

**This letter is important and requires your immediate attention.
If you are in doubt, please seek professional advice.**

30 December 2014

Franklin Templeton Investment Funds (“FTIF”) – Proposed merger of FTIF - Franklin Mutual Euroland Fund into FTIF - Franklin Mutual European Fund

Dear Shareholder,

The purpose of this letter is to inform you about the proposal of the board of directors of FTIF (the "**Board**") to merge FTIF - Franklin Mutual Euroland Fund¹ (the "**Merging Sub-Fund**") into FTIF - Franklin Mutual European Fund (the "**Receiving Sub-Fund**").

We are writing to you in your capacity as shareholder of the Receiving Sub-Fund.

Following the merger, the Merging Sub-Fund shall be dissolved without going into liquidation.

1. Rationale and background for the merger

The Board’s proposal to merge the Merging Sub-Fund into the Receiving Sub-Fund was based on asset values as of 19th August 2014 when the current assets under management of FTIF - Franklin Mutual Euroland Fund were EUR 14.9 million (USD 19.6 million).

The FTIF - Franklin Mutual Euroland Fund was originally launched in October 2008 but has failed to generate significant assets. As of 1 December 2014, the assets under management amounted to EUR 13.6 million (USD 17.0 million). The FTIF - Franklin Mutual European Fund was originally launched in April 2000 and has attracted significant assets of over EUR 2.92 billion (USD 3.64 billion) as of 1 December 2014.

The small size of the Merging Sub-Fund makes it economically unattractive to run as an independent entity. This Sub-Fund was initially targeted at the French personal savings market but did not grow as large as initially expected. Because both the Merging Sub-Fund and the Receiving Sub-Fund share similar investment objectives and target investor profiles, the Board considers that it makes sense to merge these sub-funds and focus on a single portfolio.

2. Impact on shareholders and shareholders' rights

Holders of shares in the Receiving Sub-Fund who do not wish to continue to hold shares in the Receiving Sub-Fund after the merger may redeem their shares or switch their holding, free of charge,

¹ Please note that the FTIF - Franklin Mutual Euroland Fund is not authorized by the Securities and Futures Commission.

into shares of other sub-funds of the FTIF that are authorized² by the SFC, details of which are disclosed in the Explanatory Memorandum dated December 2010, as amended, of the Company (the “**Explanatory Memorandum**”), no later than 29 January 2015 at 4.00 p.m. (Hong Kong time).

Please note that although FTIF will not charge you any switching fee, in some cases your bank, investment adviser or other intermediary may charge you switching and/or transaction fees.

Before investing in another SFC-authorized² sub-fund of FTIF, please ensure that you have read and understood the investment objective, policies and fees applicable to the relevant sub-fund as described in the Explanatory Memorandum.

It is not expected that the Receiving Sub-Fund's portfolio be rebalanced in the context of the merger and that the merger entail a dilution for the existing shareholders of the Receiving Sub-Fund.

3. Merger Procedure

Upon the approval by the Board of Directors of FTIF, the merger will become effective as of 6 February 2015 at midnight (Luxembourg time) (the “**Effective Date**”).

Upon the Effective Date, the Merging Sub-Fund will transfer all its assets and liabilities (the “**Assets**”) to the Receiving Sub-Fund. As at end August 2014, the lists of securities held by both sub-funds were very similar. The Merging Sub-Fund and Receiving Sub-Fund had 40 securities in common. The Merging Sub-Fund held five unique securities relative to the Receiving Sub-Fund. The Receiving Sub-Fund held 29 unique securities relative to the Merging Sub-Fund. Based on the geographic parameters of the two investment strategies, the primary difference between the Merging Sub-Fund and the Receiving Sub-Fund is the higher percentage of assets invested in the United Kingdom for the Receiving Sub-Fund. This difference is off-set by higher weights in select EMU member countries for the Merging Sub-Fund.

4. Costs of the Merger

The expenses incurred in the merger, including legal, accounting, custody and other administrative will be borne by Franklin Templeton International Services S.à r.l., the management company of FTIF.

5. Tax impact

The merger will not subject the Receiving Sub-Fund or FTIF to taxation in Luxembourg. Investors may however be subject to taxation in their tax domiciles or other jurisdictions where they pay taxes.

Shareholders are not liable for Hong Kong tax in respect of any income or gains made on the redemption or switching of shares in the Receiving Sub-Fund in Hong Kong, unless the redemption or switching of shares is or forms part of a trade, profession or business carried on in Hong Kong, in which case the gains forming part of such business may be subject to Hong Kong profits tax.

As is always the case, any switch or redemption of your shares may affect your tax position. You should consult your professional advisers as to the possible tax or other consequences of buying,

² 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.

holding, transferring or selling any shares affected by the changes described above, under the laws of your country of citizenship, residence and domicile.

6. Availability of Documents

The common merger proposal and the Explanatory Memorandum are available from the Hong Kong representative of FTIF, upon request, free of charge.

Upon request, copies of the report of the approved statutory auditor of FTIF relating to the merger may be obtained free of charge from the Hong Kong representative of FTIF.

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