

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, 29 June 2018

Dear Investor,

**Franklin Templeton Investment Funds (the “Company”)
- Changes to certain sub-funds (“Funds”)**

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 the Franklin Asia Credit Fund and the Templeton Eastern Europe Fund; and
- (2) an elaboration on the investment policy of the Franklin U.S. Equity Fund and a change in the name of this Fund.

Unless otherwise specified herein, capitalized terms used in this letter shall have the meanings assigned to such terms in the Explanatory Memorandum dated April 2018, as amended, of the Company (the “**Explanatory Memorandum**”).

(1) Changes to the investment management structure of the Franklin Asia Credit Fund and the Templeton Eastern Europe Fund

Currently, the Management Company (Franklin Templeton International Services S.à r.l.) has, at all times, delegated the portfolio management of the Franklin Asia Credit Fund and the Templeton Eastern Europe Fund to certain investment management entities within Franklin Templeton Investments, which are listed in the column of the table below headed “Existing investment management structure”. Pursuant to an internal reorganization of investment personnel responsible for the investment management of these Funds, the investment management structure of these Funds will be revised such that there will be a change in certain of the existing investment managers, as follows:

Fund	Existing investment management structure	Revised investment management structure (with effect from 1 August 2018)
Franklin Asia Credit Fund	<u>Investment Managers</u> Franklin Advisers, Inc. Franklin Templeton Institutional, LLC Templeton Asset Management Ltd.	<u>Investment Managers</u> ¹ Franklin Advisers, Inc. ² Franklin Templeton Institutional, LLC ² Franklin Templeton Investment Management Limited ³ (<i>new</i>)
Templeton Eastern Europe Fund	<u>Investment Manager</u> Franklin Templeton Investments (Asia) Limited	<u>Investment Manager</u> ¹ Franklin Templeton Investments (Asia) Limited ⁴ <u>Sub-Manager</u> ^{1,5} Franklin Templeton Investments (ME) Limited ⁶ (<i>new</i>)

Franklin Templeton International Services S.à r.l., Franklin Advisers, Inc., Franklin Templeton Institutional, LLC, Templeton Asset Management Ltd., Franklin Templeton Investment Management Limited, Franklin Templeton Investments (Asia) Limited and Franklin Templeton Investments (ME) Limited are all wholly-owned subsidiaries of Franklin Resources, Inc.

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 Franklin Asia Credit Fund and the Templeton Eastern Europe Fund to the investment managers which, in the case of the Templeton Eastern Europe Fund, will in turn further delegate the discretionary investment management function to the sub-manager, listed in the column of the table above headed “Revised investment management structure”.

Rest assured, the changes listed above will have no impact on the investment objectives and policies or the risk profiles of the Franklin Asia Credit Fund or the Templeton Eastern European Fund, 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 these Funds will continue to be managed according to the same principles.

(2) Elaboration on the investment policy of the Franklin U.S. Equity Fund and a change in the name of this Fund

The Franklin U.S. Equity Fund’s current investment objective is capital appreciation, which it seeks to achieve through an investment policy of investing in US equity securities, including common and

¹ 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.

² Primarily regulated by the Securities and Exchange Commission of the United States of America.

³ Primarily regulated by the Financial Conduct Authority of the United Kingdom.

⁴ Primarily regulated by the Securities and Futures Commission of Hong Kong.

⁵ 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 Fund that is allocated to it. It is envisaged that the management of up to 100% of the assets of the Templeton Eastern Europe Fund will be delegated to its sub-manager.

⁶ Primarily regulated by the Dubai Financial Services Authority.

preferred stocks, or securities convertible into common stocks, as well as American Depository Receipts and American Depository Shares (of companies based outside the US) that are listed on the major US stock exchanges. As part of its stock selection process, 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.

The Board of Directors has recently carried out a review of this Fund’s investment policy and believes that it is in the interests of Shareholders for the Fund to integrate environmental, social and governance (“ESG”) considerations into its investment process. The Investment Manager considers this elaboration to be in alignment with its existing investment process for the Fund, and there will not be any changes to the investment strategy, investment allocation or universe of the Fund.

In connection with the above elaboration on the investment process, the following changes will be applied to the Franklin U.S. Equity Fund with effect from 1 August 2018:

- (a) The name of the Franklin U.S. Equity Fund will be changed to “Franklin Select U.S. Equity Fund”, and all references to this Fund’s name in the Explanatory Memorandum shall be revised accordingly;
- (b) The first paragraph of the Franklin U.S. Equity Fund’s investment policy will be amended as follows:

“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 Depository Receipts and American Depository 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. This generally includes an assessment by the Investment Manager of the potential impacts of material environmental, social and governance factors on the long-term risk and return profile of a company. 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. The Fund may utilise financial derivative instruments for hedging and/or efficient portfolio management purposes. These financial derivative instruments may include, but are not limited to, forwards and futures contracts or options on such contracts. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes.”

There will be no material change or increase in the overall risk profile of the Franklin U.S. Equity Fund following the changes outlined above, nor will there be any material change in the operation and/or manner in which the Fund is being managed.

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The changes set out in this notice are not expected to have any material adverse impact on shareholders.

Further, the changes set out in this notice are not expected to give rise to any change in the fee level or fee structure of the Funds, 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 notice, which is estimated to be approximately HKD 450,000 and which will be charged and allocated to the

Funds based on the pro rata share of the Net Asset Value of the Funds) will be borne by the Management Company.

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