosure on the securities lending agent’s fee will not result in any change in the fee levels and costs borne by the Company.

## **5. Revisions to risk management policy**

The risk management policy of the Company will be amended to reflect a change in the frequency of comparing the predicted risk of loss for Funds using an advanced risk measurement methodology with actual figures (from a quarterly to a monthly frequency) and to incorporate other changes for clarification.

Consequently, the third to fifth paragraphs under the section “Investment Restrictions – 5. The Company will in addition comply with such further restrictions as may be required by the regulatory authorities in any country in which the Shares are authorized for sale.” on pages 64 and 65 of the Current Explanatory Memorandum shall be revised to include the following marked-up changes:-

*“For Funds that consider the use of derivatives as core investment objective and not primarily for the purposes of hedging or efficient portfolio management, the Management Company will assess factors such as the number of derivatives and their complexity and qualify them as ~~“Sophisticated”~~ funds which will require application of an advanced risk measurement methodology and enhanced rules of conduct and organization. The assessment process is documented and kept available for inspection by the primary regulator of the Management Company.*

*The Management Company has an organization-wide group called ~~Portfolio~~Performance Analysis and Investment Risk Management (PAIR) which consists of investment professionals across the globe with complementary risk and investment backgrounds to help manage investment risk for portfolios. By quantifying and decomposing detailed risk data and by applying a unified risk management process, the PAIR group increases the risk awareness of the portfolio managers and monitors risk at portfolio level. The PAIR group conducts periodic reviews of each fund and the frequency of these reviews will depend on factors such as the turnover in the portfolio, market conditions and the performance and volatility of the fund. During the review process, key elements and information on historical risk and performance statistics, historical performance attribution and predicted risk analysis are considered and discussed by investment professionals as appropriate.*

*For ~~Sophisticated~~ funds using an advanced risk measurement methodology, the PAIR group completes on a ~~quarterly~~monthly basis a comparison of ~~predicted tracking error variance with actual, historical tracking error experienced in the fund~~ the predicted risk of loss with actual figures and such analysis is reviewed by investment professionals. The potential impact and risk of extreme market events on a fund’s investment risk parameters will also be reviewed as part of the oversight process. In line with requirements of the Company’s investment restrictions, counterparty risk will be monitored at both the issuer and the group level.”*

Rest assured, the revisions to the risk management policy of the Company do not reflect any change to the risk profile of the Company. The revisions will not result in any change in the risk profile of the Company or the Funds.

## 6. Changes to Fund names

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 31 March 2014, the names of the following Funds shall be revised as follows, and all references to the Funds' names in the Current Explanatory Memorandum shall be revised accordingly:-

Current Name of Fund	Name of Fund with effect from 31 March 2014
Franklin Templeton Global Growth and Value Fund	Franklin Global Growth and Value Fund
Templeton Euro Government Bond Fund	Franklin Euro Government Bond Fund
Templeton Euro High Yield Fund	Franklin Euro High Yield Fund
Templeton Global High Income Bond Fund	Franklin Global High Income Bond Fund

## 7. Franklin European Small-Mid Cap Growth Fund

To better reflect the existing investment suitability of this Fund and the profile of its typical investors and to ensure the same is brought to your attention, the sixth paragraph of the investment objective and policy of Franklin European Small-Mid Cap Growth Fund on page 11 of the Current Explanatory Memorandum will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

*“The Fund is suitable for investors seeking capital appreciation by investing in equity securities ~~and seeking a growth investment concentrated in-of~~ small or mid-cap companies ~~of~~located in any European ~~countries~~country and planning to hold their investments for the medium to long term.”*

Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, 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 of this Fund, please refer to the “Risk Considerations” section in the Current Explanatory Memorandum of the Company.

## 8. Franklin Global Convertible Securities Fund

For clarification purposes, the second paragraph of the investment objective and policy of Franklin Global Convertible Securities Fund on page 1 of the 2013 Addendum dated April 2013 to the Current Explanatory Memorandum relating to (amongst other things) the Franklin Global Convertible Securities Fund will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

(a) Changes to the first and second sentences of the second paragraph:-

*“The Fund ~~will seek~~s to achieve its investment objectives by investing primarily\* in convertible securities (including low-rated ~~(including, unrated)~~, investment grade ~~securities~~, non-investment grade securities and/or securities in default) of corporate*

*issuers globally. The Fund may also invest in other securities, such as common or preferred stocks and non-convertible debt securities (including low-rated~~(including, unrated)~~, investment grade~~securities~~, non-investment grade securities and/or securities in default)."*

(b) Changes to the fifth sentence of the second paragraph:-

*"The Fund may also utilize certain financial derivative instruments for ~~investment or~~ currency hedging, efficient portfolio management and/or investment purposes."*

The revisions are to clarify (amongst other things) that the Fund may utilize certain financial derivative instruments for efficient portfolio management. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, 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, please refer to the sub-section "Derivative risk" of the "Risk Considerations" section on page 41 of the Current Explanatory Memorandum of the Company.

## **9. Franklin High Yield Fund**

For clarification purposes, the second sentence of the second paragraph of the objective and policy of the Franklin High Yield Fund on page 12 of the Current Explanatory Memorandum will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

*"The financial derivative instruments may include, inter alia, swaps such as credit default swaps or fixed income related total return swaps, forwards, futures contracts, as well as options on such contracts dealt in either on regulated markets or over-the-counter."*

The revisions are to clarify that the Fund may be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

## **10. Franklin Mutual Beacon Fund**

For clarification purposes, the first sentence of the fifth paragraph of the objective and policy of the Franklin Mutual Beacon Fund on page 15 of the Current Explanatory Memorandum will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

*"The Fund may invest in financial derivative instruments, which may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps, or synthetic equity swaps ~~or total return swaps~~."*

The revisions are to clarify that the Fund currently does not intend to invest in total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

## **11. Franklin Mutual European Fund**

For clarification purposes, the first sentence of the fifth paragraph of the objective and policy of the Franklin Mutual European Fund on page 16 of the Current Explanatory Memorandum will be

revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

*“The Fund may invest in financial derivative instruments, which may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps; or synthetic equity swaps ~~or total return swaps~~.”*

The revisions are to clarify that the Fund currently does not intend to invest in total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

## **12. Franklin Mutual Global Discovery Fund**

For clarification purposes, the first sentence of the fifth paragraph of the objective and policy of the Franklin Mutual Global Discovery Fund on pages 16 and 17 of the Current Explanatory Memorandum will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

*“The Fund may invest in financial derivative instruments, which may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps; or synthetic equity swaps ~~or total return swaps~~.”*

The revisions are to clarify that the Fund currently does not intend to invest in total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

## **13. Franklin World Perspectives Fund**

For clarification purposes, the second sentence of the second paragraph of the objective and policy of the Franklin World Perspectives Fund on page 21 of the Current Explanatory Memorandum will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

*“The financial derivative instruments may include, inter alia, swaps such as credit default ~~swaps or total return~~ swaps, forwards, futures contracts, as well as options on such contracts dealt in either on regulated markets or over-the-counter.”*

The revisions are to clarify that the Fund currently does not intend to invest in total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

## **14. Templeton Asian Bond Fund**

For clarification purposes, the third and fourth sentences of the second paragraph of the investment objective and policy of the Templeton Asian Bond Fund, as set out in page 23 of the Current Explanatory Memorandum, will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

*“The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total*

*return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.”*

The revisions are to clarify that the Fund may: (i) utilize certain financial derivative instruments for hedging and efficient portfolio management and (ii) be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. Investors should note that the Fund may use financial derivative instruments extensively for investment purposes both before and after the revisions. There will be no change to the expected level of leverage of the Fund (which is estimated to be 40% measured as the sum of notionals of all financial derivative contracts entered into by the Fund expressed as a percentage of the Fund’s net asset value).

For details of the relevant risk considerations pertaining to the Fund’s use of derivatives, please refer to the sub-section “Derivative risk” of the “Risk Considerations” section on page 41 of the Current Explanatory Memorandum of the Company.

## **15. Templeton Asian Dividend Fund**

For clarification purposes, the third and fourth paragraphs of the investment policy of the Templeton Asian Dividend Fund on page 2 of the 2013 Addendum dated April 2013 to the Current Explanatory Memorandum relating to (amongst other things) the Templeton Asian Dividend Fund will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

(a) Changes to the first and second sentences of the third paragraph:-

*“The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt on either regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps ~~or~~, and total return swaps on equity securities), forwards and cross forwards, futures contracts (including those on government securities), as well as options.”*

(b) Changes to the fourth paragraph:-

*“In addition, since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also, on an ancillary basis, invest in participatory notes, other types of transferable securities, including equity and fixed income securities of issuers worldwide (investment grade, non-investment grade and unrated) and other instruments (including convertible securities, money market instruments and liquid assets as more specifically set out in the section “Investment Restrictions” on pages 50 to 57 of the Current Explanatory Memorandum) that are consistent with the investment objective of the Fund.”*

The revisions are to clarify (amongst other things) that the Fund may: (i) utilize certain financial derivative instruments for efficient portfolio management; (ii) be exposed to equity securities through total return swaps; and (iii) may invest in participatory notes on an ancillary basis. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, 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, please refer to the sub-section “Derivative risk” of the “Risk Considerations” section on page 41 of the Current Explanatory Memorandum of the Company.

To draw investors’ attention to the relevant risk considerations pertaining to the Fund’s investment in participatory notes, the following new risk disclosure shall be added after the sub-section headed “Non-Regulated Markets risk” under the section “INVESTMENT CONSIDERATIONS – Risk Considerations” on page 46 of the Current Explanatory Memorandum:-



### ***“Participatory Notes risk***

*Participatory notes, also known as P-Notes, are financial instruments that may be used by some Funds (such as the Templeton Asian Dividend Fund, Templeton Asian Smaller Companies Fund and Templeton Global Equity Income Fund) to obtain exposure to an equity investment, including common stocks and warrants, in a local market where direct ownership is not allowed. Investment in participatory notes may involve an OTC transaction with a third party. Therefore, Funds investing in participatory notes may be exposed not only to movements in the value of the underlying equity, but also to the risk of counterparty default, which may in the event of counterparty default result in a substantial loss to the Fund.”*

#### **16. Templeton Asian Smaller Companies Fund**

For clarification purposes, the third paragraph of the investment objective and policy of Templeton Asian Smaller Companies Fund on page 24 of the Current Explanatory Memorandum will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

*“In addition, since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also invest in participatory notes and other types of transferable securities, including equity and fixed income securities of issuers worldwide.”*

The revisions are to clarify that the Fund may invest in participatory notes. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, 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 investment in participatory notes, please refer to the risk disclosure on “Participatory Notes risk” in paragraph 10 of this letter.

#### **17. Templeton Emerging Markets Balanced Fund**

For clarification purposes, the second sentence of the third paragraph of the investment objective and policy of the Templeton Emerging Markets Balanced Fund, as set out in the 2011 Second Addendum dated October 2011 to the Current Explanatory Memorandum and amended by the 2013 Third Addendum dated June 2013 to the Current Explanatory Memorandum, will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

*“These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.”*

The revisions are to clarify that the Fund may be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

#### **18. Templeton Emerging Markets Bond Fund**

For clarification purposes, the third and fourth sentences of the second paragraph of the investment objective and policy of the Templeton Emerging Markets Bond Fund, as set out in page 27 of the Current Explanatory Memorandum, will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

*“The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.”*

The revisions are to clarify that the Fund may: (i) utilize certain financial derivative instruments for hedging and efficient portfolio management; and (ii) be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. Investors should note that the Fund may use financial derivative instruments extensively for investment purposes both before and after the revisions. There will be no change to the expected level of leverage of the Fund (which is estimated to be 40% measured as the sum of notionals of all financial derivative contracts entered into by the Fund expressed as a percentage of the Fund’s net asset value).

For details of the relevant risk considerations pertaining to the Fund’s use of derivatives, please refer to the sub-section “Derivative risk” of the “Risk Considerations” section on page 41 of the Current Explanatory Memorandum of the Company.

#### **19. Templeton Euro High Yield Fund**

For clarification purposes, the second sentence of the second paragraph of the investment objective and policy of the Templeton Euro High Yield Fund, as set out in page 28 of the Current Explanatory Memorandum, will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

*“The financial derivative instruments may include, inter alia, swaps such as credit default swaps or fixed income related total return swaps, forwards, futures contracts, as well as options on such contracts dealt in either on regulated markets or over-the-counter.”*

The revisions are to clarify that the Fund may be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, the Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

#### **20. Templeton Global Bond Fund**

For clarification purposes, the fourth and fifth sentences of the second paragraph of the investment objective and policy of the Templeton Global Bond Fund, as set out in page 32 of the Current Explanatory Memorandum, will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

*“The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.”*

The revisions are to clarify that the Fund may: (i) utilize certain financial derivative instruments for hedging and efficient portfolio management; and (ii) be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. Investors should note that the Fund may use financial derivative instruments extensively for investment purposes both before and after the revisions. There will be no change to the expected level of leverage of the Fund (which is estimated to be 90% measured as the

sum of notionals of all financial derivative contracts entered into by the Fund expressed as a percentage of the Fund's net asset value).

For details of the relevant risk considerations pertaining to the Fund's use of derivatives, please refer to the sub-section "Derivative risk" of the "Risk Considerations" section on page 41 of the Current Explanatory Memorandum of the Company.

## **21. Templeton Global Equity Income Fund**

For clarification purposes, the second and third sentences of the third paragraph of the investment objective and policy of Templeton Global Equity Income Fund on page 2 of the 2013 Third Addendum dated June 2013 to the Current Explanatory Memorandum will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

*"These financial derivative instruments may be dealt on either regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or total return swaps on equity indices), forwards and cross forwards, futures contracts (including those on government securities), as well as options (including covered calls). Use of financial derivative instruments may result in negative returns in a specific yield curve/duration, currency or credit since, among other things, the price of financial derivatives instruments are dependent on the price of their underlying instruments and these prices may go up or down. The Fund may also purchase participatory notes, equity-linked notes or other structured products where the security is linked to or derives its value from another security or is linked to assets or currencies of any country."*

The revisions are to clarify that the Fund may be exposed to equity indices through total return swaps, and to allow the investment manager to purchase participatory notes, equity-linked notes or other structured products. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. In particular, 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 investment in participatory notes, please refer to the risk disclosure on "Participatory Notes risk" in paragraph 10 of this letter.

For details of the relevant risk considerations pertaining to the Fund's investment in equity-linked notes and other structured products, please refer to the sub-section "Structured Notes risk" of the "Risk Considerations" section on page 48 of the Current Explanatory Memorandum of the Company.

If you do not agree with the changes to the investment objective and policy of Templeton Global Equity Income Fund, you may request, free of charge until 4 p.m. 16 April 2014 (Hong Kong time), the redemption of your shares of the Fund or the switching of such shares into shares of other Funds of the Company, details of which are disclosed in the Current Explanatory Memorandum.

Please note that "free of any redemption charge" does not apply to the contingent deferred sales charge ("CDSC") for all classes subject to such CDSC, due to the nature of such fee. Accordingly, should you decide to redeem any shares subject to a CDSC, such redemption will be subject to the applicable CDSC as more fully disclosed in the Current Explanatory Memorandum.

Please also note that in some cases your bank, investment adviser or other intermediary may charge you switching and/or transaction fees.

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.

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.

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.

## **22. Templeton Global High Yield Fund**

For clarification purposes, the third and fourth sentences of the second paragraph of the investment objective and policy of the Templeton Global High Yield Fund, as set out in page 34 of the Current Explanatory Memorandum, will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

*“The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.”*

The revisions are to clarify that the Fund may: (i) utilize certain financial derivative instruments for hedging and efficient portfolio management; and (ii) be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. Investors should note that the Fund may use financial derivative instruments extensively for investment purposes both before and after the revisions. There will be no change to the expected level of leverage of the Fund (which is estimated to be 20% measured as the sum of notionals of all financial derivative contracts entered into by the Fund expressed as a percentage of the Fund's net asset value).

For details of the relevant risk considerations pertaining to the Fund's use of derivatives, please refer to the sub-section “Derivative risk” of the “Risk Considerations” section on page 41 of the Current Explanatory Memorandum of the Company.

## **23. Templeton Global Income Fund**

For clarification purposes, the fifth and sixth sentences of the second paragraph of the investment objective and policy of the Templeton Global Income Fund, as set out in page 34 of the Current Explanatory Memorandum, will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

*“The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.”*

The revisions are to clarify that the Fund may: (i) utilize certain financial derivative instruments for hedging and efficient portfolio management; and (ii) be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. Investors should note that the Fund may use financial derivative instruments extensively for investment purposes both before and after the revisions. There will be no change to the expected level of leverage of the Fund (which is estimated to be 30% measured as the sum of notionals of all financial derivative contracts entered into by the Fund expressed as a percentage of the Fund's net asset value).

For details of the relevant risk considerations pertaining to the Fund's use of derivatives, please refer to the sub-section "Derivative risk" of the "Risk Considerations" section on page 41 of the Current Explanatory Memorandum of the Company.

#### **24. Templeton Global Total Return Fund**

For clarification purposes, the third and fourth sentences of the second paragraph of the investment objective and policy of the Templeton Global Total Return Fund, as set out in pages 35 and 36 of the Current Explanatory Memorandum, will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

*"The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forward and cross forwards, futures contracts (including those on government securities), as well as options."*

The revisions are to clarify that the Fund may: (i) utilize certain financial derivative instruments for hedging and efficient portfolio management; and (ii) be exposed to fixed income related total return swaps. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund. Investors should note that the Fund may use financial derivative instruments extensively for investment purposes both before and after the revisions. There will be no change to the expected level of leverage of the Fund (which is estimated to be 80% measured as the sum of notionals of all financial derivative contracts entered into by the Fund expressed as a percentage of the Fund's net asset value).

For details of the relevant risk considerations pertaining to the Fund's use of derivatives, please refer to the sub-section "Derivative risk" of the "Risk Considerations" section on page 41 of the Current Explanatory Memorandum of the Company.

\* \* \* \* \*

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

  
David Chang  
Director