

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, 20 July 2018

Dear Investor,

Franklin Floating Rate Fund plc (the “Company”)

- **Updates to the investment objective and policies of the Franklin Floating Rate Master Trust (the “Master Fund”)**
- **Update to provide for investment in Franklin Upper Tier Fund**

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 6 August 2018:

- (1) update to the investment objective and policies of the Master Fund; and
- (2) update to provide for investment in Franklin Upper Tier Fund (as defined below).

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) Updates to the investment objective and policies of the Master Fund

The Company’s primary investment objective is to invest up to 100% of its assets in Common Shares of the Master Fund. The Master Fund’s investment objective and policies are set out in the Prospectus. As a result of updates to the Master Fund’s investment objective and policies, sub-paragraphs (b) and (e) under the section ‘Investment Considerations – Fundamental Investment Policies Of The Master Fund’ on page 9 of the Prospectus will be revised, for clarificatory purpose, as follows (with differences marked up below):

“Notwithstanding the Fundamental Investment Policies of the Master Fund outlined above, the Investment Adviser of the Master Fund has entered into a side letter to the effect that the investment objectives and policies of the Master Fund will be carried out in accordance with the following investment and borrowing restrictions:

(a) *the Master Fund may not invest more than 10% of its net assets in securities which are not listed, traded or dealt in on Recognised Markets;*

(b) *subject to (c) and (d) below, the Master Fund may not invest more than 10% of its net assets in all tranches of term loans and all other securities issued by a single issuer. Related companies/institutions are regarded as a single issuer for the purpose of this restriction;*

(c) ...

(d) ...

(e) for so long as the Company and the Master Fund remain authorised by the SFC, the Master Fund may not own more than 10% of any class of security issued by any single issuer, unless the issuer is an open-ended collective investment scheme. For the purposes of the first sentence of this restriction, a single class of securities of an issuer includes all tranches of term loans and other loans issued by that issuer. Generally, the Master Fund may not invest more than 20% of its net assets in another open-ended collective investment scheme and, for such time as it remains authorised by the SFC in Hong Kong, the Master Fund may not invest more than 10% of its net assets in another open-ended collective investment scheme (other than investment into another underlying scheme as authorized by the SFC). Where investment is made into another collective investment scheme managed by the same management company or by an associated or related company, the manager of the scheme in which the investment is being made will waive the preliminary/initial charge which it is entitled to charge for its own account in relation to the acquisition of units. If a commission is received by the Investment Adviser of the Master Fund by virtue of an investment in the shares of another collective investment scheme and that other collective investment scheme is managed by a related company then this commission will be paid into the property of the Master Fund;”

(2) Update to provide for investment in Franklin Upper Tier Fund

In addition, amendments will be made to the Prospectus to permit the Company to invest up to 10% of its net assets in the Franklin Upper Tier Fund, a sub-fund of Franklin Templeton Series II Fund, a société anonyme incorporated under the laws of the Grand Duchy of Luxembourg which qualifies as a société d’investissement à capital variable (the “**Franklin Upper Tier Fund**”).

The investment objective of Franklin Upper Tier Fund is to provide investors with a high level of current income and preservation of capital while outperforming the JP Morgan Leveraged Loan, BB sub-Index over 3-year rolling periods.

The following shall be added as a new section at the end of ‘Investment Considerations’ on page 10 of the Prospectus, which provides for investment by the Company in the Franklin Upper Tier Fund:

“Investment in the Franklin Upper Tier Fund

*The Company may also invest up to 10% of its net assets in the Franklin Upper Tier Fund. Franklin Upper Tier Fund is a sub-fund of Franklin Templeton Series II Funds (“**FTSIIF**”) which is incorporated in Luxembourg under the laws of the Grand Duchy of Luxembourg as a société anonyme and qualifies as a société d’investissement à capital variable (“**SICAV**”).*

FTSIIF is registered on the official list of undertakings for collective investment pursuant to Part II of the Luxembourg law of 17 December 2010 relating to undertakings for collective investment, as may be amended from time to time (the "Law of 17 December 2010"), and qualifies as an alternative investment fund within the meaning of article 1(39) of the Law of 12 July 2013.

The Franklin Upper Tier Fund's investment objective is to provide investors with a high level of current income and preservation of capital while outperforming the JP Morgan Leveraged Loan, BB sub-Index over 3-year rolling periods.

The Franklin Upper Tier Fund seeks to achieve its investment objective by investing not less than 85% of its net assets in a diversified portfolio of floating-rate first lien senior secured institutional syndicated bank loans primarily issued by non-financial U.S., Luxembourg and Developed Market (MSCI definition of Developed Market) entities and corporations (including investment grade bank loans up to 10% in aggregate of the fund's net assets), and in collateralized loan obligations.

The Franklin Upper Tier Fund will not employ leverage. The Company and the Franklin Upper Tier Fund have similar risk and liquidity profiles. The AIFM is also the alternative investment manager of the Franklin Upper Tier Fund.

The investment management and the administration fees of the Franklin Upper Tier Fund are 0%. The Franklin Upper Tier Fund will however bear its pro-rata share of any other applicable expenses such as custodian, audit and regulatory fees and charges as well as any applicable taxes and other charges and expenses. The custody fee in respect of FTSIIF ranges from 0.02% to 0.25% of the net asset value of its assets."

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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 10,000 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.

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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.hk¹) 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

¹ The information in the website has not been reviewed by the Securities and Futures Commission.