

**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.**

Hong Kong, 28 April 2017

Dear Investor,

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

This letter is intended for investors who hold shares of the Company via an account with (i) Franklin Templeton Investments (Asia) Limited (the “**Hong Kong Representative**”) or (ii) a duly authorized intermediary for the Hong Kong market (collectively, “**Investors**”).

The purpose of this letter is to inform Investors of:

- (1) changes to the investment management structure of certain Funds of the Company; and
- (2) the automatic exchange of financial account information.

The changes outlined in paragraph (1) above will take effect on 31 May 2017.

Unless otherwise specified herein, capitalized terms used in this letter shall have the meanings assigned to such terms in the Explanatory Memorandum dated March 2017, as amended, of the Company (the “**Explanatory Memorandum**”).

**(1) Changes to the investment management structure of certain Funds of the Company**

Currently, the Management Company (Franklin Templeton International Services S.à r.l.) has, at all times, delegated the portfolio management of the following Funds (the “**Affected Funds**”) to certain investment management entities within Franklin Templeton Investments which are listed in the column of the table below headed “Existing Investment Manager(s)”. Pursuant to an internal reorganization of investment personnel responsible for the investment management of the Affected Funds, the investment management structure of the Affected Funds will be revised such that there will be a change in certain of the existing investment managers and/or a further delegation of the discretionary investment management function to a sub-manager, as follows:

Fund	Existing Investment Manager(s)	Revised investment management structure (with effect from 31 May 2017)	
		Investment Manager(s) <sup>1</sup>	Sub-Manager <sup>1, 2</sup>
Templeton Asian Bond Fund	Franklin Advisers, Inc.	Franklin Advisers, Inc. ( <i>no change</i> )	Templeton Asset Management Ltd. <sup>3</sup> ( <i>new</i> ),

Fund	Existing Investment Manager(s)	Revised investment management structure (with effect from 31 May 2017)	
		Investment Manager(s) <sup>1</sup>	Sub-Manager <sup>1, 2</sup>
			<i>acting as the delegate of Franklin Advisers, Inc.)</i>
Templeton BRIC Fund	Templeton Asset Management Ltd.	Franklin Templeton Investment Management Limited <sup>5</sup> (new)	Templeton Asset Management Ltd. <sup>3</sup> (change in role from investment manager to sub-manager, acting as the delegate of Franklin Templeton Investment Management Limited)
Templeton Eastern Europe Fund	Templeton Asset Management Ltd. and Franklin Templeton Investment Management Limited	Franklin Templeton Investment Management Limited <sup>5</sup> (change in role from co-investment manager to sole investment manager)	Not applicable.
Templeton Emerging Markets Fund	Templeton Asset Management Ltd.	Franklin Templeton Investment Management Limited <sup>5</sup> (new)	Templeton Asset Management Ltd. <sup>3</sup> (change in role from investment manager to sub-manager, acting as the delegate of Franklin Templeton Investment Management Limited)
Templeton Emerging Markets Balanced Fund	Franklin Advisers, Inc. and Templeton Asset Management Ltd.	Franklin Advisers, Inc. (no change; no sub-manager will be appointed by Franklin Advisers, Inc. under this notice) Franklin Templeton Investment Management Limited <sup>5</sup> (new)	Templeton Asset Management Ltd. <sup>3</sup> (change in role from investment manager to sub-manager, acting as the delegate of Franklin Templeton Investment Management Limited and not Franklin Advisers, Inc.)
Templeton Frontier Markets Fund	Templeton Asset Management Ltd. and Franklin Templeton Investment Management Limited	Franklin Templeton Investment Management Limited <sup>5</sup> (change in role from co-investment manager to sole investment manager)	Franklin Templeton Investments (ME) Limited <sup>4</sup> (new, acting as the delegate of Franklin Templeton Investment Management Limited)
Templeton Latin America Fund	Templeton Asset Management Ltd. and Franklin Templeton Investimentos (Brasil) Ltda.	Franklin Advisers, Inc. <sup>6</sup> (new)	Franklin Templeton Investimentos (Brasil) Ltda. <sup>7</sup> (change in role from investment manager to sub-manager, acting as the delegate of Franklin Advisers, Inc.)

<sup>1</sup> Each investment manager/sub-manager under the revised investment management structure currently acts as a discretionary investment manager or sub-manager of other existing funds that are authorised by the Securities and Futures Commission (“SFC”). 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.

<sup>2</sup> As the delegate of the investment manager, the sub-manager will perform a discretionary investment function and manage the portion of the assets of the Affected Fund that is allocated to it. It is envisaged that (i) the management of up to 100% of the assets of the Templeton Latin America Fund will be delegated to its sub-manager; and (ii) the management of approximately half of the assets of the Templeton Asian Bond Fund, the Templeton BRIC Fund, the Templeton Emerging Markets Fund and the Templeton Frontier Markets Fund will be delegated to their respective sub-managers while the remaining assets of these Funds will be managed by the respective investment managers. For the Templeton Emerging Markets Balanced Fund, it is envisaged that the approximate asset allocation between Franklin Advisers, Inc., Franklin Templeton Investment Management Limited and Templeton Asset Management Ltd. will be in the proportion of 2:1:1 .

<sup>3</sup> Primarily regulated by the Monetary Authority of Singapore.

<sup>4</sup> Primarily regulated by the Dubai Financial Services Authority.

<sup>5</sup> Primarily regulated by the Financial Conduct Authority of the United Kingdom.

<sup>6</sup> Primarily regulated by the Securities and Exchange Commission of the United States of America.

<sup>7</sup> Primarily regulated by the Securities and Exchange Commission of Brazil.

Upon the coming into effect of the changes set out above, the Management Company will, at all times, delegate the discretionary investment management function of the Affected Funds to the investment managers listed in the column of the table above headed “Revised investment management structure – Investment Manager(s)”, which will in turn further delegate the discretionary investment management function to the sub-managers listed in the column of the table above headed “Revised investment management structure – Sub-Manager”.

Rest assured, the changes listed above will have no impact on the investment objectives and policies or the risk profiles of the Affected Funds, nor the manner in which they are being managed. The investment team at Franklin Templeton Investments has always managed assets based on a team approach and the Affected Funds will continue to be managed according to the same principles. The changes listed above will not give rise to any change in the management fee levels or any other fees stated in the Hong Kong offering documents of the Company in respect of the Affected Funds.

The Explanatory Memorandum and the product key facts statements of the Affected Funds will be updated for the changes described above.

## **(2) Automatic Exchange of Financial Account Information**

On 29 October 2014, the Grand Duchy of Luxembourg signed the Multilateral Competent Authority Agreement (the “MCAA”) on the implementation of the Global Standard for the automatic exchange of financial account information. By signing the MCAA, Luxembourg has agreed to implement regulations to enable the adoption of automatic exchange of information with other MCAA signatory countries. The first exchange of information will take place in 2017, in relation to accounts held in the 2016 calendar year.

On 9 December 2014, the European Council adopted Directive 2014/107/EU in relation to the administrative cooperation in the field of direct taxation. Directive 2014/107/EU provides for the automatic exchange of account information between Member States of the European Union (“EU Member States”), with reporting commencing in 2017 in relation to accounts held in the 2016 calendar year. Directive 2014/107/EU has been implemented in the Grand Duchy of Luxembourg by the law of

18 December 2015 relating to the automatic exchange of financial account information in tax matters (the “**2015 Law**”).

Investors are hereby notified that the Company may be required by Luxembourg law to report details of specified accounts of account holders resident in EU Member States or MCAA signatory jurisdictions. The Luxembourg Tax Authorities may share such account data in accordance with Directive 2014/107/EU and the MCAA with the Tax Authorities of other EU Member States and MCAA signatory jurisdictions, where the account holder is tax resident. The information which may be reported includes, in the case of an individual, the reportable person’s name, address, tax identification number, date and place of birth, balance of the account and the total gross amount paid or credited to the account in respect of the relevant reporting period.

As a result of the adoption of Directive 2014/107/EU, Directive 2003/48/EC on the taxation of savings income in the form of interest payments (the “**European Savings Directive**”) has been repealed. Consequently, the Luxembourg law implementing the European Savings Directive has been repealed.

The foregoing is only a summary of the implications of Directive 2014/107/EU, the MCAA and the 2015 law. The summary is based on the current interpretation thereof and does not purport to be complete in all respects. It does not constitute investment or tax advice and Investors should therefore seek advice from their financial or tax adviser on the full implications for themselves of Directive 2014/107/EU, the MCAA and the 2015 law.

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The changes set out in this notice are not expected to give rise to any additional costs and expenses for shareholders of the Company. Any additional costs and expenses arising from the changes (other than the cost of publishing this notice) will be borne by the Management Company.

The changes set out in this notice are not expected to have any material adverse impact on shareholders. Shareholders who do not agree with the changes set out in this notice may redeem or switch their shares free from any charge by the Company, into shares of other Funds that are authorized\* by the SFC, details of which are disclosed in the Current Explanatory Memorandum, no later than 29 May 2017 at 4.00 p.m. (Hong Kong time).

Before investing in another SFC-authorized\* Fund, please ensure that you have read and understood the investment objective, policies and fees applicable to the relevant Fund as described in the Current Explanatory Memorandum.

Please note that although the Company will not charge shareholders any redemption fee for redemption requests that reach the Hong Kong Representative of the Company, in some cases the relevant bank, investment adviser or other intermediary may charge switching and/or transaction fees. They may also have a local dealing cut-off time which is earlier than the dealing deadline described above. Shareholders are recommended to check with their bank, investment adviser or other intermediary (if applicable) to ensure that their instructions reach the Hong Kong Representative before the dealing deadline above.

Please also note that "free of any charge" does not apply to Class B shares that are subject to the contingent deferred sales charge ("**CDSC**"), due to the nature of such fee. Accordingly, should shareholders decide to redeem any shares subject to a CDSC, such redemption will be subject to the applicable CDSC, as more fully disclosed in the Explanatory Memorandum.

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\* 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.

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The Management Company and the Board 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.

An updated version of the Hong Kong offering documents of the Company will be available at the office of the Hong Kong Representative in due course. If you require further information, please do not hesitate to contact your investment consultant, call our Investor Hotline at +852 2805 0111 or contact the Hong Kong Representative at 17/F, Chater House, 8 Connaught Road Central, Hong Kong. If you are not a duly authorized intermediary for the Hong Kong market, please be advised that you are not required to forward this letter to your end clients.

Yours faithfully,

**Franklin Templeton Investments (Asia) Limited**

富蘭克林鄧普頓投資(亞洲)有限公司

As Hong Kong Representative of the Company



**David Chang**  
**Director**