

This letter is important and requires your immediate attention.

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

Hong Kong, 20 August 2018

Dear Investor,

**Franklin Templeton Investment Funds (“FTIF” or “Company”)
Proposed merger of FTIF – Templeton European Fund with FTIF – Templeton Euroland Fund**

The purpose of this letter is to inform you about the upcoming merger of FTIF - Templeton European Fund (the “**Merging Fund**”) with FTIF - Templeton Euroland Fund (the “**Receiving Fund**”).

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

1. Rationale and background for the merger

The Merging Fund was launched on 17 April 1991 and has a size of approximately EUR 170.85 million as at 31 July 2018. The Receiving Fund was launched on 8 January 1999 and has a size of approximately EUR 699.95 million as at 31 July 2018.

Because the Merging Fund and the Receiving Fund share similar investment objectives (*i.e.*, capital appreciation), investment universe (*i.e.*, equity and debt obligations), investment management teams (*i.e.*, both funds have the same management company and investment manager), investment process (*i.e.*, both funds share the same investment process), risk management process (*i.e.*, both funds share the same risk management process), fees and expenses (*i.e.*, the Merging Fund and the Receiving Fund have the same management fee and maintenance fee structure for Class A shares), risk profiles (*i.e.*, the Merging Fund and the Receiving Fund share many key risks) and target investor profiles, the board of directors of the Company (the “**Board**”) believes that it will be in the best interests¹ of shareholders to merge these sub-funds and focus resources on a single portfolio, which will offer economies of scale to existing shareholders of these sub-funds.

There are certain differences between the Merging Fund and the Receiving Fund, which you should consider carefully. The Merging Fund operates in a slightly wider universe focusing its investments in companies doing significant business in European countries. The Receiving Fund’s investment

¹ Please note that the Board did not examine the suitability of the merger in respect of shareholders’ individual needs or risk tolerance. Shareholders are advised to seek independent financial / tax advice in respect of their individual circumstances.

policy is slightly more restricted with a focus on companies located in a member country of the European Monetary Union. Furthermore, certain key risks (*i.e.*, derivative instruments and structured notes risk) apply only to the Receiving Fund and not to the Merging Fund, as reflected in bold in the appendix to this letter. Please refer to the appendix for details.

A comparison of the expenses attributable to the share classes of the Merging Fund and the Receiving Fund is provided in the table below:

Share class of the Merging Fund	Ongoing charges figure* as of 31 July 2018	Corresponding share class of the Receiving Fund	Ongoing charges figure* as of 31 July 2018
Templeton European Fund A (acc) EUR	1.84%	Templeton Euroland Fund A (acc) EUR	1.83%
Templeton European Fund A (Ydis) USD	1.84%	Templeton Euroland Fund A (Ydis) USD**	1.83%
Templeton European Fund A (acc) USD	1.84%	Templeton Euroland Fund A (acc) USD**	1.83%

* The ongoing charges figures stated above are based on the fund's actual expenses, and represent the total expenses charged to the fund expressed as a percentage of the fund's average net asset value for the 12 months ended 31 July 2018.

** As the share class is newly launched and has no historical data available, the ongoing charges have been estimated based on a representative model portfolio.

The Board has therefore decided, in accordance with article 66(4) of the Luxembourg Law of 17 December 2010 on undertakings for collective investment, as amended (the “**2010 Law**”) and article 28 of the articles of incorporation of the Company (the “**Articles**”), to merge the Merging Fund with the Receiving Fund.

2. Impact on shareholders and shareholders' rights

Shareholders of the Merging Fund who choose to participate in the merger will continue to hold shares in a Luxembourg regulated investment company and benefit from the same rights and from the general safeguards applicable to an Undertakings for Collective Investment in Transferable Securities (“**UCITS**”). If shareholders of the Merging Fund become shareholders of the Receiving Fund, they may participate and exercise their voting rights in shareholder meetings, instruct redemption and switching of their shares on any dealing day and may, depending on their share class, be eligible for distributions in accordance with the Articles and the Current Explanatory Memorandum (as defined below) as from the day following the Effective Date (as defined below). The merger is not expected to have any material adverse impact on the shareholders of the Receiving Fund and there are no changes in investment objectives, fee structure and other changes of the Receiving Fund.

Please note that there is a risk that significant redemption in the Merging Fund may occur prior to the merger, which may reduce the assets received by the Receiving Fund through the merger. In order to protect the interests of remaining shareholders, a swing pricing mechanism may be adopted by the Merging Fund as part of its valuation policy. If on any valuation day, the aggregate net redemptions in shares of the Merging Fund exceed a pre-determined threshold, as determined by the Board of Directors, the net asset value per share of the Merging Fund may be adjusted downwards to reflect the costs attributable to net outflows. Please refer to the Explanatory Memorandum dated April 2018, as amended, of the Company (the “**Current Explanatory Memorandum**”) for the details in respect of swing pricing.

There is also a risk that the larger asset base of the Receiving Fund may not result in lower ongoing charges figures. Furthermore, shareholders of the Merging Fund who choose to participate in the merger may experience a dilution in performance until such time that the portfolio assets and cash that is transferred by the Merging Fund to the Receiving Fund is fully reinvested and aligned with the portfolio of the Receiving Fund.

Shareholders of the Merging Fund who do not wish to participate in the merger may redeem or switch their shares of the Merging Fund, free from any charge by the Company, into shares of other sub-funds of FTIF that are authorized² by the SFC, details of which are disclosed in the Current Explanatory Memorandum, no later than 15 November 2018 at 4.00 p.m. (Hong Kong time).

Before investing in another SFC-authorized² sub-fund of FTIF, please ensure that you have read and understood the investment objective, policies and fees applicable to the relevant sub-fund as described in the Current Explanatory Memorandum.

Please note that although the Company will not charge shareholders of the Merging Fund any redemption or switching fee for redemption and switching requests that reach the **Hong Kong Representative**, 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 Merging 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.

3. Merger Procedure

The merger is expected to become effective as of 23 November 2018 at midnight (Luxembourg time) (the “**Effective Date**”). To facilitate the merger, the following dealing restrictions shall be applied to the Merging Fund:

- the Merging Fund is no longer allowed to be marketed to the public in Hong Kong and shall not accept subscriptions from investors who are not existing shareholders of the Merging Fund with effect from the date of this letter;
- existing shareholders of the Merging Fund will not be permitted to purchase additional shares of the Merging Fund during the period beginning on 16 November 2018 and ending on the Effective Date; and
- existing shareholders of the Merging Fund will not be permitted to redeem or switch their holdings of shares in the Merging Fund during the period beginning on 16 November 2018 and ending on the Effective Date.

On the Effective Date, the Merging Fund will transfer all its assets and liabilities to the Receiving Fund. The net assets of the Merging Fund will be valued as of the Effective Date in accordance with the valuation principles contained in the Current Explanatory Memorandum and the Articles of the Company. The outstanding liabilities generally comprise fees and expenses due but not paid, as reflected in the net assets of the Company. There are no outstanding unamortized preliminary expenses in relation to the Merging Fund.

It is not expected that the Merging Fund’s portfolio be rebalanced in the context of the merger. In addition, and in the best interests of shareholders, it is anticipated that between 60% - 80% of the Merging Fund’s assets under management will be transferred in kind to the Receiving Fund. The remaining 20% - 40% of the Merging Fund’s assets, comprised primarily of equity securities issued by companies located outside the European Monetary Union and considered by the Investment Manager to be unsuitable for the Receiving Fund in light of the latter’s investment universe, will be sold down to cash and transferred to the Receiving Fund. Depending on the growth of the Merging Fund’s portfolio and changes to the underlying investments within the Merging Fund’s portfolio, the

² 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.

above percentage splits may vary (by up to 10%) depending on the performance of the Merging Fund's portfolio in the lead up to the Effective Date. To the extent that the disposal of the assets of the Merging Fund is undertaken, this will commence 16 November 2018 of the merger at the earliest. Any derivative positions that cannot be transferred over will be closed out in advance of the merger.

Any accrued income in the Merging Fund at the time of the merger will be included in the calculation of its net asset value per share and such accrued income will be accounted for an ongoing basis after the merger in the net asset value per share calculation in the relevant share class of the Receiving Fund.

On the Effective Date, shareholders of the Merging Fund who have not instructed redemption or switching of their shares will become shareholders of the Receiving Fund and will receive shares of the corresponding share class in the Receiving Fund (which will be issued without charge, without par value and in registered form) ("**New Shares**"), as detailed in the table below:

Share class of the Merging Fund	ISIN	Corresponding share class of the Receiving Fund	ISIN
Templeton European Fund A (Acc) EUR	LU0139292543	Templeton Euroland Fund A (Acc) EUR	LU0093666013
Templeton European Fund A (Ydis) USD	LU0029868097	Templeton Euroland Fund A (Ydis) USD [^]	-
Templeton European Fund A (Acc) USD	LU0128523122	Templeton Euroland Fund A (Acc) USD [^]	-

[^] This share class will be launched ahead of the merger.

The aggregate value of the New Shares of the Receiving Fund to be issued to a shareholder of the Merging Fund on the Effective Date will be equal to the aggregate value of the shares of the Merging Fund held by such shareholder on the Effective Date. The number of New Shares to be allocated to shareholders of the Merging Fund will be based on the respective net asset value per share of both sub-funds as at the Effective Date and will be determined by multiplying the number of shares held in the relevant class of the Merging Fund by the exchange ratio. The exchange ratio for each class will be calculated by dividing the net asset value per share of such class in the Merging Fund calculated on the Effective Date by the net asset value per share in the corresponding share class in the Receiving Fund calculated at the same time on the Effective Date.

Shareholders of the Merging Fund may refer to their next monthly statement after the Effective Date for the number of shares of the Receiving Fund that have been allocated to them as a result of the merger. Shareholders of the Merging Fund should note that the number of New Shares which they will receive as a result of the merger may be different from the number of shares that are held by them in the Merging Fund as a result of differences in net asset value per share between the relevant share class in the Merging Fund and the corresponding share class of the Receiving Fund.

Following the merger, the Merging Fund will be dissolved without going into liquidation and will cease to exist on the Effective Date. The first dealing date for your shares in the Receiving Fund will be 26 November 2018, the related dealing cut-off for this dealing day being 4.00 p.m. (Hong Kong time) on the same date.

4. Costs of the Merger

The expenses incurred in the merger, including legal, accounting, custody and other administrative costs are estimated to be approximately EUR 40,000 or 0.023% of the Merging Fund's net asset value as at 31 July 2018 and will be borne by Franklin Templeton International Services S.à r.l., the management company of FTIF.

Shareholders of the Merging Fund who elect to remain in the fund and participate in the merger should note that the Merging Fund will bear the market-related transaction costs (which are

anticipated to be approximately EUR 78,000 or 0.05%³ of the Merging Fund's net asset value) associated with the disposal of any investments that would not be appropriate for the investment policy of the Receiving Fund. Given the relatively small size of the Merging Fund, it is difficult for the Merging Fund to be managed economically and in the best interests of investors, which brings the continuing viability of the Merging Fund into question. A merger with the Receiving Fund is considered to be in the best interests of shareholders of the Merging Fund as it will result in substantial cost savings as compared with a termination of the Merging Fund, which will involve the liquidation of the entire portfolio of the Merging Fund. Furthermore, the legal, accounting, custody and other administrative costs incurred in the merger will be borne by the management company of FTIF, whereas such costs will have to be borne by shareholders of the Merging Fund in the case of a termination.

Shareholders of the Merging Fund who do not wish to participate in the merger may redeem or switch their shares of the Merging Fund by 15 November 2018. Shareholders of the Merging Fund who submit a valid request to redeem or switch their shares of the Merging Fund no later than 4.00 p.m. (Hong Kong time) on 15 November 2018 will not have to bear the market-related transaction costs associated with the disposal of any investments that would not be appropriate for the investment policy of the Receiving Fund.

5. Tax impact

The merger will not subject the Merging Fund, the Receiving Fund or FTIF to taxation in Luxembourg. Investors may however be subject to taxation in their tax domiciles or other jurisdictions where they pay taxes.

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

6. Availability of Documents

The common merger proposal, the Current Explanatory Memorandum, the product key facts statement of the Receiving Fund and the Merging Fund, the Articles, the unaudited accounts of FTIF for the period ending on 31 December 2017 and the 2010 Law are available from the Hong Kong Representative of FTIF, upon request, free of charge. Shareholders of the Merging Fund are invited to carefully read the offering documents of the Receiving Fund, which is available at the website www.franklintempleton.com.hk*

Upon request, copies of the report of the approved statutory auditor of FTIF relating to the merger may be obtained free of charge from the Hong Kong Representative of FTIF.

³ The figure stated above is an estimate based on market circumstances and the size of the Merging Fund as at 31 July 2018. The actual costs may vary depending on market liquidity, fund size, and other factors at the time of liquidation.

* The information in the website has not been reviewed by the Securities and Futures Commission.

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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,

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

APPENDIX

Comparison of Key Features of FTIF – Templeton European Fund (the “Merging Fund”) and FTIF – Templeton Euroland Fund (the “Receiving Fund”)

PRODUCT FEATURES	MERGING FUND	RECEIVING FUND
Name of the Fund	FTIF - Templeton European Fund	FTIF - Templeton Euroland Fund
Name of the Company	Franklin Templeton Investment Funds	Franklin Templeton Investment Funds
Reference Currency of the Fund	EUR	EUR
Financial year	1 July to 30 June	1 July to 30 June
Date of Annual General Meeting	30 November	30 November
Dealing Cut-off Time	4:00 p.m. (Hong Kong time)	4:00 p.m. (Hong Kong time)
Dividend Policy	Dividends, if declared, will be reinvested unless instructed otherwise. Subject to any legal and regulatory requirements, the Fund may at its discretion pay dividends out of the capital or out of gross income of the Fund while paying all or part of the Fund’s fees and expenses out of the capital of the Fund, which results in effectively paying dividends out of capital.	Dividends, if declared, will be reinvested unless instructed otherwise. Subject to any legal and regulatory requirements, the Fund may at its discretion pay dividends out of the capital or out of gross income of the Fund while paying all or part of the Fund’s fees and expenses out of the capital of the Fund, which results in effectively paying dividends out of capital.
I. INVESTMENT OBJECTIVES AND POLICIES AND RELATED RISKS		
Investment Objective and Policies	<p>The Fund’s investment objective is capital appreciation, which it seeks to achieve through a policy of investing in equity and debt obligations issued by European corporations and governments. The Fund invests primarily in common stocks.</p> <p>Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may seek investment opportunities in other types of securities, such as preferred stock, securities convertible into common stock, and fixed income securities, including debt obligations issued by European governments.</p> <p>For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in</p>	<p>The Fund’s investment objective is capital appreciation, which it seeks to achieve primarily through a policy of investing in equity securities of any issuer in a member country of the European Monetary Union including corporations and governments, whether denominated in Euro or relevant national currency, and in stocks denominated in Euro of any other issuer.</p> <p>To ensure eligibility for the French Plan d’Epargne en Actions (PEA), the Fund invests at least 75% of its total assets in equity securities issued by companies which have their head office in the European Union.</p> <p>Since the investment objective is more likely to be achieved through an investment policy that is flexible and</p>

PRODUCT FEATURES	MERGING FUND	RECEIVING FUND
	<p>securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.</p>	<p>adaptable, the Fund may seek investment opportunities in debt obligations and other types of transferable securities, such as preferred stock and securities convertible into common stock of any such issuers as described above.</p> <p>The Fund may invest to a lesser extent (i.e., up to 10% of its net assets) in each of (i) structured notes, such as equity-linked notes; and (ii) equity options and equity index options dealt on regulated markets.</p> <p>For the purpose of generating additional capital or income or for reducing costs or risks, the Fund may engage in securities lending transactions for up to 50% of its net assets, in a manner that is consistent with its investment policy. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.</p>
Investor Profile	<p>Considering the investment objectives, as stated above, the Fund may be suitable for investors:</p> <ul style="list-style-type: none"> • seeking capital appreciation by investing in undervalued securities of any European country; and • planning to hold their investments for the medium to long term. 	<p>Considering the investment objectives, as stated above, the Fund may be suitable for investors:</p> <ul style="list-style-type: none"> • seeking capital appreciation by investing in undervalued equity securities issued by the member countries of the European Monetary Union; and • planning to hold their investments for the medium to long term.
Key risks	<ul style="list-style-type: none"> • Counterparty risk • Dividend Policy risk • Equity risk • Eurozone risk • Foreign Currency risk • Liquidity risk • Market risk • Regional Market risk • Securities Lending risk • Value Stocks risk 	<ul style="list-style-type: none"> • Counterparty risk • Derivative Instruments risk • Dividend Policy risk • Equity risk • Eurozone risk • Foreign Currency risk • Liquidity risk • Market risk • Regional Market risk • Securities Lending risk • Structured Notes risk • Value Stocks risk
Global Exposure Calculation Method	Commitment Approach	Commitment Approach
Extent of use of Financial Derivative Instruments	Non-extensive	Non-extensive

PRODUCT FEATURES	MERGING FUND	RECEIVING FUND
II. SHARE CLASSES AND MINIMUM INVESTMENT AND HOLDING REQUIREMENTS		
Share Classes available in Hong Kong	- Class A Shares	- Class A Shares
Minimum subscription and subsequent investment	<p>The minimum initial investment in any class of shares of the Fund available in Hong Kong is USD 1,000 (or its equivalent in another currency).</p> <p>The minimum subsequent investment in any class of shares of the Fund available in Hong Kong is USD 500 (or its equivalent in another currency).</p>	<p>The minimum initial investment in any class of shares of the Fund available in Hong Kong is USD 1,000 (or its equivalent in another currency).</p> <p>The minimum subsequent investment in any class of shares of the Fund available in Hong Kong is USD 500 (or its equivalent in another currency).</p>
Minimum Holding	<p>USD 1,000</p> <p>(or its equivalent in another currency)</p>	<p>USD 1,000</p> <p>(or its equivalent in another currency)</p>
III. FEES TO BE BORNE BY THE SHAREHOLDERS		
Subscription fee (initial sales charge)	Class A: Up to 5.00%	Class A: Up to 5.00%
Redemption fee (redemption charge)	N/A	N/A
Switching fee (switching charge)	Class A: 1.00% of the value of the shares being switched	Class A: 1.00% of the value of the shares being switched
Contingent Deferred Sales Charge (CDSC)	Class A: N/A	Class A: N/A
Servicing charge (for class B shares)	N/A	N/A
IV. FEES PAID OUT OF THE FUND'S ASSETS		
Investment Management Fees	Class A: 1.00%	Class A: 1.00%
Maintenance Charge	Class A: 0.50%	Class A: 0.50%
Depository Fee	Up to 0.140%	Up to 0.140%
Registrar and Transfer, Corporate, Domiciliary and Administrative Agent fee + Additional fixed amount per Shareholder account at each Class level	<p>Up to 0.2175%</p> <p>Up to USD 30 per annum</p>	<p>Up to 0.2175%</p> <p>Up to USD 30 per annum</p>

PRODUCT FEATURES	MERGING FUND	RECEIVING FUND
<p>Ongoing charges figures* as of 31 July 2018</p> <p><i>* The ongoing charges figures are based on the actual expenses of the fund, and represent the total expenses charged to the fund expressed as a percentage of the fund's average net asset value for the 12 months ended 31 July 2018.</i></p>	<p>Class A (acc) EUR – 1.84%</p> <p>Class A (Ydis) USD – 1.84%</p> <p>Class A (acc) USD – 1.84%</p>	<p>Class A (acc) EUR – 1.83%</p> <p>Class A (Ydis) USD – 1.83%**</p> <p>Class A (acc) USD – 1.83%**</p> <p><i>** As the share class is newly launched and has no historical data available, the ongoing charges have been estimated based on a representative model portfolio.</i></p>
V. SERVICE PROVIDERS		
Management Company	FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l. 8A, rue Albert Borschette L-1246 Luxembourg Grand Duchy of Luxembourg	FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l. 8A, rue Albert Borschette L-1246 Luxembourg Grand Duchy of Luxembourg
Investment Manager	FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED Cannon Place 78 Cannon Street London EC4N 6HL United Kingdom	FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED Cannon Place 78 Cannon Street London EC4N 6HL United Kingdom
Sub-Managers	Not applicable	Not applicable
Depository	J.P. MORGAN BANK LUXEMBOURG S.A. European Bank & Business Centre 6 route de Trèves L-2633 Senningerberg Grand Duchy of Luxembourg	J.P. MORGAN BANK LUXEMBOURG S.A. European Bank & Business Centre 6 route de Trèves L-2633 Senningerberg Grand Duchy of Luxembourg
Auditor	PRICEWATERHOUSECOOPERS Société Coopérative 2, rue Gerhard Mercator L-2182 Luxembourg Grand Duchy of Luxembourg	PRICEWATERHOUSECOOPERS Société Coopérative 2, rue Gerhard Mercator L-2182 Luxembourg Grand Duchy of Luxembourg

Shareholders are invited to refer to the Current Explanatory Memorandum and the relevant product key facts statements for more information on the respective features of the Merging Fund and the Receiving Fund.

Unless stated otherwise, the terms used in this appendix are as defined in the Current Explanatory Memorandum.