

This letter is important and requires your immediate attention.

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

30 October 2015

Dear Investor,

Franklin Templeton Investment Funds (the “Company”)

The purpose of this letter is to inform you of revisions to the Explanatory Memorandum dated December 2010, as amended, of the Company (the “**Current Explanatory Memorandum**”) in respect of:

- (1) changes to the investment policies of certain of the sub-funds of the Company (the “**Funds**”);
- (2) clarifications on the amount of maintenance charge that is payable for Class N Shares (which took effect on 31 July 2015); and
- (3) the replacement of Templeton Global Advisors Limited by Franklin Templeton Investment Management Limited as investment manager of the Templeton Euroland Fund and the Templeton European Fund (which will take effect on 30 November 2015).

Unless otherwise specified herein, capitalized terms used herein shall have the meanings assigned to such terms in the Current Explanatory Memorandum.

1. Revisions to investment policies of certain Funds

I. Distribution of income gross of expenses

For clarification purposes, the section “INVESTMENT OBJECTIVES AND POLICIES” on page 8 to 37 of the Current Explanatory Memorandum has with effect from 31 July 2015 been revised by the addition of the statement “*The Fund may distribute income gross of expenses.*” at the end of the investment policies of the following Funds:

- (a) Franklin Euro Government Bond Fund
- (b) Franklin Euro High Yield Fund
- (c) Franklin Global High Income Bond Fund
- (d) Franklin High Yield Fund
- (e) Templeton Asian Bond Fund
- (f) Templeton Emerging Markets Bond Fund
- (g) Templeton Global Balanced Fund
- (h) Templeton Global Bond Fund
- (i) Templeton Global High Yield Fund
- (j) Templeton Global Total Return Fund

The revisions are to clarify that the Funds named above may distribute income gross of expenses. For details of the relevant risk considerations pertaining to the Fund's dividend policy, please refer to the sub-section "Dividend Policy risk" under paragraph 2(v) on page 5 of the 2013 Addendum dated April 2013 to the Current Explanatory Memorandum0

Rest assured, these revisions do not impact on the investment strategy of the Funds named above, nor the manner in which they are being managed.

II. Replacement of "People's Republic of China" with "Mainland China"

The references to "People's Republic of China" in the investment policies of the following Funds have with effect from 31 July 2015 been replaced by "Mainland China" to clarify that the particular reference does not include Hong Kong (which is separately referred to under the investment policy) or Macau:

- (a) Templeton Asian Dividend Fund;
- (b) Templeton Asian Growth Fund
- (c) Templeton Asian Smaller Companies Fund
- (d) Templeton China Fund

Rest assured, these revisions do not impact on the investment strategy of the Funds named above, nor the manner in which they are being managed.

III. Franklin U.S. Equity Fund

The second and fourth paragraphs of the investment objective and policy of the Franklin U.S. Equity Fund on page 19 to 20 of the Current Explanatory Memorandum have with effect from 30 July 2015 been revised and restated as set out below.

(Second paragraph) *"The Fund's investment strategy is to invest principally in US equity securities, including common and preferred stocks, or securities convertible into common stocks, as well as American Depositary Receipts and American Depositary Shares (of companies based outside the US) that are listed on the major US stock exchanges. The Investment Manager employs an active, bottom-up fundamental research process to search for individual securities believed to possess superior risk-return characteristics, taking into account both future growth potential and valuation considerations, ~~as well as macroeconomic and sector level considerations.~~ The Fund generally seeks to maintain a portfolio consisting of securities of approximately 20-50 companies. This strategy is applied in a diversified manner, enabling the Investment Manager to search in all areas of the US stock market, including any market capitalisation size, sector and industry. The Fund may also, from time to time, invest up to 10% of its net assets in equity securities of companies based outside the US that are not listed on the major US stock exchanges. On an ancillary basis, the Fund may employ hedging techniques and hold cash reserves from time to time."*

(Fourth paragraph) *"The Fund is suitable for investors seeking capital appreciation through a blend style investment in a ~~well-diversified~~ US equity fund and planning to hold their investments for the medium to long term."*

The revisions are to clarify that (i) American Depositary Receipts and American Depositary Shares relate to securities of companies based outside the US; (ii) the Investment Manager does not actively take into account macroeconomic and sector level considerations when searching for individual securities; (iii) the Fund generally seeks to maintain a portfolio consisting of securities of approximately 20 to 50 companies (and it should therefore be regarded as a diversified, as opposed to a well-diversified, US equity fund); and (iv) the Fund may also, from time to time, invest up to 10% of its net assets in equity securities of companies based outside the US that are not listed on the major US stock exchanges.

Investors should note that the Fund may, in addition to the key risks disclosed in the Product Key Facts Statement of the Fund, be subject to concentration risk and market risk. For more information

on concentration risk and market risk, please refer to paragraph 6 of the notice to shareholders dated 19 June 2015 and to page 45 of the Current Explanatory Memorandum respectively.

Rest assured, these revisions do not impact on the investment strategy of the Fund, nor the manner in which the Fund is being managed.

IV. Templeton Asian Dividend Fund

The following sentence shall with effect from 30 November 2015 be inserted at the end of the third paragraph of the investment policy of the Templeton Asian Dividend Fund, as set out on page 2 of the 2013 Addendum dated April 2013 to the Current Explanatory Memorandum and amended by the 2014 Second Addendum dated April 2014:-

“The Fund may invest up to 15% of its net assets in securities or structured products (such as equity-linked securities) where the security is linked to or derives its value from another security or is linked to assets or currencies of any country.”

The additional disclosure is to clarify that the Fund may invest on an ancillary basis (up to 15% of its net assets) in securities or 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.

For details of the relevant risk considerations pertaining to the Fund’s investments in structured products and equity-linked notes, please refer to paragraph 4(B) headed “Structured Notes risk” on page 11 of the 2014 Addendum dated March 2014 to the Current Explanatory Memorandum and to paragraph 7(B) headed “Participatory Notes Risk” on page 9 of the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum.

Rest assured, these revisions will have no impact on the investment strategy of the Fund, nor the manner in which the Fund is being managed.

V. Templeton Global Balanced Fund

The following sentence has with effect from 31 July 2015 been inserted at the end of the investment policy of the Templeton Global Balanced Fund, as set out on page 32 of the Current Explanatory Memorandum:-

“If and for so long as the Templeton Global Balanced Fund accepts investment by Malaysian investment funds authorized by the Malaysian Securities Commission as feeders, the Templeton Global Balanced Fund will typically invest 65% of its net assets in equity and equity-linked securities and 35% of its net assets in fixed income securities and liquid assets, with a permitted deviation of up to 5% of its net assets from this allocation.”

The revisions are an elaboration of the existing investment policy of the Fund as a result of compliance with applicable legal and regulatory requirements, to clarify that the Fund will typically invest 65% of its net assets in equity and equity-linked securities and 35% of its net assets in fixed income securities and liquid assets, with a permitted deviation of up to 5% of its net assets from this allocation, for so long as it accepts investment by Malaysian investment funds authorized by the Malaysian Securities Commission as feeders.

Rest assured, these revisions do not impact on the investment strategy of the Fund, nor the manner in which the Fund is being managed.

2. Clarification on the amount of maintenance charge that is payable for Class N Shares of the Funds

It was explained in the notice to shareholders dated 19 June 2015 (“**19 June Notice**”) that Class N Shares of the Company are subject to a maintenance charge, which is deducted and paid to the Principal Distributor for any expenses incurred by it in connection with shareholder liaison and administration of Class N Shares.

The 19 June Notice states that with effect from 31 July 2015, the references to “up to” and “(up to)” in the table on annual maintenance charge and annual management fees for Class N Shares on pages 78 to 79 of the Current Explanatory Memorandum (the “**Class N Fee Table**”) will be deleted, and the maintenance charge and aggregate charge for Class N Shares will be at the levels set out in columns A and B of the table below.

As the actual maintenance charge for Class N Shares of certain Funds is 1.00% and not 1.25%, the Class N Fee Table has with effect from 31 July 2015 been revised and restated to clarify that the maintenance charge and aggregate charge for Class N Shares will be at the levels set out in columns C and D of the table below.

Fund Name Class N Shares	(A) Maintenance Charge stated in the Current Explanatory Memorandum as revised by the 19 June Notice	(B) Aggregate Charge stated in the Current Explanatory Memorandum as revised by the 19 June Notice	(C) Revised Maintenance Charge	(D) Revised Aggregate Charge
Franklin High Yield Fund	1.25%	2.05%	1.00%	1.80%
Franklin Income Fund	1.25%	2.10%	1.00%	1.85%
Franklin India Fund	1.25%	2.25%	1.25%	2.25%
Franklin MENA Fund	1.25%	2.75%	1.00%	2.50%
Franklin Mutual Beacon Fund	1.25%	2.25%	1.25%	2.25%
Franklin Mutual European Fund	1.25%	2.25%	1.25%	2.25%
Franklin Mutual Global Discovery Fund	1.25%	2.25%	1.25%	2.25%
Franklin U.S. Equity Fund	1.25%	2.25%	1.25%	2.25%
Franklin U.S. Government Fund	1.25%	1.90%	1.00%	1.65%
Franklin U.S. Small-Mid Cap Growth Fund	1.25%	2.25%	1.25%	2.25%
Templeton Asian Bond Fund	1.25%	2.00%	1.00%	1.75%
Templeton Asian Growth Fund	1.25%	2.60%	1.00%	2.35%
Templeton BRIC Fund	1.25%	2.85%	1.00%	2.60%
Templeton Eastern Europe Fund	1.25%	2.85%	1.00%	2.60%
Templeton Emerging Markets Fund	1.25%	2.85%	1.00%	2.60%
Templeton European Fund*	1.25%	2.25%	1.25%	2.25%
Templeton Global Fund	1.25%	2.25%	1.25%	2.25%
Templeton Global Bond Fund	1.25%	2.00%	1.00%	1.75%
Templeton Global Equity Income Fund*	1.25%	2.25%	1.25%	2.25%
Templeton Global Income Fund	1.25%	2.10%	1.00%	1.85%
Templeton Global Smaller Companies Fund	1.25%	2.25%	1.25%	2.25%
Templeton Global Total Return Fund	1.25%	2.00%	1.00%	1.75%
Templeton Latin America Fund	1.25%	2.65%	1.00%	2.40%

* *The Class N Shares of the Templeton European Fund and the Templeton Global Equity Income Fund have ceased to be offered under the Current Explanatory Memorandum. Please refer to the 2011 Addendum dated June 2011 to the Current Explanatory Memorandum for details.*

For clarification, the third paragraph appearing under the heading “CHARGES AND EXPENSES – CLASS N SHARES – Annual Management Fees” on page 79 of the Current Explanatory Memorandum Changes has with effect from 31 July 2015 been amended as follows:

“In addition to any other terms, Class N Shares are subject to an annual maintenance charge as stated in the table above ~~of 1.25% per annum of the applicable average net asset value~~, deducted and paid to the Principal Distributor for any expenses incurred by it in connection with shareholder liaison and administration of the Shares. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor.”

3. Replacement of Templeton Global Advisors Limited by Franklin Templeton Investment Management Limited as investment manager of the Templeton Euroland Fund and the Templeton European Fund

Due to a proposed change in the portfolio manager for the Templeton Euroland Fund and the Templeton European Fund (collectively, the “**Relevant Funds**”), Templeton Global Advisors Limited will be replaced by Franklin Templeton Investment Management Limited as the investment manager of the Relevant Funds.

As a result of these changes, the changes set out in paragraphs 6(A) and 6(B) on page 13 of the 2014 Addendum dated March 2014 will be reinstated.

Rest assured, these changes will have no impact on the investment objectives and policies of the Relevant Funds, nor the manner in which the Relevant Funds are being managed. The investment team at Franklin Templeton Investments has always managed assets based on a team approach and the Relevant Funds will continue to be managed according to the same principles. There will also be no change in the fee level in respect of the Relevant Funds.

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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
富蘭克林鄧普頓投資(亞洲)有限公司


David Chang
Director