

This letter is important and requires your immediate attention.

If you are in doubt about the contents of this letter, you should seek independent professional advice.

20 October 2015

Dear Investor,

**Franklin Templeton Investment Funds (“FTIF” or “Company”)
Proposed merger of FTIF - Franklin U.S. Focus Fund into FTIF - Franklin U.S. Equity Fund**

The purpose of this letter is to inform you about the upcoming merger of FTIF - Franklin U.S. Focus Fund¹ (the "**Merging Sub-Fund**") into FTIF - Franklin U.S. Equity 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 FTIF - Franklin U.S. Focus Fund was launched in May 2008 and had a size of approximately USD 35 million as at 31 August 2015. The FTIF – Franklin U.S. Equity Fund was launched in July 1999 and has assets of approximately USD 660 million as at 31 August 2015. Effective 1 May 2014, a portfolio manager change was instituted in respect of the Receiving Sub-Fund. Brent Loder, portfolio manager of the Merging Sub-Fund, was named as portfolio manager of the Receiving Sub-Fund.

Because both the Merging Sub-Fund and the Receiving Sub-Fund share similar investment objectives, portfolio manager, investment manager, fee and expenses, risk profile and target investor profiles, the board of directors of the Company (the "**Board**") believes that it will be in the best interests of shareholders to merge these sub-funds and focus on a single portfolio, which will offer economies of scale to existing shareholders of these sub-funds.

Both the Merging Sub-Fund and the Receiving Sub-Fund invest principally in U.S. equity securities, using an approach that allows the portfolio manager to invest across the U.S. stock market, including across market capitalizations, sectors and industries. The Merging Sub-Fund and Receiving Sub-Fund share many holdings in common and the Board believes that combining the Merging Sub-Fund and the Receiving Sub-Fund will offer economies of scale to the shareholders without a significant change in investment policy or approach.

¹ Please note that the FTIF - Franklin U.S. Focus Fund is not authorized by the Securities and Futures Commission.

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, 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 14 January 2016 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

The merger is expected to become effective as of 22 January 2016 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.

Any accrued income in the Merging Sub-Fund at the time of the merger will be included in the calculation of its net asset value per share and such accrued income will be accounted for an ongoing basis after the merger in the net asset value per share calculation in the relevant share class of the Receiving 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

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.

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, 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