

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, 2 February 2018

Dear Investor,

Franklin Templeton Investment Funds (the “Company”)
**- Changes to the name, investment policy and investment management structure of the
Templeton Global (Euro) Fund**

This letter is intended for investors who hold shares of the Templeton Global (Euro) 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 (collectively, “**Investors**”).

Unless otherwise specified herein, capitalized terms used in this letter shall have the meanings assigned to such terms in the Explanatory Memorandum dated September 2017, as amended, of the Company (the “**Explanatory Memorandum**”).

The Templeton Global (Euro) Fund’s current investment objective is capital appreciation, which it seeks to achieve through an investment policy of investing in equity securities of companies throughout the world (“**global equities**”). The Board of Directors has recently carried out a review of the Fund’s investment policy and believes that it is in the interests of Shareholders for the Fund to focus its investments on global equities with favourable Environmental, Social and Governance (“**ESG**”) attributes.

The Board of Directors believes that the stronger investment focus on investing in global equities with ESG attributes will allow the Fund’s Investment Manager to recognise and adapt to the long-term financial risks and opportunities presented by climate change and resource depletion across all sectors by investing in companies that are better prepared for a transition to a low carbon economy.

From an investment perspective, the most significant impact of this change will be to allow the Fund’s Investment Manager to include ESG analysis in the Fund’s stock selection process and focus on global equities with ESG attributes in the Fund’s investment universe. The expectation is that these equities may potentially outperform over the longer term as the market recognises the sustainability of their stronger earnings growth dynamics.

As the Fund will have a high concentration in global equities with ESG attributes, the value of the Fund may be more volatile than that of a Fund having a more diverse portfolio of investments. For details of the relevant risk considerations pertaining to the Fund’s concentration in global equities with ESG attributes, please refer to the risk disclosure on “Concentration risk” under the “RISK CONSIDERATIONS” section of the Explanatory Memorandum.

Since the Fund's investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may further invest in time deposits, cash and money market instruments. The Fund may also invest up to 10% of its net assets in units of undertaking for collective investments such as UCITS, Exchange Traded Funds ("ETF") as well as other UCIs.

Additionally, the investment policy of the Fund will be amended to allow the Fund to utilise financial derivative instruments for hedging and/or efficient portfolio management. These financial derivative instruments may include, inter alia, swaps, currency forwards, futures contracts, equity and equity index options, equity linked notes, as well as options (including covered calls and warrants).

This enhancement will allow the Fund, in addition to its current investment powers, to invest in financial derivative instruments (financial contracts whose value is linked to the price of an underlying asset) for hedging and/or efficient portfolio management purposes (*i.e.*, with the purpose of either managing the Fund's risks, reducing the costs of managing the Fund or generating additional capital or income at an appropriate level of risk for the Fund). The Fund does not intend to use financial derivative instruments extensively for investment purposes.[†]

The Investment Manager of the Fund believes that the wider investment powers will be beneficial for the Fund as it will allow the Investment Manager to access a broader range of instruments to implement investment ideas in a cost-efficient manner and ultimately better enable the Fund to achieve its investment objective, whilst managing risk. For details of the relevant risk considerations pertaining to the Fund's use of financial derivative instruments, please refer to the risk disclosure on "Derivative Instruments risk" under the "RISK CONSIDERATIONS" section of the Explanatory Memorandum.

For the avoidance of doubt, there will not be any change(s) in the operation and/or manner in which the Fund is being managed as a result of the change in investment policy in relation to the use of financial derivative instruments for hedging and/or effective portfolio management.

In conjunction with the change in investment focus of the Fund, the following changes will be applied to the Fund with effect from 5 March 2018:

- (a) the name of the Fund will be changed from "Templeton Global (Euro) Fund" to "Templeton Global Climate Change Fund", and all references to the Fund's name in the Explanatory Memorandum shall be revised accordingly;
- (b) the Fund's investment objective and policy will be revised as follows in the Explanatory Memorandum (with differences marked up below):

"Investment Objective"

The Fund's investment objective is capital appreciation, which it seeks to achieve through a policy of investing in equity securities of companies throughout the world.

Investment Policy

The Fund seeks to achieve its objective through a policy of investing in equity securities of companies throughout the world with favourable Environmental, Social and Governance (ESG) attributes. The Fund invests primarily in common stocks of global companies which recognise and adapt to the long-term financial risks and opportunities presented by climate change and resource depletion across all sectors, and are, therefore, better prepared for a transition to a low carbon economy.

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

[†] The expected maximum commitment leverage of the Fund is 45%.

securities, such as preferred stock, securities convertible into common stock, and fixed income securities, which are Euro and non Euro denominated. The Fund may further invest in time deposits, cash and money market instruments. The Fund may also invest up to 10% of its net assets in units of undertaking for collective investments such as UCITS, Exchange Traded Funds (“ETFs”) as well as other UCIs.

The Fund may further utilise financial derivative instruments for hedging and/or efficient portfolio management. These financial derivative instruments may include, inter alia, swaps, currency forwards, futures contracts, equity and equity index options, equity linked notes, as well as options (including covered calls and warrants).

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.”

- (c) the investor’s profile of the Fund will be revised as follows:

“Investor’s Profile

The Fund is suitable for investors:

- *seeking capital appreciation by investing in ~~undervalued securities in a well-diversified global equity fund with the Euro as its base currency~~ global companies better prepared for a transition to a low carbon economy; and*
- *planning to hold their investments for the medium to long term.”; and*

- (d) the investment management structure of the Fund will be revised such that the existing Investment Manager of the Fund, Franklin Templeton Investment Management Limited, will appoint and delegate the investment management functions in respect of the Fund to Franklin Templeton Investments Corp, which is regulated by the Ontario Securities Commission, as a sub-manager.

As the delegate of Franklin Templeton Investment Management Limited, Franklin Templeton Investments Corp 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 Fund will be delegated to Franklin Templeton Investments Corp. This will allow the Fund to benefit from the expertise of the global equities investment team at Franklin Templeton Investments Corp, which will help the Fund in seeking to attain its investment objective.

Notwithstanding the delegation to Franklin Templeton Investments Corp, Franklin Templeton Investment Management Limited will continue to fulfill the requirements under paragraph 5.5 (a) to (c) of the Securities and Futures Commission’s (“SFC”) Code on Unit Trusts and Mutual Funds.

Other than as disclosed above, there will be no material change or increase in the overall risk profile of the Fund following the changes to its investment policy and investment management structure, and no change to the operation and/or the manner in which the Fund is being managed. The investment team at Franklin Templeton Investments has always managed assets based on a team approach and the Fund will continue to be managed according to the same principles.

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 Templeton Global (Euro) Fund, or any additional costs and expenses for Shareholders of the Fund. Any additional costs and expenses arising from the changes (other than the cost of publishing this letter, which is estimated to be approximately HKD 5,000 and which will be charged to the Fund) will be borne by the Management Company.

The changes set out in this letter will not have any material adverse impact on the interests of the Fund’s

investors and are not expected to materially prejudice the rights or interests of Shareholders of the Fund. Shareholders who do not agree with the changes set out in this letter may redeem or switch their shares free from any charge by the Company, into shares of other Funds that are authorized[‡] by the SFC, details of which are disclosed in the Explanatory Memorandum, during the period commencing on 2 February 2018 and ending on 2 March 2018 at 4.00 p.m. (Hong Kong time).

Before investing in another SFC-authorized[‡] Fund, please ensure that you have read and understood the investment objective, policies and fees applicable to the relevant Fund as described in the Explanatory Memorandum.

Please note that although the Company will not charge Shareholders 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 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.

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The Management Company 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 Explanatory Memorandum and the product key facts statement of the Templeton Global (Euro) Fund (which are available for download from the Hong Kong Representative's website at www.franklintempleton.com.hk[§]) 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

[‡] 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.

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