

**This letter is important and requires your immediate attention.**

**If you are in doubt, please seek professional advice.**

Hong Kong, 23 February 2018

Dear Shareholder,

**Franklin Templeton Investment Funds (the “Company”)  
– Termination of Templeton Korea Fund (the “Fund”)**

This letter is intended for investors who hold shares of the Fund 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.

The purpose of this letter is to inform you that, after careful analysis and review, the Board of Directors of the Company (the “**Directors**”) has decided to terminate the Fund with effect from 25 May 2018 (the “**Termination Date**”).

The net asset value of the Fund has fallen to below USD 50 million since August 2015 and was USD 33.3 million as at 29 December 2017. This is below the threshold at which the Directors are empowered to terminate the Fund pursuant to Article 28 of the Articles of Incorporation of the Company (the “**Article 28**”).

After careful consideration, the Directors have concluded that it is no longer in the interests of the Shareholders for the Fund to operate as (i) the relatively small size of the Fund gives rise to a higher level of total expense ratio for Shareholders and (ii) the size of the Fund is not expected to increase substantially in the future. Accordingly, the Directors have decided to terminate the Fund on the Termination Date.

The Fund will no longer be marketed to the public in Hong Kong and will be closed to further subscriptions from the date of this letter. Please note that as the Fund will be winding down, it is possible that a high proportion of the Fund may be held in cash assets up until the Termination Date, as the Investment Manager may endeavour to maximise liquidity in the Fund’s portfolio relative to liquidity needs.

Please note that there is a risk that significant redemption in the Fund may occur prior to the Termination Date. In order to protect the interests of remaining shareholders, a swing pricing mechanism may be adopted by the Fund as part of its valuation policy. If on any valuation day, the aggregate net redemptions in shares of the Fund exceed a pre-determined threshold, as determined by the Directors, the net asset value per share of the Fund may be adjusted downwards to reflect the costs attributable to net outflows. Please refer to the Explanatory Memorandum dated September 2017, as amended, of the Company (the “**Current Explanatory Memorandum**”) for the details in respect of swing pricing.

The Fund will pay all the expenses relating to the termination of the Fund, which are expected to be approximately HKD 90,000 and have been accounted for in the net asset value of the Fund as at the date of this notice.

The total expense ratios of the Class A (acc) USD and Class I (acc) USD share classes of the Fund as at 29 December 2017 are 2.58% and 1.52% respectively. The total expense ratio represents the total expenses chargeable to the respective share class for the 12-month period ended 29 December 2017 expressed as a percentage of the average net asset value of the respective share class for the same period. There are no unamortised preliminary expenses.

### **Action to be taken**

If you do not wish to continue to hold shares in the Fund, you may request, free of charge, from 23 February 2018 until 4.00 p.m. on 24 May 2018 (Hong Kong time), the redemption of your shares of the Fund or the switching of such shares into shares of other sub-funds of the Company that are authorized<sup>1</sup> by the Securities and Futures Commission of Hong Kong (“**SFC-authorized sub-funds**”), details of which are disclosed in the Current Explanatory Memorandum.

The Company comprises a wide range of sub-funds catering for many different objectives. If you choose to switch your Shares to a holding in another SFC-authorized<sup>1</sup> sub-fund of the Company, the proceeds will be utilized to purchase shares in the sub-fund(s) specified by you at the prevailing share price applicable to the relevant sub-fund in accordance with the provisions of the Explanatory Memorandum. On receipt of your instructions, we will execute the switch for you in accordance with the provisions of the Explanatory Memorandum, free of any charge.

Please note that although the Company will not charge shareholders of the Fund any redemption or switching fee for redemption and switching 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 of the Fund 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.

Before investing in another SFC-authorized<sup>1</sup> sub-fund of the Company, 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.

No redemption or switching requests will be accepted after 24 May 2018. Should you remain as a shareholder in the Fund as at the Termination Date, the Depositary of the Fund, J.P. Morgan Bank Luxembourg S.A., will distribute the net cash proceeds available for the purpose of such distribution derived from the liquidation of the Fund’s assets on a pro-rata basis to the number of shares held by you in the Fund, normally within 7 Hong Kong business days and in any event within one calendar month following the Termination Date.

Pursuant to Article 28, any proceeds which cannot be distributed to shareholders following the closure of the Fund (“**Undistributed Proceeds**”) will be deposited on behalf of shareholders with the *Caisse de Consignation* in Luxembourg. The deposit is expected to be made on or around 23 November 2018, unless an extension is granted by the Commission de Surveillance du Secteur Financier. Such Undistributed Proceeds will be held by the *Caisse de Consignation* in Luxembourg on behalf of

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<sup>1</sup> 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.

Shareholders for a period of 30 years and may be claimed by eligible shareholders during that period, after which they shall be forfeited in accordance with Luxembourg law.

### **Documents Available For Inspection**

The Hong Kong offering document (comprising the Explanatory Memorandum and the relevant Product Key Fact Statement), the Articles as well as the annual and semi-annual reports of the Company may be obtained free of charge from the Hong Kong representative.

### **Tax Implications**

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 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 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 of the Company's shares affected by the changes described above, under the laws of your country of citizenship, residence and domicile.

We appreciate your support and look forward to serving your future investment needs.

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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 confirms, 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.

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,

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

As Hong Kong Representative of the Company