FRANKLIN TEMPLETON INVESTMENTS

Franklin Templeton Investments (Asia) Limited
富蘭克林鄧普頓投資(亞洲)有限公司
17/F, Chater House
8 Connaught Road Central
Hong Kong
t +852 2877-7733
f +852 2877-5401
www.franklintempleton.com.hk

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, 14 February 2018

Dear Investor,

Franklin Floating Rate Fund plc (the "Company")
- **Elaborations on the Investment Policies of the Master Fund**
- **Elaboration on the Investment Techniques of the Master Fund**
- **Clarification on the Rounding of Issued Shares on Subscription**
- **Automatic Exchange of Financial Account Information**

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 the following which will take effect on 14 March 2018:

(1) elaborations on the investment policies of the Franklin Floating Rate Master Trust (the "**Master Fund**"), in which the Company invests up to 100% of its net assets;

(2) an elaboration on the investment techniques of the Master Fund;

(3) a clarification on the rounding of issued Shares on a subscription; and

(4) the automatic exchange of financial account information.

Unless otherwise specified herein, capitalized terms used in this letter shall have the meanings assigned to such terms in the Hong Kong Prospectus dated October 2015, as amended, of the Company (the "**Prospectus**").

(1) Elaborations on the Investment Policies of the Master Fund

Investors are hereby notified of the following elaborations on the investment policies of the Master Fund, under the sub-section headed "Investment Considerations - Investment Objectives and Policies of the Master Fund" on pages 6 to 8 of the Prospectus.

A. Additions to the examples and purposes of the temporary defensive investments in which the Master Fund may invest

Under the existing investment policy of the Master Fund, the Investment Adviser of the Master Fund may invest up to 100% of the Master Fund's assets in a temporary defensive manner when it believes that market or economic conditions are unfavorable for investors (for example in times of market failure).

The Master Fund's temporary defensive investments may include money market fund shares, U.S. government securities, high-grade commercial paper, repurchase agreements and other money market instruments.

The Investment Adviser of the Master Fund have recently carried out a review of the Master Fund's investment policy and believes that it is in the interests of investors for the Master Fund to include bank obligations as an example of the temporary defensive investments in which the Master Fund may invest, based on the Master Fund's existing investment objective and strategy as disclosed in the Prospectus.

The Investment Adviser of the Master Fund may invest in these types of securities or hold cash while looking for suitable investment opportunities, to maintain liquidity or to segregate on the Master Fund's books in connection with its derivative strategies.

In conjunction with the changes above, the second and third sentences of the tenth paragraph of the Master Fund's investment policy on page 7 of the Prospectus will be revised as follows (with differences marked up below):

> "*Temporary defensive investments generally may include money market fund shares (including shares of an affiliated money market fund), U.S. government securities, high-grade commercial paper, bank obligations, repurchase agreements and other money market instruments. The Investment Adviser of the Master Fund also may invest in these types of securities or hold cash while looking for suitable investment opportunities, ~~or~~ to maintain liquidity or to segregate on the Master Fund's books in connection with its derivative strategies.*"

B. Change in range of anticipated maturity of the Master Fund's investments

Under the existing investment policy of the Master Fund, it is anticipated that a majority of the Master Fund's investments will have stated maturities ranging from three to ten years.

Investors should note that the stated range of maturities will range from three to seven years going forward.

In conjunction with the change above, the second sentence of the thirteenth paragraph of the Master Fund's investment policy on page 8 of the Prospectus will be revised as follows (with differences marked up below):

> "*The Master Fund anticipates, however, that a majority of its investments will have stated maturities ranging from three to ~~ten~~seven years.*"

(2) Elaboration on the Investment Techniques of the Master Fund

As stated in the Prospectus, the Master Fund may employ investment techniques and instruments for efficient portfolio management of the assets of the Master Fund. Examples of investment techniques employed by the Master Fund are disclosed under the sub-section headed "Investment Techniques" on pages 10 to 12 of the Prospectus.

The Investment Adviser of the Master Fund have recently carried out a review of the investment techniques employed by the Master Fund and believes that it is in the interests of investors for the Master Fund to include the use of Collateralized Debt Obligations ("CDOs") and Collateralized Loan Obligations ("CLOs") as an example of an investment technique that may be employed by the Master Fund to gain indirect exposure to corporate and/or sovereign loans.

In conjunction with the change above, the following paragraph will be inserted immediately following the sub-section headed "Investment Techniques - Use of Credit Default and Interest Rate Swaps" on page 11 of the Prospectus:

> "***Use of Collateralized Debt Obligations ("CDOs") and Collateralized Loan Obligations ("CLOs")***
>
> *The Master Fund may invest in CDOs, principally CLOs. Generally, CDOs are types of asset-backed securities. CLOs are generally considered to be one type of CDO. CLOs represent interests in a special purpose, bankruptcy-remote vehicle, typically a trust, collateralized by a pool generally comprised of corporate and/or sovereign loans, which may include, among others, senior secured loans, senior unsecured loans, and subordinate corporate loans made to domestic and foreign borrowers, including loans that may be rated below investment grade or equivalent unrated loans. In all types of CDOs, the interests in the trust are split into two or more portions, called tranches, varying in risk, maturity, payment priority and yield. The riskiest portion is the "equity" tranche, which is the first loss position to observe defaults from the collateral in the trust or to trade at a close. Because they are partially protected from defaults as a result of the subordinate tranches, senior tranches of a CDO trust typically have higher ratings and lower yields than the underlying collateral securities held by the trust and can be rated investment grade. The Master Fund may invest in any tranche of a CDO, excluding the "equity" tranche.*"

(3) Clarification on the Rounding of Issued Shares on a Subscription

It is currently stated in the Prospectus that on a subscription, the number of Shares issued to the applicant will be rounded to the nearest one hundredth of a share. Investors should note that Shares are issued to 3 decimal places, using conventional rounding to the nearest thousandths place. To bring the Prospectus wording in line with current practice, the last sentence of the eighth paragraph under the sub-section headed "Subscriptions" on page 22 of the Prospectus will be revised as follows (with differences marked up below):

> "*The number of Shares issued will be rounded to 3 decimal places, using conventional rounding to the nearest ~~one hundredth of a share~~thousandths place and any surplus money will be credited to the Company.*"

(4) Automatic Exchange of Financial Account Information

On 29 October 2014, Ireland 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, Ireland has agreed to implement regulations to enable the adoption of automatic exchange of information with all other MCAA signatory countries (whenever they sign the MCAA).

On 9 December 2014, the European Council adopted Directive 2014/107/EU amending Directive 2011/16/EU in relation to the administrative cooperation in the field of direct taxation. Directive 2011/16/EU now provides for the automatic exchange of account information between EU member states.

Shareholders are hereby notified that the Company is required under Irish law to report various details about Shareholders resident in EU member states or MCAA signatory jurisdictions to the Irish tax authorities. They will share Shareholder account data in accordance with Directive 2011/16/EU or the MCAA with the tax authority of any other EU member state or MCAA signatory jurisdiction where the account holder is tax resident.

The foregoing is only a summary of the implications of Directive 2014/107/EU and the MCAA. 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 and the MCAA.

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The Investment Adviser (Franklin Advisers, Inc.) of the Master Fund believes that the changes set out in paragraphs (1) and (2) of this letter will benefit investors by providing greater clarity on the Master Fund's investment policies and investment techniques. These changes are for clarification only – they will not result in any additional risks or impact the investment strategy of the Master Fund and will not have any material adverse impact on the interests of Investors.

There will be no material change or increase in the overall risk profile of the Master Fund or the Company following the elaborations on the investment policies and investment techniques of the Master Fund, and no change to the operation and/or the manner in which the Master Fund and the Company are being managed.

The changes set out in this letter are not expected to give rise to any change in the fee level or fee structure of the Company, or 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 letter, which is estimated to be approximately HKD 50,000 and which will be charged to the Company) will be borne by the AIFM.

The changes set out in this letter are not expected to materially prejudice the rights or interests of Shareholders of the Company. Shareholders who do not agree with the changes set out in this letter may redeem their shares free from any charge by the Company no later than 13 March 2018 at 4.00 p.m. (Hong Kong time).

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 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[1] 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 Prospectus.

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[1] Class B is no longer available for investment.

The AIFM and the Board of Directors 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.

The Prospectus and the product key facts statement of the Company (which are available for download from the Hong Kong Representative's website at www.franklintempleton.com.hk[2]) will be updated for the changes described above. An updated version of the Hong Kong offering documents of the Company will also be made 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

[2] The information in the website has not been reviewed by the Securities and Futures Commission.