EXPLANATORY MEMORANDUM

December 2010

FRANKLIN TEMPLETON INVESTMENT FUNDS

FRANKLIN TEMPLETON INVESTMENTS

FTIF/EM/1210

IMPORTANT INFORMATION

- Franklin Templeton Investment Funds (the "Fund") is an umbrella fund and contains different sub-funds with different risk profiles that invest in equities, fixed income securities, money market instruments and derivatives.

- Some sub-funds may invest up to 100% of their total net assets in structured products, mortgage- and asset-backed securities and derivatives (such as credit default swaps, forwards and options) and may significantly invest in non-investment grade debt securities. These investments involve significant liquidity and counterparty default risks which may result in loss of part or entire amount of your investment.

- Some sub-funds may invest in defaulted debt securities on which the issuers are not currently making interest payment and in securities of companies undergoing restructuring. These investments are subject to significant liquidity and counterparty default risks.

- Some sub-funds may invest in emerging market securities which are exposed to higher risk of economic, political and regulatory changes that may pose additional risk to the sub-funds.

- Some sub-funds may invest primarily in a single market or sector or in small-sized companies. These investments are subject to higher concentration risk and are more volatile than funds following a more diversified policy.

Franklin Templeton Investments (Asia) Limited
富蘭克林鄧普頓投資(亞洲)有限公司
17/F, Chater House
8 Connaught Road Central
Hong Kong
t +852 2877-7733
f +852 2877-5401
www.franklintempleton.com.hk

FRANKLIN TEMPLETON INVESTMENTS

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.

30 November 2016

Dear Investor,

Franklin Templeton Investment Funds (the "Company")

The purpose of this letter is to inform you of revisions to the Explanatory Memorandum dated December 2010, as amended, of the Company (the "**Current Explanatory Memorandum**") in respect of:

(1) changes to the investment policies of certain of the sub-funds of the Company (the "**Funds**") (which will take effect on 30 December 2016);

(2) revisions to the investment restrictions of the Company (which will take effect on 30 December 2016);

(3) increases in the expected level of leverage of certain Funds and a change in the name of the relative VaR reference benchmark for the Franklin Strategic Income Fund;

(4) changes in the designation, roles and responsibilities of the Custodian arising from amendments to the Undertakings for Collective Investment in Transferable Securities Directive ("**UCITS Directive**"), which took effect on 18 March 2016; and

(5) changes to circumstances under which the Board of Directors may terminate a Fund (which will take effect on the date of this letter).

Unless otherwise specified herein, capitalized terms used herein shall have the meanings assigned to such terms in the Current Explanatory Memorandum.

1. Revisions to investment policies of certain Funds

To provide investors with greater transparency on certain Funds' investment policies, the section "INVESTMENT OBJECTIVES AND POLICIES" on page 8 to 37 of the Current Explanatory Memorandum shall with effect from 30 December 2016 be revised by the addition of the following disclosures (underlined) to the investment policies of the following Funds:

A. Franklin Asia Credit Fund

Revised Investment Policy	Rationale for revisions
The Fund seeks to achieve its objective by investing principally[*] <u>(which generally means that at least two-thirds of the Fund's net</u>	The revisions are to provide investors with greater transparency on the Fund's

<table>
<tr>
<td rowspan="3">assets (without taking into account ancillary liquid assets) shall be invested into the relevant securities. In exceptional market circumstances (such as extreme volatility) and on a temporary basis only, up to 100% of the Fund’s net assets may be invested in liquid assets, with due regard to the principle of risk spreading) in a portfolio composed of fixed and/or floating rate debt securities issued or guaranteed by governments (including government agencies and government-related bodies), corporations and/or financial institutions, which are either (i) domiciled in Asian countries‡ which are included in the JP Morgan Asia Credit Index benchmark (“JACI benchmark”), or (ii) have significant business activities within countries included in the JACI benchmark. As a result, the Fund will be concentrated in one region (i.e., Asia). The investments of the Fund may, from time to time, be concentrated in certain countries in Asia.

Debt securities may include bonds, notes, commercial paper‡ (which are unsecured, short-term debt instruments issued by a corporation), preferred securities~~§~~ (which are a class of securities that gives the holder a claim, prior to the claim of common stockholders, on earnings and also generally on assets in the event of liquidation) (including trust-preferred securities~~**~~ (which are hybrid securities with characteristics of both debt and equity issues. It is generally very long term, allows early redemption by the issuer, makes periodic fixed or variable interest payments, and matures at face value)), contingent capital securities†† (which are hybrid debt securities that convert into equity when there is a crisis or when certain triggers (such as when an issuer’s common equity ratio in relation to its regulatory risk-weighted assets falls below a specified level) are met), hybrid bonds‡‡ (which are hybrid debt securities with characteristics of both debt and equity issues. It is a type of convertible security that is generally subordinated in priority, has a very long or perpetual tenor, and has a fixed interest rate which may change over the tenor of the bond), private placement securities and bonds convertible into common stock or with warrants attached, as well as covered bonds§§ (which are securities issued by a financial institution and backed by a group of loans residing on the balance sheet of the financial institution known as the “cover pool”. The assets in the pools can consist of high quality private mortgage loans or public sector loans, or a mix of the two) and sukuk issues. Hybrid bonds and contingent capital securities not included in the JACI benchmark will not represent more than 10% of the Fund's net assets.

The Fund may invest ~~up to~~in below investment grade (“high yield”) debt securities (i.e., securities rated below BBB- by Standard & Poor’s or below Baa3 by Moody’s) or unrated securities deemed to be equivalent to below investment grade, provided that the Fund will not invest more than 10% of its net assets in securities issued and/or guaranteed by any single sovereign issuer (including its government and a public or local authority of that country) with a credit rating below investment grade at the time of purchase. The aggregate investments in high yield corporate debt securities may represent a significant part of the Fund's portfolio. It is currently intended that the Fund may invest up to the higher of (i) 50% or (ii) the percentage weighting of high yield corporate debt securities within the JACI benchmark plus 20%, of its net assets in high yield corporate debt securities. Additionally, the Fund may invest up to 5% of its net assets in debt</td>
<td>investment policy and to inform investors that:

(i) the investments of the Fund may, from time to time, be concentrated in certain countries in Asia;

(ii) the Fund may invest in below investment grade (“high yield”) debt securities or unrated securities deemed to be equivalent to below investment grade, and may invest significantly (i.e., up to the higher of 50%, or the percentage weighting of high yield corporate debt securities within the JACI benchmark plus 20%, of its net assets) in high yield corporate debt securities;

(iii) the Fund’s investments in restructuring companies is subject to the relevant limits on below investment grade and defaulted debt securities; and

(iv) the Fund’s investments in UCIs include both open and closed end UCIs.</td>
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<tr>
<td>Relevant risk considerations</td>
</tr>
<tr>
<td>For details of the relevant risk considerations pertaining to the Fund’s potential concentration in certain countries in Asia, please refer to the risk disclosures on “Concentration risk” (under paragraph 5(C) on page 10 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015), “Emerging Markets risk” on page 42 of the Current Explanatory Memorandum (as amended by paragraph 5(H) of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015 and “Regional Market risk” (under paragraph 2(i) on page 4 of the 2013 Addendum to the Current Explanatory Memorandum dated April 2013).

For details of the relevant risk considerations pertaining to the Fund’s investments in below investment grade (“high yield”) debt securities and unrated securities, please refer to the risk disclosure on “Low-Rated, Unrated or Non-Investment Grade Securities risk” (under paragraph 5(N) on page 18 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015).

For details of the relevant risk considerations pertaining to the Fund’s</td>
</tr>
</table>

securities on which the issuer is currently (at the time of purchase) not making principal or interest payments (defaulted debt securities). Subject to the foregoing limitations on below investment grade and defaulted debt securities, the Fund~~and~~ may hold, on an ancillary basis, securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy~~. The Fund~~ and may ~~also~~ continue to hold debt securities after the issuer has defaulted on principal or interest payments. The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt on either regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed-income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options (including warrants). Use of financial derivative instruments may result in negative returns in a specific yield curve/duration, currency or credit since, among other things, the price of financial derivative instruments are dependent on the price of their underlying instruments and these prices may go up or down. The Fund may invest up to 10% of its net assets into units of UCITS and other open and closed end UCIs, which may include other Funds of the Company as well as exchange traded funds. ~~Additionally, the Fund may invest up to 5% of its net assets in debt securities on which the issuer is currently not making principal or interest payments (defaulted debt securities).~~ The Fund may distribute income gross of expenses. ~~[*] It generally means that at least two-thirds of the Fund's net assets (without taking into account ancillary liquid assets) shall be invested into the relevant securities. In exceptional market circumstances (such as extreme volatility) and on a temporary basis only, up to 100% of the Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading.~~ ~~[†] Although the Fund will be concentrated in one region (i.e., Asia), the Fund currently does not intend to invest more than 20% of its net assets in a single country.~~ ~~[‡] Commercial paper are unsecured, short-term debt instruments issued by a corporation.~~ ~~[§] Preferred securities are a class of securities that gives the holder a claim, prior to the claim of common stockholders, on earnings and also generally on assets in the event of liquidation.~~ ~~[**] A trust-preferred security is a hybrid security with characteristics of both debt and equity issues. It is generally very long term, allows early redemption by the issuer, makes periodic fixed or variable interest payments, and matures at face value.~~ ~~[††] A contingent capital security is a hybrid debt security that converts into equity when there is a crisis or when certain triggers (such as when an issuer's common equity ratio in relation to its regulatory risk-weighted assets falls below a specified level) are met.~~ ~~[‡‡] A hybrid bond is a hybrid debt security with characteristics of both debt and equity issues. It is a type of convertible security that is generally subordinated in priority, has a very long or perpetual tenor, and has a fixed interest rate which may change over the tenor of the bond.~~ ~~[§§] Covered bonds are securities issued by a financial institution and backed by a group of loans residing on the balance sheet of the financial institution known as the "cover pool". The assets in the pools can consist~~	investments in open and closed end UCIs, please refer to the risk disclosure on "Investment Funds risk" (under paragraph 5(L) on page 17 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015).

~~of high quality private mortgage loans or public sector loans, or a mix of the two.~~	

B. Franklin Global Growth And Value Fund

<table>
<tr><th>Revised Investment Policy</th><th>Rationale for revisions</th></tr>
<tr><td rowspan="3">The Fund invests in equity securities and debt securities convertible or expected to be convertible into common or preferred stocks of companies of any market capitalisation located anywhere in the world, including Emerging Markets. At least half of the Fund’s assets without taking into account ancillary liquid assets shall be made in equity securities or similar instruments. The Fund may also invest in American, European and Global Depositary Receipts. The Fund invests in both “value” and “growth” stocks and the allocation of assets to each is monitored and rebalanced regularly.

The Fund may invest up to 10% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect) and in China B-Shares.

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.</td><td>To disclose that the Fund may invest in China A-Shares through the Shanghai-Hong Kong Stock Connect program and in China B-Shares directly, for up to 10% (in the aggregate) of its net assets.

To disclose that 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 purpose of generating additional capital or income or for reducing costs or risks. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.</td></tr>
<tr><th>Relevant risk considerations</th></tr>
<tr><td>For details of the relevant risk considerations pertaining to the Fund’s investments in the Chinese market and investments made through the Shanghai-Hong Kong Stock Connect program, please refer to the risk disclosures on “Chinese Market risk” (under paragraph 3(A) on page 2 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015), “Chinese Short Swing Profit Rule risk” (under paragraph 5(A) on page 9 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015), “Shanghai-Hong Kong Stock Connect risk” (under paragraph 3(B) on page 2 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015) and “Foreign Currency risk” on page 43 of the Current Explanatory Memorandum (as amended by paragraph 7(J) on page 16 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015).

For details of the relevant risk considerations pertaining to the Fund’s securities lending transactions, please refer to the risk disclosure on “Securities Lending risk” under paragraph 7(A)(I) on page 8 of the 2014 Second Addendum to the Explanatory Memorandum dated April 2014. Please refer to section 2 of this notice for more information on the Company’s securities lending transactions.</td></tr>
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C. Franklin Global Listed Infrastructure Fund

Revised Investment Policy	Rationale for revisions
The Investment Manager seeks to achieve its investment objective by investing in listed equity securities of infrastructure-related companies and partnerships whose principal business is the ownership, management, construction, operation, utilisation or financing of infrastructure assets and which are located around the world, including emerging markets. The Fund seeks to invest in companies and partnerships across a wide range of infrastructure-related sectors and countries. In addition, the Fund may invest up to 10% of its net assets in exchange-traded funds. The Fund may also utilise certain financial derivative instruments for hedging and/or efficient portfolio management. These financial derivative instruments may be either dealt on regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps), forwards and cross forwards, futures contracts including index futures, or options on such contracts, equity-linked notes as well as options. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes. The Fund may distribute income gross of expenses.	To inform investors that the Fund may utilise certain financial derivative instruments for hedging and/or efficient portfolio management purposes. The Fund is currently not using financial derivative instruments for these purposes. Currently, the expected maximum level of leverage of the Fund based on the "commitment" approach is 45%. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions. **Relevant risk considerations** 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" on page 41 of the Current Explanatory Memorandum (as amended).

D. Franklin Mutual Beacon Fund

Revised Investment Policy	Rationale for revisions
The Fund pursues its objectives principally through investments in common stock, preferred stock, and debt securities convertible or expected to be convertible into common or preferred stock. No more than 20% of the Fund's net assets will generally be invested in securities of non-US issuers. The opinions of the Investment Manager are based upon analysis and research, taking into account, among other factors, the relationship of book value (after taking into account accounting differences among countries) to market value, cash flow, multiple of earnings of comparable securities, creditworthiness of issuers, as well as the value of collateral securing a debt obligation, with the objective of purchasing equity and debt securities at below their intrinsic value. The Fund may also seek to invest in the securities of companies involved in mergers, consolidations, liquidations and reorganizations or as to which there exist tender or exchange offers, and may participate in such transactions. To a lesser extent, the Fund may also purchase debt securities, both secured and unsecured, of companies involved in reorganisation or financial restructuring, including low-rated and non-investment grade securities. The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.	To disclose that 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 purpose of generating additional capital or income or for reducing costs or risks. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only. To disclose that the debt securities that the Fund may purchase may include low-rated and non-investment grade securities. To clarify that the Fund's use of financial derivative instruments is for hedging and/or efficient portfolio management purposes. The Fund is currently using financial derivative instruments for these purposes and the expected maximum level of leverage of the Fund based on the "commitment" approach is 45%. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

<table>
<tr><td rowspan="2">The Fund may ~~invest in~~utilise financial derivative instruments for hedging and/or efficient portfolio management purposes. These financial derivative instruments~~, which~~ may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps or synthetic equity swaps. The Fund may, through the use of financial derivative instruments, hold covered short positions provided that the long positions held by the Fund are sufficiently liquid to cover, at any time, its obligations resulting from its short positions. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes.

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.</td><td>Relevant risk considerations</td></tr>
<tr><td>For details of the relevant risk considerations pertaining to the Fund’s securities lending transactions, please refer to the risk disclosure on “Securities Lending risk” under paragraph 7(A)(I) on page 8 of the 2014 Second Addendum to the Explanatory Memorandum dated April 2014. Please refer to section 2 of this notice for more information on the Company’s securities lending transactions.

For details of the relevant risk considerations pertaining to the Fund’s investments in low-rated and non-investment grade securities, please refer to the risk disclosure on “Low-Rated, Unrated or Non-Investment Grade Securities risk” (under paragraph 5(N) on page 18 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015).

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” on page 41 of the Current Explanatory Memorandum (as amended).</td></tr>
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E. Franklin Mutual European Fund

Revised Investment Policy	Rationale for revisions
The Fund principally invests in equity securities and debt securities convertible or expected to be convertible into common or preferred stock of companies incorporated or having their principal activities in European countries that the investment manager believes are available at prices less than their actual value based on certain recognised or objective criteria (intrinsic value). These include common stocks, preferred stocks and convertible securities. The Fund invests predominantly its total net invested assets (being the Fund's assets less any cash or cash equivalents) in the securities of issuers organised under the laws of or whose principal business operations are located in European countries. For purposes of the Fund’s investments, European countries means all of the countries that are members of the European Union, Eastern and Western Europe and those regions of Russia and the former Soviet Union that are considered part of Europe. The Fund currently intends to invest principally in securities of issuers in Western Europe. The Fund normally invests in securities from at least five different countries, although, from time to time, it may invest all of its assets in a single country. The Fund may invest up to 10% of its total net invested assets in securities of non-European issuers. The Fund may also seek to invest in the securities of companies involved in mergers, consolidations, liquidations and	To disclose that 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 purpose of generating additional capital or income or for reducing costs or risks. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only. To clarify that the Fund’s use of financial derivative instruments is for hedging, efficient portfolio management and/or investment purposes. The Fund is currently using financial derivative instruments for these purposes and the expected maximum level of leverage of the Fund based on the “commitment” approach is 45%. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

	Relevant risk considerations
reorganizations or as to which there exist tender or exchange offers, and may participate in such transactions. To a lesser extent, the Fund may also purchase debt securities, both secured and unsecured, of companies involved in reorganization or financial restructuring. The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions. The Fund may ~~invest in~~utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments~~, which~~ may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps or synthetic equity swaps. The Fund may, through the use of financial derivative instruments, hold covered short positions provided that the long positions held by the Fund be sufficiently liquid to cover, at any time, its obligations resulting from its short positions. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes. 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.	For details of the relevant risk considerations pertaining to the Fund's securities lending transactions, please refer to the risk disclosure on "Securities Lending risk" under paragraph 7(A)(I) on page 8 of the 2014 Second Addendum to the Explanatory Memorandum dated April 2014. Please refer to section 2 of this notice for more information on the Company's securities lending transactions. 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" on page 41 of the Current Explanatory Memorandum (as amended).

F. Franklin Mutual Global Discovery Fund

Revised Investment Policy	Rationale for revisions
The Fund pursues its objective principally through investments in common stock, preferred stock and debt securities convertible or expected to be convertible into common or preferred stock of companies of any nation as well as in sovereign debts and participations in foreign government debts that the Investment Manager believes are available at market prices less than their value based on certain recognised or objective criteria (intrinsic value). The Fund primarily invests in mid- and large-cap companies with a market capitalisation around or greater than 1.5 billion US dollars. The Fund may also seek to invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations or as to which there exist tender or exchange offers, and may participate in such transactions. To a lesser extent, the Fund may also purchase debt securities, both secured and unsecured, of companies involved in reorganisation or financial restructuring. The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing	To disclose that 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 purpose of generating additional capital or income or for reducing costs or risks. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only. To clarify that the Fund's use of financial derivative instruments is for hedging, efficient portfolio management and/or investment purposes. The Fund is currently using financial derivative instruments for these purposes and the expected maximum level of leverage of the Fund based on the "commitment" approach is 45%. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

excessive volatility, a prolonged general decline or other adverse conditions. The Fund may ~~invest in~~utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments~~, which~~ may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps or synthetic equity swaps. The Fund may, through the use of financial derivative instruments, hold covered short positions provided that the long positions held by the Fund be sufficiently liquid to cover, at any time, its obligations resulting from its short positions. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes. 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.	**Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund's securities lending transactions, please refer to the risk disclosure on "Securities Lending risk" under paragraph 7(A)(I) on page 8 of the 2014 Second Addendum to the Explanatory Memorandum dated April 2014. Please refer to section 2 of this notice for more information on the Company's securities lending transactions. 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" on page 41 of the Current Explanatory Memorandum (as amended).

G. Franklin U.S. Equity Fund

Revised Investment Policy	Rationale for revisions
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. 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.	To disclose that the Fund may utilise derivative transactions for hedging and/or efficient portfolio management purposes. The Fund is currently not using financial derivative instruments for these purposes. Currently, the expected maximum level of leverage of the Fund based on the "commitment" approach is 45%. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions. **Relevant risk considerations** 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" on page 41 of the Current Explanatory Memorandum (as amended).

H. Franklin World Perspectives Fund

Revised Investment Policy	Rationale for revisions
The Fund seeks to achieve this objective by investing in equity and equity-related transferable securities (including equity-linked notes, such as participatory notes) across the world. The	To disclose that the Fund may invest in China A-Shares through the Shanghai-Hong Kong Stock Connect program and in

Investment Manager and the Investment Co-Managers, located in various countries around the globe, develop local portfolios of securities with the intention to outperform the relevant market of each region. The Fund's exposure to various regions and markets may vary from time to time according to the Investment Manager's opinion as to the prevailing conditions and prospects for these markets. The Fund may also invest in financial derivative instruments for hedging purposes and/or efficient portfolio management, which may include, inter alia, swaps such as credit default swaps, forwards, futures contracts, as well as options on such contracts dealt in either on Regulated Markets or over-the-counter. In choosing equity investments, the Investment Manager focuses on the market price of a company's securities relative to its evaluation of the company's long-term earnings, asset value and cash flow potential. The Fund invests in equity securities in developed, Emerging and Frontier Markets across the entire market capitalisation spectrum, and in companies listed on the stock markets in regions / countries that may include but are not limited to Africa, Australia, North America: United States, Canada; Latin America: Brazil; Europe; Asia: Japan, Korea, China, India; and the Middle East, with the benefit of local knowledge and growth oriented investment style. The Frontier Markets countries are smaller, less developed and less accessible Emerging Markets countries, but with "investable" equity markets and include those defined as Frontier Markets by International Finance Corporation as well as included in Frontier Markets related indices, for example Bahrain, Bulgaria, Kazakhstan, Nigeria, Pakistan, Vietnam etc. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs. The Fund may invest up to 10% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect) and in China B-Shares.	China B-Shares directly, for up to 10% (in the aggregate) of its net assets. **Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund's investments in the Chinese market and investments made through the Shanghai-Hong Kong Stock Connect program, please refer to the risk disclosures on "Chinese Market risk" (under paragraph 3(A) on page 2 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015), "Chinese Short Swing Profit Rule risk" (under paragraph 5(A) on page 9 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015), "Shanghai-Hong Kong Stock Connect risk" (under paragraph 3(B) on page 2 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015) and "Foreign Currency risk" on page 43 of the Current Explanatory Memorandum (as amended by paragraph 7(J) on page 16 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015).

I. Templeton Asian Bond Fund

Revised Investment Policy	Rationale for revisions
The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and floating rate debt securities and debt obligations issued by government and government-related issuers, and/or corporate entities located throughout Asia. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also, in accordance with the investment restrictions, invest in securities ~~or~~	To disclose that the Fund may invest up to 25% of its net assets in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase. Plus minor editorial revisions. **Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund's investments in sovereign debt, please refer to the risk disclosures on "Concentration risk" (under paragraph 5(C) on page 10 of the 2015 Second Addendum to the Current

~~structured products where the security is linked to or derives its value from another security or is~~ linked to assets or currencies of any Asian country or deriving its value from another security, including structured products. The Fund may also purchase mortgage and asset- backed securities and convertible bonds. The Fund may invest in investment grade and non-investment grade debt securities issued by Asian issuers including securities in default. The Fund may purchase fixed income securities and debt obligations denominated in any currency, and it may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation. The Fund may also participate in mortgage dollar roll transactions. The Fund may invest up to 33% of its total assets, either directly or through the use of financial derivative instruments, in fixed and floating rate debt securities and debt obligations issued by government and government-related issuers or corporate entities located outside of Asia which are impacted by economic or financial dynamics in Asia. The Fund may invest up to 25% of its net assets in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase (such as India, Indonesia, Mainland China, Malaysia, Mongolia, Philippines, Sri Lanka, Thailand and Vietnam). Such investments (if any) are made based on the professional judgment of the Investment Manager whose reasons for investment may include a favourable/positive outlook on the sovereign issuer, potential for rating upgrades and the expected changes in the value of such investments due to rating changes. Please note that the abovementioned sovereigns are named for reference only and are subject to change as their credit ratings may change from time to time. The Fund may distribute income gross of expenses.	Explanatory Memorandum dated October 2015) and “Sovereign Debt risk” (under paragraph 5(Y) on page 24 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015).

J. Templeton Asian Dividend Fund

Revised Investment Policy	Rationale for revisions
The Fund seeks to achieve its investment objective by investing principally in equity securities of companies across the market capitalisation spectrum which are (i) incorporated or listed in the Asia region, and/or (ii) listed or incorporated elsewhere in the world but have their principal business activities in the Asia region. The Asia Region includes, but is not limited to, the following countries: Bangladesh, Cambodia, Hong Kong, India, Indonesia, Korea, Malaysia, Mainland China, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam. The Fund applies the traditional Templeton investment method but seeks to generate a higher income yield by emphasising stocks which the Investment Manager believes offer attractive dividend yields at the time of purchase and/or the prospect for attractive dividend yields in the future. The stock selection approach is bottom-up, long-term value-oriented with strong emphasis on diligence and discipline. The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment	To disclose that the Fund may invest in China A-Shares through the Shanghai-Hong Kong Stock Connect program and in China B-Shares directly, for up to 10% (in the aggregate) of its net assets. **Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund’s investments in the Chinese market and investments made through the Shanghai-Hong Kong Stock Connect program, please refer to the risk disclosures on “Chinese Market risk” (under paragraph 3(A) on page 2 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015), “Chinese Short Swing Profit Rule risk” (under paragraph 5(A) on page 9 of the 2015 Second Addendum to the Current

purposes. These financial derivative instruments may be dealt on either regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps and total return swaps on equity securities), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative returns in a specific yield curve/duration, currency or credit since, among other things, the price of financial derivative instruments are dependent on the price of their underlying instruments and these prices may go up or down. The Fund may invest up to 15% of its net assets in securities or structured products (such as equity-linked securities) where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes. In addition, since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also, on an ancillary basis, invest in participatory notes, other types of transferable securities, including equity and fixed income securities of issuers worldwide (investment grade, non-investment grade and unrated) and other instruments (including convertible securities, money market instruments and liquid assets as more specifically set out in the section "Investment Restrictions" on pages 50 to 57 of the Current Explanatory Memorandum) that are consistent with the investment objective of the Fund. The Fund may invest up to 10% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect) and in China B-Shares. The Fund may distribute income gross of expenses.	Explanatory Memorandum dated October 2015), "Shanghai-Hong Kong Stock Connect risk" (under paragraph 3(B) on page 2 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015) and "Foreign Currency risk" on page 43 of the Current Explanatory Memorandum (as amended by paragraph 7(J) on page 16 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015).

K. Templeton BRIC Fund

Revised Investment Policy	Rationale for revisions
The Fund invests primarily in equity securities of companies (i) organised under the laws of or with their principal office in Brazil, Russia, India and China (including Hong-Kong and Taiwan) ("BRIC") or (ii) which derive the principal portion of their revenues or profits from BRIC economies or have the principal portion of their assets in BRIC economies. 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 transferable securities, including debt and fixed income securities and in money market instruments. The Fund may invest up to 10% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect) and in China B-Shares.	To disclose that the Fund may invest in China A-Shares through the Shanghai-Hong Kong Stock Connect program and in China B-Shares directly, for up to 10% (in the aggregate) of its net assets. **Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund's investments in the Chinese market and investments made through the Shanghai-Hong Kong Stock Connect program, please refer to the risk disclosures on "Chinese Market risk" (under paragraph 3(A) on page 2 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015), "Chinese Short Swing Profit Rule risk" (under paragraph 5(A) on page 9 of the 2015 Second Addendum to the Current

	Explanatory Memorandum dated October 2015), "Shanghai-Hong Kong Stock Connect risk" (under paragraph 3(B) on page 2 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015) and "Foreign Currency risk" on page 43 of the Current Explanatory Memorandum (as amended by paragraph 7(J) on page 16 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015).

L. Templeton China Fund

Revised Investment Policy	Rationale for revisions
The Fund's investment objective is capital appreciation, which it seeks to achieve through a policy of investing primarily in equity securities of companies: (i) organised under the laws of or with their principal offices in Mainland China ("China"), Hong Kong or Taiwan or (ii) which derive the principal portion of their revenue from goods or services sold or produced, or have the principal portion of their assets in China, Hong Kong or Taiwan. The Fund may also invest in equity securities of companies (i) for which the principal market for the trading of securities is China, Hong Kong or Taiwan or (ii) that are linked to assets or currencies in China, Hong Kong or Taiwan. Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of securities such as preferred stock, securities convertible into common stock, and corporate and government debt obligations which are US dollar and non-US dollar denominated. <u>The Fund may invest up to 10% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect) and in China B-Shares.</u>	To disclose that the Fund may invest in China A-Shares through the Shanghai-Hong Kong Stock Connect program and in China B-Shares directly, for up to 10% (in the aggregate) of its net assets. **Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund's investments in the Chinese market and investments made through the Shanghai-Hong Kong Stock Connect program, please refer to the risk disclosures on "Chinese Market risk" (under paragraph 3(A) on page 2 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015), "Chinese Short Swing Profit Rule risk" (under paragraph 5(A) on page 9 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015), "Shanghai-Hong Kong Stock Connect risk" (under paragraph 3(B) on page 2 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015) and "Foreign Currency risk" on page 43 of the Current Explanatory Memorandum (as amended by paragraph 7(J) on page 16 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015).

M. Templeton Emerging Markets Fund

Revised Investment Policy	Rationale for revisions
The Fund's investment objective is capital appreciation, which it seeks to achieve through a policy of investing primarily in equity securities, and as an ancillary matter in debt obligations, issued by corporations incorporated or having their principal business activities in, and governments of, developing or emerging nations.	To disclose that the Fund may invest in China A-Shares through the Shanghai-Hong Kong Stock Connect program and in China B-Shares directly, for up to 10% (in the aggregate) of its net assets.

The Fund may also invest in those companies, which derive a significant proportion of their revenues or profits from emerging economies or have a significant portion of their assets in emerging economies. The Fund may also invest in equity and debt securities of issuers that are linked to assets or currencies of emerging nations. The Fund invests primarily in common stocks. 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, participatory notes, securities convertible into common stock, and corporate and government debt obligations. The Fund may invest up to 10% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect) and in China B-Shares.	**Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund's investments in the Chinese market and investments made through the Shanghai-Hong Kong Stock Connect program, please refer to the risk disclosures on "Chinese Market risk" (under paragraph 3(A) on page 2 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015), "Chinese Short Swing Profit Rule risk" (under paragraph 5(A) on page 9 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015), "Shanghai-Hong Kong Stock Connect risk" (under paragraph 3(B) on page 2 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015) and "Foreign Currency risk" on page 43 of the Current Explanatory Memorandum (as amended by paragraph 7(J) on page 16 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015).

N. Templeton Emerging Markets Balanced Fund

Revised Investment Policy	Rationale for revisions
The Fund seeks to achieve its objective by investing principally (at least two-thirds of its net assets) in a diversified portfolio of equity securities, fixed and floating rate debt securities, including low-rated~~[(1)]~~ and non-rated debt securities, and debt obligations issued by government, government-related issuers and corporate entities which are located, incorporated or have their principal business activities in developing or emerging market countries.~~[(2)]~~ Such countries include but are not limited to Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Hungary, Morocco, Poland, Russia, South Africa, Turkey, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan and Thailand. The Fund will typically invest at least 25% of its net assets in emerging market equity securities and at least 25% of its net assets in emerging market debt securities but the proportion of its assets allocated to each may vary over time depending on the Investment Managers' view of the relative attractiveness of each asset class. The Fund's minimum total investment in emerging market securities is subject to the paragraph above. The Fund may also utilize financial derivative instruments for hedging, efficient portfolio management and/or investment purposes.~~[(3)]~~ Financial derivative instruments may be used for the purposes of obtaining greater liquidity, locking in higher yields, or to implement currency and interest rate views to obtain economic exposure as an alternative to transacting in the physical markets. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes. These financial derivative instruments may be dealt either in regulated markets or	To disclose that the Fund may invest up to 25% of its net assets in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase. To disclose that the Fund may invest in China A-Shares through the Shanghai-Hong Kong Stock Connect program and in China B-Shares directly, for up to 10% (in the aggregate) of its net assets. Plus minor editorial revisions. **Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund's investments in sovereign debt, please refer to the risk disclosures on "Concentration risk" (under paragraph 5(C) on page 10 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015) and "Sovereign Debt risk" (under paragraph 5(Y) on page 24 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015).

over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/ duration, currency or credit. The Fund may also, in accordance with the investment restrictions, purchase mortgage- and asset-backed securities and invest in securities or structured products~~[4]~~ (such as P-notes or equity-linked notes) where the security is linked to or derives its value from another security or is linked to assets or currencies of any developing or emerging market country. In addition, the Fund may purchase preferred stock, common stock and other equity linked securities, warrants, and debt securities exchangeable or convertible into common stock and denominated in any currency. The Fund may purchase fixed income securities, debt obligations and equity securities denominated in any currency. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs and up to 10% of its ~~total~~ net assets in securities in default. The Fund may also invest in securities issued by government, government related issuers or corporate entities located outside of developing or emerging market countries but which derive a significant proportion of their revenues or profits from, have a significant portion of their assets in or are impacted by economic/ financial dynamics in developing or emerging market countries.~~[5]~~ The Fund may invest up to 25% of its net assets in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase (such as Argentina, Brazil, Colombia, Egypt, Ghana, Hungary, Indonesia, Italy, Mainland China, Malaysia, Mexico, Nigeria, Peru, Portugal, Russia, Serbia, South Africa, Spain, Sri Lanka, Turkey, Ukraine and Uruguay). Such investments (if any) are made based on the professional judgment of the Investment Managers whose reasons for investment may include a favourable/positive outlook on the sovereign issuer, potential for rating upgrades and the expected changes in the value of such investments due to rating changes. Please note that the abovementioned sovereigns are named for reference only and are subject to change as their credit ratings may change from time to time. The Fund may invest up to 10% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect) and in China B-Shares. ~~The Fund will typically invest at least 25% of its assets in emerging market equity securities and at least 25% of its assets in debt securities[6] but the proportion of its assets allocated to each may vary over time depending on the Investment Managers' view of the relative attractiveness of each asset class.~~ ~~[1] And non-rated~~ ~~[2] Such countries include but are not limited to Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Hungary, Morocco, Poland, Russia, South Africa, Turkey, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan and Thailand.~~	For details of the relevant risk considerations pertaining to the Fund's investments in the Chinese market and investments made through the Shanghai-Hong Kong Stock Connect program, please refer to the risk disclosures on "Chinese Market risk" (under paragraph 3(A) on page 2 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015), "Chinese Short Swing Profit Rule risk" (under paragraph 5(A) on page 9 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015), "Shanghai-Hong Kong Stock Connect risk" (under paragraph 3(B) on page 2 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015) and "Foreign Currency risk" on page 43 of the Current Explanatory Memorandum (as amended by paragraph 7(J) on page 16 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015).

~~(3) Financial derivative instruments may be used for the purposes of obtaining greater liquidity, locking in higher yields, or to implement currency and interest rate views to obtain economic exposure as an alternative to transacting in the physical markets. The fund does not intend to invest extensively in financial derivative instruments.~~ ~~(4) Such as P-notes or equity-linked notes.~~ ~~(5) The Fund may invest up to one-third of its assets in the instruments referred to in the third and fourth paragraphs above.~~ ~~(6) Also in emerging markets. The Fund's minimum total investment in emerging market securities is subject to the second paragraph above.~~	

O. Templeton Emerging Markets Bond Fund

Revised Investment Policy	Rationale for revisions
The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and floating rate debt securities (including non-investment grade debt securities) and debt obligations issued by government and government-related issuers or corporate entities located in developing or emerging market countries. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also, in accordance with the investment restrictions, purchase mortgage- and asset-backed securities and invest in securities ~~or structured products where the security is linked to or derives its value from another security or is~~ linked to assets or currencies of any developing or emerging market country <u>or deriving its value from another security, including structured products</u>. In addition, the Fund may purchase preferred stock, common stock and other equity linked securities, warrants, and debt securities exchangeable or convertible into common stock and denominated in any currency. The Fund may hold up to 10% of its total net assets in securities in default. The Fund may purchase fixed income securities, debt obligations and equity securities denominated in any currency. The Fund may invest up to 33% of its total assets, either directly or through the use of financial derivative instruments, in fixed and floating rate debt securities and debt obligations issued by government and government- related issuers or corporate entities located outside of developing or emerging market countries which are impacted by economic or financial dynamics in developing or emerging market countries. <u>The Fund may invest up to 25% of its</u>	To disclose that the Fund may invest up to 25% of its net assets in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase. Plus minor editorial revisions. **Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund's investments in sovereign debt, please refer to the risk disclosures on "Concentration risk" (under paragraph 5(C) on page 10 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015) and "Sovereign Debt risk" (under paragraph 5(Y) on page 24 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015).

net assets in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase (such as Argentina, Brazil, Colombia, Egypt, Ghana, Hungary, Indonesia, Italy, Mainland China, Malaysia, Mexico, Nigeria, Peru, Portugal, Russia, Serbia, South Africa, Spain, Sri Lanka, Turkey, Ukraine and Uruguay). Such investments (if any) are made based on the professional judgment of the Investment Manager whose reasons for investment may include a favourable/positive outlook on the sovereign issuer, potential for rating upgrades and the expected changes in the value of such investments due to rating changes. Please note that the abovementioned sovereigns are named for reference only and are subject to change as their credit ratings may change from time to time. The Fund may distribute income gross of expenses.	

P. Templeton Emerging Markets Smaller Companies Fund

<table>
<tr><th>Revised Investment Policy</th><th>Rationale for revisions</th></tr>
<tr><td rowspan="3">The Fund's investment objective is long-term capital appreciation, which it seeks to achieve through a policy of investing primarily in equity securities as well as depository receipts of (i) small cap companies registered in the Emerging Markets, (ii) small cap companies which perform a substantial part of their business in Emerging Markets, and (iii) small cap holding companies which hold a substantial part of their participations in companies referred to in (i). For the purpose of the Fund's investment objective, Emerging Market small cap companies are normally those having a market capitalisation at the time of initial purchase within the range of the market capitalisations of companies included in the MSCI Emerging Markets Small Cap Index (Index). Once a security qualifies for initial purchase, it continues to qualify for additional purchases as long as it is held by the Fund; however, if the maximum market capitalisations of companies allowed by the Index falls below USD 2 billion, the security will only qualify for additional purchases if its market capitalisation does not exceed USD 2 billion.

On an ancillary basis, the Fund may also invest in participatory notes, in debt securities of Emerging Market countries, which may be low-rated or unrated, and in transferable securities of issuers located in the developed countries.

The Fund may invest up to 10% of its net assets in aggregate in China A-Shares (through Shanghai-Hong Kong Stock Connect) and in China B-Shares.</td><td>To disclose that the Fund may invest in China A-Shares through the Shanghai-Hong Kong Stock Connect program and in China B-Shares directly, for up to 10% (in the aggregate) of its net assets.</td></tr>
<tr><th>Relevant risk considerations</th></tr>
<tr><td>For details of the relevant risk considerations pertaining to the Fund's investments in the Chinese market and investments made through the Shanghai-Hong Kong Stock Connect program, please refer to the risk disclosures on "Chinese Market risk" (under paragraph 3(A) on page 2 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015), "Chinese Short Swing Profit Rule risk" (under paragraph 5(A) on page 9 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015), "Shanghai-Hong Kong Stock Connect risk" (under paragraph 3(B) on page 2 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015) and "Foreign Currency risk" on page 43 of the Current Explanatory Memorandum (as amended by paragraph 7(J) on page 16 of the 2015 Addendum to the Current Explanatory Memorandum dated March 2015).</td></tr>
</table>

Q. Templeton Euroland Fund

Revised Investment Policy	Rationale for revisions
The Fund's investment objective is capital appreciation, which it seeks to achieve primarily through a policy of investing in equity and debt obligations 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 stock or debt obligations denominated in Euro of any other issuer. 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. 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 transferable securities, such as preferred stock and, securities convertible into common stock of any such issuers as described above. <u>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.</u>	To disclose that 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 purpose of generating additional capital or income or for reducing costs or risks. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes. **Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund's securities lending transactions, please refer to the risk disclosure on "Securities Lending risk" under paragraph 7(A)(I) on page 8 of the 2014 Second Addendum to the Explanatory Memorandum dated April 2014. Please refer to section 2 of this notice for more information on the Company's securities lending transactions.

R. Templeton European Fund

Revised Investment Policy	Rationale for revisions
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. 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. <u>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.</u>	To disclose that 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 purpose of generating additional capital or income or for reducing costs or risks. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only. **Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund's securities lending transactions, please refer to the risk disclosure on "Securities Lending risk" under paragraph 7(A)(I) on page 8 of the 2014 Second Addendum to the Explanatory Memorandum dated April 2014. Please refer to section 2 of this notice for more information on the Company's securities lending transactions.

S. Templeton Global Balanced Fund

<table>
<tr><th>Revised Investment Policy</th><th>Rationale for revisions</th></tr>
<tr><td rowspan="3">The Fund’s investment objective is to seek capital appreciation and current income, consistent with prudent investment management~~,~~. The Fund seeks to achieve its objective by investing principally in equity securities and government debt securities issued by entities throughout the world, including emerging markets.

The Investment Managers anticipate~~s~~ that the majority of the Fund’s portfolio is normally invested in equity or equity-linked securities, including debt or preferred stock convertible or exchangeable into equity securities, selected principally on the basis of their capital growth potential. The Fund seeks income by investing in fixed or floating rate debt securities (including up to 5% of the Fund’s net assets in non-investment grade securities) and debt obligations issued by government and government-related issuers or corporate entities worldwide. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may purchase equities, fixed income securities and debt obligations. Notwithstanding the foregoing, at no time will the Investment Managers invest more than 40% of the Fund’s total net assets into fixed income securities.

The Fund may also utilise financial derivative instruments for hedging purposes and/or efficient portfolio management. These financial derivative instruments may be dealt on either (i) regulated markets, such as futures contracts (including those on government securities), as well as options or (ii) over-the-counter such as currency, exchange rate, and interest rate related swaps and forwards. If and for so long as the Templeton Global Balanced Fund accepts investment by Malaysian investment funds authorized by the Malaysian Securities Commission as feeders, the Templeton Global Balanced Fund will typically invest 65% of its net assets in equity and equity-linked securities and 35% of its net assets in fixed income securities and liquid assets, with a permitted deviation of up to 5% of its net assets from this allocation.

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.

The Fund may distribute income gross of expenses.</td><td>To disclose that the Fund may invest up to 5% of its net assets in debt securities with a credit rating below investment grade at the time of purchase.

To disclose that 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 purpose of generating additional capital or income or for reducing costs or risks. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only.

Plus minor editorial revisions.</td></tr>
<tr><th>Relevant risk considerations</th></tr>
<tr><td>For details of the relevant risk considerations pertaining to the Fund’s investments in non-investment grade securities, please refer to the risk disclosure on “Low-Rated, Unrated or Non-Investment Grade Securities risk” (under paragraph 5(N) on page 18 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015).

For details of the relevant risk considerations pertaining to the Fund’s securities lending transactions, please refer to the risk disclosure on “Securities Lending risk” under paragraph 7(A)(I) on page 8 of the 2014 Second Addendum to the Explanatory Memorandum dated April 2014. Please refer to section 2 of this notice for more information on the Company’s securities lending transactions.</td></tr>
</table>

T. Templeton Global Bond Fund

Revised Investment Policy	Rationale for revisions
The Fund seeks to achieve its objective by investing principally in a portfolio of fixed or floating rate debt securities (including non-investment grade securities) and debt obligations issued by government or government-related issuers worldwide. The Fund may also, in accordance with the investment restrictions, invest in	To disclose that the Fund may invest up to 25% of its net assets in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating

debt securities (including non-investment grade securities) of corporate issuers. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also invest in securities or structured products (such as credit-linked securities) where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Fund may hold up to 10% of its total net assets in securities in default. The Fund may purchase fixed income securities and debt obligations denominated in any currency, and may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation. The Fund may invest up to 25% of its net assets in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase (such as Brazil, Colombia, Egypt, Hungary, Indonesia, Italy, Mainland China, Malaysia, Mexico, Portugal, Russia, Spain and Ukraine). Such investments (if any) are made based on the professional judgment of the Investment Manager whose reasons for investment may include a favourable/positive outlook on the sovereign issuer, potential for rating upgrades and the expected changes in the value of such investments due to rating changes. Please note that the abovementioned sovereigns are named for reference only and are subject to change as their credit ratings may change from time to time. The Fund may distribute income gross of expenses.	below investment grade at the time of purchase. To provide an example of the Fund's investments in structured products (credit-linked securities). Plus minor editorial revisions. **Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund's investments in sovereign debt, please refer to the risk disclosures on "Concentration risk" (under paragraph 5(C) on page 10 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015) and "Sovereign Debt risk" (under paragraph 5(Y) on page 24 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015). For details of the relevant risk considerations pertaining to the Fund's investments in structured products, please refer to the risk disclosure on "Structured Notes risk" (under paragraph 4(B) of the 2014 Addendum to the Current Explanatory Memorandum dated March 2014).

U. Templeton Global Equity Income Fund

Revised Investment Policy	Rationale for revisions
Under normal market conditions the Fund invests in a diversified portfolio of equity securities worldwide. The Fund seeks income by investing in stocks the Investment Manager believes offer attractive dividend yields. The Investment Manager seeks capital appreciation by searching for undervalued or out-of-favour securities offering current income and/or opportunities for future capital appreciation. Capital appreciation is sought by investing in equity securities of companies from a variety of industries and located anywhere in the world, including Emerging Markets. Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of transferable securities such as debt and fixed income securities.	To disclose that 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 purpose of generating additional capital or income or for reducing costs or risks. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only. **Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund's

The Fund may further utilize financial derivative instruments for hedging and/or efficient portfolio management. These financial derivative instruments may be dealt on either regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or total return swaps on equity indices), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative returns in a specific yield curve/duration, currency or credit since, among other things, the price of financial derivatives instruments are dependent on the price of their underlying instruments and these prices may go up or down. The Fund may also purchase participatory notes, equity-linked notes or other structured products where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions. <u>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.</u> The Fund may distribute income gross of expenses.	securities lending transactions, please refer to the risk disclosure on “Securities Lending risk” under paragraph 7(A)(I) on page 8 of the 2014 Second Addendum to the Explanatory Memorandum dated April 2014. Please refer to section 2 of this notice for more information on the Company’s securities lending transactions.

V. Templeton Global (Euro) Fund

Revised Investment Policy	Rationale for revisions
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. The Fund invests primarily in common stocks. 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, which are Euro and non-Euro denominated. <u>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.</u> The name of the Fund reflects the base currency of the Fund being in Euros, and does not necessarily imply that any particular proportion of the Fund’s net invested assets are made in Euros.	To disclose that 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 purpose of generating additional capital or income or for reducing costs or risks. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only. **Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund’s securities lending transactions, please refer to the risk disclosure on “Securities Lending risk” under paragraph 7(A)(I) on page 8 of the 2014 Second Addendum to the Explanatory Memorandum dated April 2014. Please refer to section 2 of this notice for more information on the Company’s securities lending transactions.

W. Templeton Global Fund

Revised Investment Policy	Rationale for revisions
The Fund's investment objective is capital appreciation, which it seeks to achieve through a policy of investing in equity and debt obligations of companies and governments of any nation throughout the world, including Emerging Markets. The Fund invests principally in common stocks. 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, which are US dollar and non-US dollar denominated. <u>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.</u>	To disclose that 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 purpose of generating additional capital or income or for reducing costs or risks. For the avoidance of doubt, any securities lending will be an ancillary activity of the Fund only. **Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund's securities lending transactions, please refer to the risk disclosure on "Securities Lending risk" under paragraph 7(A)(I) on page 8 of the 2014 Second Addendum to the Explanatory Memorandum dated April 2014. Please refer to section 2 of this notice for more information on the Company's securities lending transactions.

X. Templeton Global High Yield Fund

Revised Investment Policy	Rationale for revisions
The Fund invests principally in debt securities (including non-investment grade securities) of issuers globally, including those in Emerging Markets. For the purpose of this Fund, debt securities shall include all varieties of fixed and floating rate income securities (including bank loans through regulated investment funds subject to the limits indicated below), bonds, mortgage and other asset-backed securities (including collateralised debt obligations) and convertible securities. The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. In addition, the Fund may invest in equity securities, credit-linked securities and money-market instruments and may seek exposure to floating rate loans through regulated investment funds. The Fund may invest up to 10% of its net assets in units of UCITS and other UCIs and up to 10% of its total assets in securities in default. <u>The Fund may invest up to 25% of its net assets in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase (such as Argentina, Brazil, Colombia, Egypt, Ghana, Hungary, Indonesia, Italy, Mainland China, Malaysia, Mexico, Nigeria, Peru, Portugal,</u>	To disclose that the Fund may invest up to 25% of its net assets in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase. **Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund's investments in sovereign debt, please refer to the risk disclosures on "Concentration risk" (under paragraph 5(C) on page 10 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015) and "Sovereign Debt risk" (under paragraph 5(Y) on page 24 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015).

Russia, Serbia, South Africa, Spain, Sri Lanka, Turkey, Ukraine and Uruguay). Such investments (if any) are made based on the professional judgment of the Investment Manager whose reasons for investment may include a favourable/positive outlook on the sovereign issuer, potential for rating upgrades and the expected changes in the value of such investments due to rating changes. Please note that the abovementioned sovereigns are named for reference only and are subject to change as their credit ratings may change from time to time. The Fund may distribute income gross of expenses.	

Y. Templeton Global Income Fund

Revised Investment Policy	Rationale for revisions
Under normal market conditions, the Fund invests in a diversified portfolio of debt and equity securities worldwide. The Fund seeks income by investing in a portfolio of fixed and floating rate debt securities and debt obligations issued by government and government-related issuers or corporate entities worldwide, including in Emerging Markets, as well as stocks the Investment Manager believes offer attractive dividend yields. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may invest in investment grade and non-investment grade debts securities issued by US and non-US issuers including securities in default. The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may invest up to 10% of its net assets in units of UCITS and other UCIs. The Fund may invest in fixed or floating rate debt securities either directly or through regulated investment funds (subject to the limits indicated above). The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions. The Fund may invest up to 25% of its net assets in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase (such as Argentina, Brazil, Colombia, Egypt, Ghana, Hungary, Indonesia, Italy, Mainland China, Malaysia, Mexico, Nigeria, Peru, Portugal, Russia, Serbia, South Africa, Spain, Sri Lanka, Turkey, Ukraine and Uruguay). Such investments (if any) are made based on the professional judgment of the Investment Managers whose reasons for investment may include a favourable/positive outlook on the sovereign issuer, potential for rating upgrades and the expected changes in the value of such investments due to rating changes.	To disclose that the Fund may invest up to 25% of its net assets in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase. **Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund's investments in sovereign debt, please refer to the risk disclosures on "Concentration risk" (under paragraph 5(C) on page 10 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015) and "Sovereign Debt risk" (under paragraph 5(Y) on page 24 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015).

Please note that the abovementioned sovereigns are named for reference only and are subject to change as their credit ratings may change from time to time. The Fund may distribute income gross of expenses.	

Z. Templeton Global Smaller Companies Fund

Revised Investment Policy	Rationale for revisions
The Fund's investment objective is capital appreciation~~,~~. ~~which it seeks to achieve through a policy of investing in equity and debt obligations of smaller companies throughout the world, including Emerging Markets.~~ The Fund invests principally (which generally means that at least two-thirds of the Fund's net assets (without taking into account ancillary liquid assets) shall be invested into the relevant securities. In exceptional market circumstances (such as extreme volatility) and on a temporary basis only, up to 100% of the Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading) in common stocks of ~~such companies~~smaller companies (*i.e.*, those having a market capitalisation at the time of initial purchase within the range of the market capitalisations of companies included in the MSCI All Country World Small Cap Index (Index). The Fund may continue to hold securities that have grown to have a market capitalisation in excess of the range of the market capitalisations of companies included in the Index. Once a security qualifies for initial purchase, it continues to qualify for additional purchases as long as it is held by the Fund; however, if the maximum market capitalisations of companies allowed by the Index falls below USD 2 billion, the security will only qualify for additional purchases if its market capitalisation does not exceed USD 2 billion) throughout the world, including emerging markets. The Fund may also invest up to 20% of its net assets in debt obligations of smaller companies throughout the world, including emerging markets. Debt securities represent obligations of an issuer to repay loans where repayment terms of principal and interest are clearly specified, along with the lender's rights, in the loan agreement. These securities include bonds, notes and debentures. 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 companies with larger market capitalisations, as well as in other types of securities, such as preferred stock, securities convertible into common stock and fixed income securities, which are US dollar and non US dollar denominated.	To clarify that the Fund invests principally in common stocks of smaller companies throughout the world, including emerging markets. **Relevant risk considerations** For details of the relevant risk considerations pertaining to the Fund's investments in common stocks of smaller companies throughout the world, including emerging markets, please refer to the risk disclosures on "Emerging Markets risk" and "Equity risk" on page 42 of the Current Explanatory Memorandum and "Smaller and Midsize Companies risk" (under paragraph 5(X) on page 24 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015).

AA. Templeton Global Total Return Fund

Revised Investment Policy	Rationale for revisions
The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and/or floating-rate debt securities and debt obligations issued by government and government related issuers or corporate entities worldwide. The fixed and/or floating-rate debt	To disclose that the Fund may invest up to 25% of its net assets in debt securities issued and/or guaranteed by a single sovereign issuer (including its government,

securities and debt obligations in which the Fund may invest include investment grade and non-investment grade securities. The Fund may also purchase debt obligations issued by supranational entities organized or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forward and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also, in accordance with the investment restrictions, invest in securities or structured products (such as commercial and residential mortgage-backed securities as well as collateralised debt obligations, including collateralised loan obligations) where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Fund may also purchase mortgage and asset-backed securities and convertible bonds. The Fund may hold up to 10% of its net assets in securities in default. The Fund may purchase fixed income securities and debt obligations denominated in any currency and may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs. The Fund may also participate in mortgage dollar roll transactions.

The Fund may use futures contracts on US Treasury securities to help manage risks relating to interest rates and other market factors, to increase liquidity, and to quickly and efficiently cause new cash to be invested in the securities markets or, if cash is needed to meet shareholder redemption requests, to remove Fund's assets from exposure to the market. On an ancillary basis, the Fund may gain exposure to debt market indexes by investing in index based financial derivatives and credit default swaps.

The Fund may invest up to 25% of its net assets in debt securities issued and/or guaranteed by a single sovereign issuer (including its government, public or local authority) with a credit rating below investment grade at the time of purchase (such as Argentina, Brazil, Colombia, Egypt, Ghana, Hungary, Indonesia, Italy, Mainland China, Malaysia, Mexico, Nigeria, Peru, Portugal, Russia, Serbia, South Africa, Spain, Sri Lanka, Turkey, Ukraine and Uruguay). Such investments (if any) are made based on the professional judgment of the Investment Manager whose reasons for investment may include a favourable/positive outlook on the sovereign issuer, potential for rating upgrades and the expected changes in the value of such investments due to rating changes. Please note that the abovementioned sovereigns are named for reference only and are subject to change as their credit ratings may change from time to time.

The Fund may distribute income gross of expenses.

public or local authority) with a credit rating below investment grade at the time of purchase.

To disclose examples of structured products that the Fund may invest in.

Relevant risk considerations

For details of the relevant risk considerations pertaining to the Fund's investments in sovereign debt, please refer to the risk disclosures on "Concentration risk" (under paragraph 5(C) on page 10 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015) and "Sovereign Debt risk" (under paragraph 5(Y) on page 24 of the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015).

For details of the relevant risk considerations pertaining to the Fund's investments in mortgage-backed securities and collateralised debt obligations, please refer to the risk disclosures on "Mortgage- and Asset-Backed Securities risk" (under paragraph 5(P) of the 2015 Second Addendum to the Current Explanatory Memorandum dated Oct 2015) and "Collateralised Debt Obligations risk" (under paragraph 8(B) of the 2016 Second Addendum to the Current Explanatory Memorandum dated July 2016).

The Current Explanatory Memorandum of the Company and the product key facts statements of the Funds will be updated for the changes described above. In particular, the first sentence of the last paragraph of Risk Management on page 65 of the Current Explanatory Memorandum under the heading "Investment in securities issued by or guaranteed by any single sovereign issuer and dividend distribution policy" (inserted via paragraph 6 of the 2013 Second Addendum to the Current Explanatory Memorandum dated May 2013) will be revised as follows (with changes marked up):

> "*Unless otherwise stated in any Fund's investment policy, ~~T~~the Company will not invest more than 10% of its net asset value in securities issued by or guaranteed by any single sovereign issuer (including its government and a public or local authority of that country) with a credit rating below investment grade.*"

2. Revisions to the investment restrictions of the Company

To disclose a reduction in the maximum extent to which the Funds may engage in securities lending and repurchase transactions (from 100% down to 50% in each case) and provide investors with greater transparency on the Company's repurchase transactions and securities lending transactions, the section on "INVESTMENT RESTRICTIONS – 4. Use of techniques and instruments relating to transferable securities and money market instruments" as set out on pages 63 and 64 of the Current Explanatory Memorandum and as amended by the 2014 Second Addendum to the Current Explanatory Memorandum dated April 2014 and the 2016 Second Addendum to the Current Explanatory Memorandum dated July 2016 shall with effect from 30 December 2016 be revised as follows (with amendments marked up):

4. Use of techniques and instruments relating to transferable securities and money market instruments

a) Repurchase transactions and securities lending transactions

(i) Types and purpose

To the maximum extent allowed by, and within the limits set forth in, the Law of 17 December 2010 as well as any present or future related Luxembourg laws or implementing regulations, circulars and the Luxembourg supervisory authority's positions (the "Regulations"), in particular the provisions of (i) article 11 of the Grand-Ducal regulation of February 8, 2008 relating to certain definitions of the Luxembourg Law of 20 December 2002 on undertakings for collective investment and of (ii) CSSF Circular 08/356 and 14/592 relating to the rules applicable to undertakings for collective investments when they use certain techniques and instruments relating to transferable securities and money market instruments, each Fund may for the purpose of generating additional capital or income or for reducing costs or risks (A) enter, either as purchaser or seller, into optional as well as non-optional repurchase transactions and (B) engage in securities lending transactions.

As the case may be, collateral received by each Fund in relation to any of these transactions may offset net exposure by the counterparty provided it meets a range of standards, including those for liquidity, valuation, and issuer credit quality. The form and nature of the collateral will primarily consist of cash and highly rated sovereign fixed income securities that meets particular ratings criteria and will be equal to or greater than the value of the securities lent. Eligible collateral for securities lending transactions would be negotiable debt obligations (collectively "AA - Level Sovereign Bonds") issued by governments (such as Australia, Belgium, Canada, Denmark, France, Germany, the Netherlands, Norway, New Zealand, Singapore, Sweden, Switzerland, the United States, the United Kingdom, etc.), having a credit rating of at least AA- from S&P and/or Aa3 from Moody's, respectively and denominated in the official currency of the relevant country and issued on the relevant domestic market (but excluding derivatives of other securities and inflation-linked securities). The collateral received by the Company in respect of repurchase agreements transactions may be US Treasury bills or US government agency bonds supported by the full faith and credit of the US government. Acceptable tri-party collateral to the Custodial Undertaking in connection with the Master Repurchase agreement include, US Treasuries (Bill, Notes, and Bonds), and the following Government Sponsored Agencies: Federal National Mortgage Association (FNMA), Federal Home Loan Bank (FHLB), Federal Home Loan Mortgage Corp (FHLMC), and Federal Farm Credit System (FFCB). The collateral shall have a final *maturity of no more than 5 years from the date the repurchase transaction is entered. The value of the securities shall also be equal to, or greater than, 102% of the amount of the repurchase transaction. Collateral value is reduced by a percentage (a "haircut") which provides for short term fluctuations in the value of the collateral. Net exposures are calculated daily by the counterparty and subject to the terms of the agreements, including a minimum transfer amount, collateral levels may fluctuate between the Fund and the counterparty depending on the market movement of the exposure. Non-cash collateral received is not sold, reinvested or pledged. Cash collateral received by each Fund in relation to any of these transactions may be reinvested in a manner consistent with the investment objectives of such Fund and with the risk diversification requirements detailed in the section "Investment Restrictions" in (a) shares or units issued by short term money market undertakings for collective investment as defined in the Guidelines on a Common Definition of European Money Market Funds, (b) deposits with a credit institution having its registered office in a Member State or with a credit institution situated in a non-Member State provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law, (c) high quality government bonds, and (d) reverse repurchase agreement transactions provided the transactions are with credit institutions subject to the prudential supervision and the Company may recall at any time the full amount of cash on accrued basis. The Company has policies with respect to the reinvestment of collateral (specifically, that derivatives or other instruments that may contribute to leverage may not be used) such that it would not impact the Global Exposure calculation.*

In accordance with the criteria laid down in the precedent paragraph, a Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by any EU Member State, its local authorities, or public international bodies of which one or more EU Member States are members, by any other State of the OECD, by Singapore or any member state of the G20, provided that such Fund holds securities at least from six different issues and that any single issue must not account for more than 30% of such Fund's net assets.

(ii) Limits and conditions

- ***Securities lending transactions***

Subject to the relevant Fund's investment policy, a~~A~~ Fund may utilise up to ~~100%~~50% of its assets for securities lending transactions. The volume of the securities lending transactions of each Fund shall be kept at an appropriate level or each Fund shall be entitled to request the return of the securities lent in a manner that enables it, at all times, to meet its redemption obligations and that these transactions do not jeopardise the management of each Fund's assets in accordance with its investment policy. The counterparties to securities lending transactions must have a minimum credit rating of A- or better, as rated by Standard & Poor's, Moody's or Fitch, at the time of the transactions.

The securities lending agent receives a fee of up to 10% of the gross revenue generated as a result of the lent securities for its services, the remainder of the revenue being received and retained by the relevant lending Fund. Any incremental income generated from securities lending transactions will be accrued to the relevant Fund.

- ***Repurchase agreement transactions***

Subject to the relevant Fund's investment policy, a~~A~~ Fund may utilise up to ~~100%~~50% of its assets for repurchase agreement transactions, but a Fund's exposure to any single counterparty in respect of repurchase agreement transactions is limited to (i) 10% of its assets where the counterparty is a credit institution having its registered office in an EU Member State or subject to equivalent prudential rules, and (ii) 5% of its assets in other cases. The counterparties to repurchase agreement transactions must have a minimum credit rating of A- or better, as rated by Standard & Poor's, Moody's or Fitch, at the time of the transactions. The volume of the repurchase agreement transactions of each Fund shall be kept at a level such that the Fund is able, at all times, to meet its redemption obligations towards shareholders. Further, each Fund must ensure that, at maturity of the repurchase agreement transactions, it has sufficient assets to be able to settle the amount agreed with the counterparty for the restitution of the securities to the Fund. Any incremental income generated from repurchase agreement transactions will be accrued to the relevant Fund.

- ***Costs and revenues of securities lending and/or repurchase agreement transactions***

Direct and indirect operational costs and fees arising from securities lending transactions and/or repurchase agreement transactions may be deducted from the revenue delivered to the relevant Fund. These costs and fees shall not include hidden revenue. All the revenues arising from such transactions, net of direct and indirect operational costs, will be returned to the relevant Fund. The annual report of the Company shall contain details of the revenues arising from securities lending transactions and/or repurchase agreement transactions for the entire reporting period together with the direct and indirect operational costs and fees incurred. The entities to which direct and indirect costs and fees may be paid include banks, investment firms, broker-dealers or other financial institutions or intermediaries and may be related parties to the Custodian.

(iii) Conflicts of Interest

No conflicts of interest to note. The Investment Manager(s) of the relevant Fund does not intend to lend the securities of the Fund to its related corporations or to engage them as securities lending agents.

~~*The collateral received by each Fund in relation to any of these transactions shall take the form of (i) liquid assets (which includes cash, short term bank certificates and money market instruments as defined in the above referred Grand-Ducal regulation); (ii) bonds issued or guaranteed by a Member State of the Organization for Economic Co-operation and Development ("OECD") or by their local public authorities or by supranational institutions and undertakings with EU, regional or world-wide scope; (iii) shares or units issued by money market undertakings for collective investment calculating a daily net asset value and being assigned a rating of AAA or its equivalent; (iv) shares or units issued by undertaking for collective investment in transferable securities investing mainly in bonds or shares mentioned in (v) and (vi) below; (v) bonds issued or guaranteed by first class issuers offering an adequate liquidity; or (vi) shares admitted to or dealt in on a regulated market of a Member State of the European Union or on a stock exchange of a Member State of the OECD, on the condition that these shares are included in a main index.*~~

~~*In accordance with the criteria laid down in the precedent paragraph, a Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by any EU Member State, its local authorities, or public international bodies of which one or more EU Member States are members, by any other State of the OECD, by Singapore or any member state of the G20, provided that such Fund holds securities at least from six different issues and that any single issue must not account for more than 30% of such Fund's net assets.*~~

~~*As the case may be, collateral received by each Fund in relation to any of these transactions may offset net exposure by the counterparty provided it meets a range of standards, including those for liquidity, valuation, and issuer credit quality. Collateral primarily consist of cash and highly rated sovereign fixed income securities. Collateral value is reduced by a percentage (a "haircut") which provides for short term fluctuations in the value of the collateral. Net exposures are calculated daily by the counterparty and subject to the terms of the agreements, including a minimum transfer amount, collateral levels may fluctuate between the Fund and the counterparty depending on the market movement of the exposure. Non-cash collateral received is not sold, reinvested or pledged. Cash collateral received by each Fund in relation to any of these transactions may be reinvested in a manner consistent with the investment objectives of such Fund and with the risk diversification requirements detailed in the section on "Investment Restrictions" in (a) shares or units issued by short term money market undertakings for collective investment as defined in the Guidelines on a Common Definition of European Money Market Funds, (b) deposits with a credit institution having its registered office in a Member State or with a credit institution situated in a non-Member State provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law, (c) high quality government bonds, and (d) reverse repurchase agreement transactions provided the transactions are with credit institutions subject to the prudential supervision and the Company may recall at any time the full amount of cash on accrued basis. The Company has policies with respect to the reinvestment of collateral (specifically, that derivatives or other instruments that may contribute to leverage may not be used) such that it would not impact the Global Exposure calculation.*~~

~~*The counterparties to repurchase agreement transactions and securities lending transactions must have a minimum credit rating of A- or better, as rated by Standard & Poors, Moody's or Fitch, at the time of the transactions. A counterparty with a credit rating of BBB may also be acceptable where the credit rating of the relevant counterparty is limited by the sovereign debt rating of its domicile country. The collateral*~~

~~*received by the Company in respect of repurchase agreements transactions and securities lending transactions may be US Treasury bills or US government agency bonds supported by the full faith and credit of the U.S. government.*~~

~~*Any incremental income generated from repurchase agreement transactions and securities lending transactions will be accrued to the relevant Fund.*~~

3. Increase in the expected level of leverage of certain Funds and change in name of relative VaR reference benchmark for the Franklin Strategic Income Fund

Investors should note that the expected levels of leverage of the following Funds, which may invest extensively in financial derivative instruments for investment purposes, are estimated to increase to the levels detailed in the table below:

	Previous expected level of leverage based on "sum of notionals" approach	**Current expected level of leverage based on "sum of notionals" approach**	**Expected maximum level of leverage based on "commitment" approach (no change)**
Franklin Strategic Income Fund	30%	40% (+10%)	100%
Templeton Asian Bond Fund	40%	200% (+160%)	225%
Templeton Emerging Markets Bond Fund	70%	200% (+130%)	175%
Templeton Global Bond Fund	110%	200% (+90%)	225%
Templeton Global High Yield Fund	20%	120% (+100%)	100%
Templeton Global Income Fund	30%	70% (+40%)	225%
Templeton Global Total Return Fund	100%	200% (+100%)	225%

Investors should also note that the relative VaR reference benchmarks for the Funds are as follows:

- **Franklin Strategic Income Fund** – Bloomberg Barclays Index*
- **Templeton Asian Bond Fund** – JPMorgan Government Bond Index-Emerging Markets Broad Diversified Asia Index
- **Templeton Emerging Markets Bond Fund** – J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (50%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (50%)
- **Templeton Global Bond Fund** – J.P. Morgan Government Bond Index Broad (JGBI Broad) (50%), the J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (25%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (25%)
- **Templeton Global High Yield Fund** – J.P. Morgan Global High Yield Index (50%), the J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (25%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (25%)
- **Templeton Global Income Fund** – MSCI All Country World Index (50%), the Bloomberg Barclays Multiverse Index (25%), the Bloomberg Barclays Global High-Yield Index (12.5%), the J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (6.25%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (6.25%)

- **Templeton Global Total Return Fund** – Bloomberg Barclays Multiverse Index (50%),the Bloomberg Barclays Global High-Yield Index (25%), the J.P. Morgan Emerging Markets Bond Index Global (EMBIG) (12.5%) and the J.P. Morgan Government Bond Index-Emerging Markets (GBI-EM) (12.5%)

** The relative VaR reference benchmark for the Franklin Strategic Income Fund has changed in name from "Barclays Capital Index" to "Barclays Index" on 19 March 2012 and from "Barclays Index" to "Bloomberg Barclays Index" on 24 August 2016. There will not be any change to the components of the benchmark as a result of the name changes.*

Rest assured, there will be no change to the way that the Funds are currently managed or to the investment strategy of the Funds. For details of the relevant risk considerations pertaining to the Funds' use of derivatives, please refer to the sub-section "Derivative Instruments risk" of the "Risk Considerations" section on page 41 of the Current Explanatory Memorandum of the Company (as amended).

4. Changes in the designation, roles and responsibilities of the Custodian arising from amendments to the UCITS Directive

The European Commission has proposed a number of amendments to the UCITS Directive, referred to collectively as the "UCITS V Directive". The general objective of these amendments is to increase protection and transparency for investors by focusing on the role and the liability of depositaries, remuneration policies for investment managers and a harmonisation of the administrative sanctions that is available to all European Union regulators for breaches of the UCITS Directive.

Under the UCITS V Directive, the Company must appoint a single authorised UCITS depositary. The appointed depositary will be responsible for the safekeeping and ownership verification of the assets of the Company, cash flow monitoring and oversight in accordance with the UCITS V Directive. In carrying out its role as depositary, the Depositary shall act independently from the Company and the Management Company and solely in the interest of the Company and its investors.

The Depositary will further:

(a) ensure that the issue, redemption and cancellation of shares effected by the Company or on its behalf are carried out in accordance with the Law of 17 December 2010 and the articles of incorporation of the Company (the "**Articles**");

(b) ensure that the value per share of the Company is calculated in accordance with the Law of 17 December 2010 and the Articles;

(c) carry out, or where applicable, cause any sub-custodian or other custodial delegate to carry out the instructions of the Company or the relevant Investment Manager(s) unless they conflict with the Law of 17 December 2010 or the Articles;

(d) ensure that in transactions involving the assets of the Company, the consideration is remitted to it within the usual time limits; and

(e) ensure that the income of the Company is applied in accordance with the Articles.

After careful consideration, the Board of Directors of the Company has decided to appoint J.P. Morgan Bank Luxembourg S.A. ("JPM"), the current Custodian of the Company, as the depositary of the Company (the "Depositary") to provide depositary, custodial, settlement and certain other associated services to the Company. J.P. Morgan Bank Luxembourg S.A. was incorporated in Luxembourg as a *société anonyme* and has its registered office at European Bank & Business Centre, 6C, route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg.

Whilst the appointment of JPM as Depositary could be considered an extension of the existing custody arrangement, the UCITS V Directive has significantly increased the role and responsibilities of the Depositary and formalised its contractual obligations. As a result, a new depositary agreement will replace the existing custodian agreement that the Company has with JPM.

In its previous role as Custodian of the Company, JPM received an annual fee of 0.01% to 0.14% of the net asset values of the different Funds, depending on the nature of the investments of the different Funds, with potentially higher annual fees for those Funds of the Company the investment objectives and policies of which provide for investments in equity securities of issuers in developing countries.

As there will be no change to the investment policy and strategy or the operation and management of the Funds pursuant to the abovementioned changes in the designation, roles and responsibilities of JPM, it is expected that, based on the current market exposure of the Funds, the fees of JPM will not materially increase as a consequence of its appointment as the Depositary of the Company. For the avoidance of doubt, the appointment of JPM as the Depositary of the Company has not resulted in any change to the maximum annual fee of JPM (which remains as 0.14%). Such fee will be calculated and accrued daily and will be paid monthly in arrears to the Depositary by the Company. The depositary fee which is paid to JPM will be reflected in more detail in the Funds' relevant total expense ratio and in the Company's financial reports.

The Current Explanatory Memorandum of the Company and the product key facts statements of the Funds will be updated for the changes described above and all references to "Custodian" therein shall be replaced with "Depositary". In addition, the paragraph on the "CUSTODIAN" under the section "MANAGEMENT AND ADMINISTRATION" on page 88 of the Current Explanatory Memorandum shall be deleted in its entirety and replaced with the following paragraph:-

"***DEPOSITARY***

J.P. Morgan Bank Luxembourg S.A. has been appointed as the Depositary to provide depositary, custodial, settlement and certain other associated services to the Company.

J.P. Morgan Bank Luxembourg S.A. was incorporated in Luxembourg as a société anonyme and has its registered office at European Bank & Business Centre, 6C, route de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg since its incorporation.

The Depositary will further:

a) ensure that the issue, redemption and cancellation of Shares effected by the Company or on its behalf are carried out in accordance with the Law of 17 December 2010 and the Articles;
b) ensure that the value per Share of the Company is calculated in accordance with the Law of 17 December 2010 and the Articles;
c) carry out, or where applicable, cause any subcustodian or other custodial delegate to carry out the instructions of the Company or the relevant Investment Manager(s) unless they conflict with the Law of 17 December 2010 or the Articles;
d) ensure that in transactions involving the assets of the Company, the consideration is remitted to it within the usual time limits; and

e) ensure that the income of the Company is applied in accordance with the Articles.

The Depositary may entrust all or part of the assets of the Company that it holds in custody to such subcustodians as may be determined by the Depositary from time to time. Except as provided in applicable laws, the Depositary's liability shall not be affected by the fact that it has entrusted all or part of the assets in its care to a third party.

The Depositary shall assume its functions and responsibilities in accordance with applicable laws as further described in the depositary agreement entered into between the Depositary, the Company and the Management Company.

The Depositary Agreement

The Company has appointed the Depositary as depositary under a depositary agreement dated 31 August 1994, as amended and restated by an agreement dated 18 March 2016 also entered by the Management Company (the "Depositary Agreement").

The Depositary shall perform all the duties and obligations of a depositary under the UCITS Directive as outlined in the Depositary Agreement.

The Depositary Agreement may be terminated by any party on 90 days' notice in writing. Subject to applicable laws, the Depositary Agreement may also be terminated by the Depositary on 30 days' notice in writing if (i) it is unable to ensure the required level of protection of the Company's investments under the applicable laws because of the investment decisions of the Management Company and / or the Company; or (ii) the Company, or the Management Company on behalf of the Company, wishes to invest or to continue to invest in any jurisdiction notwithstanding the fact that (a) such investment may expose the Company or its assets to material country risk or (b) the Depositary is not able to obtain satisfactory legal advice confirming, among other things, that in the event of an insolvency of a subcustodian or other relevant entity in such jurisdiction, the assets of the Company held locally in custody are unavailable for distribution among, or realisation for the benefit of, creditors of the such subcustodian or other relevant entity .

Before expiration of any such notice period, the Management Company shall propose a new depositary which fulfils the requirements of the UCITS Directive and to which the Company's assets shall be transferred and which shall take over its duties as the Company's depositary from the Depositary. The Company and the Management Company will use best endeavours to find a suitable replacement depositary, and until such replacement is appointed the Depositary shall continue to perform its services under the Depositary Agreement.

The Depositary will be responsible for the safekeeping and ownership verification of the assets of the Company, cash flow monitoring and oversight in accordance with the UCITS Directive. In carrying out its role as depositary, the Depositary shall act independently from the Company and the Management Company and solely in the interest of the Company and its investors.

Conflicts of Interest

In carrying out its functions, the Depositary shall act honestly, fairly, professionally, independently and solely in the interest of the Shareholders.

As part of the normal course of global custody business, the Depositary may from time to time have entered into arrangements with other clients, funds or other third parties for the provision of safekeeping and related services. Within a multi-service banking group such as JPMorgan Chase Group, from time to time conflicts may arise between the Depositary and its safekeeping delegates, for example, where an appointed delegate is an affiliated group company and is providing a product or service to a fund and has a financial or business interest in such product or service or where an appointed delegate is an affiliated group company which receives remuneration for other related custodial products or services it provides to the funds, for instance foreign exchange, securities lending, pricing or valuation services. Where a conflict or potential conflict of interest arises, the Depositary will have regard to its obligations to the Company (under applicable laws including Article 25 of the UCITS Directive) and will treat the Company and the other funds for which it acts fairly and such that, so far as is practicable, any transactions are effected on terms which are not materially less favourable to the Company than if the conflict or potential conflict had not existed. Such potential conflicts of interest are identified, managed and monitored in various other ways including, without limitation, the hierarchical and functional separation of Depositary's depositary functions from its other potentially conflicting tasks and by the Depositary adhering to its own conflicts of interest policy.

Subcustodians and Other Delegates

When selecting and appointing a subcustodian or other delegate, the Depositary shall exercise all due skill, care and diligence as required by the UCITS Directive to ensure that it entrusts the Company's assets only to a delegate who may provide an adequate standard of protection.

The current list of subcustodians and other delegates used by the Depositary and sub-delegates that may arise from any delegation may be obtained from the Hong Kong Representative upon request.

In addition, up-to-date information regarding the Depositary's duties and of conflicts of interest that may arise as well as of any safekeeping functions delegated by the Depositary, the list of third-party delegates and any conflicts of interest that may arise from such a delegation may also be obtained from the Hong Kong Representative upon request."

The new depositary agreement with JPM will be available for inspection at the office of the Hong Kong Representative.

5. Changes to circumstances under which the Board of Directors may terminate a Fund

Pursuant to Article 28 of the Company's Articles of Incorporation, the Board of Directors of the Company may terminate any existing Fund if the net assets of such Fund fall below an amount to be determined by the Board of Directors and disclosed in the Current Explanatory Memorandum of the Company (the "**Fund Termination Threshold**"), or under certain other circumstances.

The Current Explanatory Memorandum of the Company states (on page 83) that the Fund Termination Threshold is USD 20 million.

Investors should note that, with effect from the date of this letter, the Fund Termination Threshold will be increased to USD 50 million (or the equivalent thereof in the base currency of the relevant Fund).

This means that the Board of Directors may decide to terminate any Fund if the total value of the Shares of the relevant Fund is at any time below USD 50 million, or the equivalent thereof in the base currency of the relevant Fund.

The increase in the Fund Termination Threshold to USD 50 million is expected to bring the Company in line with market practice in Luxembourg and provide the Board of Directors with additional flexibility to manage the Funds in the interests of investors. The Depositary of the Company, J.P. Morgan Bank Luxembourg S.A., has been informed of the proposed increase and does not have any comments.

There will not be any changes to the Articles of Incorporation of the Company as a result of the increase in the Fund Termination Threshold. Investors should note that, as provided under Article 28 of the Company's Articles of Incorporation, the Board of Directors of the Company may also decide to terminate any Fund if:

(a) a change in the economic or political situation relating to the Fund concerned would justify such termination; or

(b) such termination is in the interests of the shareholders of the Fund concerned.

If there is any such termination of a Fund, at least one month's prior notice will be given to the shareholders of all classes of the relevant Fund. The termination will be implemented by redeeming all the Shares outstanding of the relevant Fund. The price at which Shares will be redeemed will be based on the net asset value per Share of such Fund determined upon realisation of all assets attributable to such Fund.

The Current Explanatory Memorandum of the Company will be updated for the changes described above.

* * * * * *

The changes set out in this notice are not expected to give rise to 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) will be borne by the Management Company.

The changes set out in this notice are not expected to have any adverse impact on nor materially prejudice shareholders. Shareholders who do not agree with the changes set out in this notice may redeem their shares, free from any charge by the Company, no later than 30 December 2016 at 4.00 p.m. (Hong Kong time).

Please note that although the Company will not charge shareholders any redemption fee for redemption requests that reach the Hong Kong Representative of the Company, in some cases the relevant bank, investment adviser or other intermediary may charge 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.

Please also note that "free of any charge" does not apply to Class B shares that are subject to the contingent deferred sales charge ("**CDSC**"), due to the nature of such fee. Accordingly, should shareholders decide to redeem any shares subject to a CDSC, such redemption will be subject to the applicable CDSC as more fully disclosed in the Current Explanatory Memorandum.

* * * * * *

The Management Company accepts 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 its 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 or call our Investor Hotline at +852 2805 0111.

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

David Chang
Director

Franklin Templeton Investments
(Asia) Limited
富蘭克林鄧普頓投資(亞洲)有限公司
17/F, Chater House
8 Connaught Road Central
Hong Kong
t +852 2877-7733
f +852 2877-5401
www.franklintempleton.com.hk

FRANKLIN TEMPLETON INVESTMENT FUNDS

2016 Second Addendum to the Explanatory Memorandum dated December 2010
Dated July 2016

Note: This 2016 Second Addendum dated July 2016 shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Investment Funds (the "**Company**") dated December 2010 as supplemented by the 2011 Addendum dated June 2011, the 2011 Second Addendum dated October 2011, the 2012 Addendum dated November 2012, the 2011-12 Addendum dated January 2013, the 2013 Addendum dated April 2013, the 2013 Second Addendum dated May 2013, the 2013 Second Addendum (I) dated May 2013, the 2013 Third Addendum dated June 2013, the 2014 Addendum dated March 2014, the 2014 Second Addendum dated April 2014, the 2014 Third Addendum dated October 2014, the 2015 Addendum dated March 2015, the 2015 Second Addendum dated October 2015 and the 2016 Addendum dated June 2016 (the "**Current Explanatory Memorandum**"). The Management Company accepts full responsibility for the accuracy of the information contained in this Addendum as at the date of its publication and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Please note that the following changes apply to the Current Explanatory Memorandum of the Company:

1. <u>Revisions to investment policies of certain Funds</u>

With effect from 31 July 2015 (unless specified otherwise), the section of the Current Explanatory Memorandum on "INVESTMENT OBJECTIVES AND POLICIES" will be revised and restated as set out below.

I. Distribution of income gross of expenses

The statement "*The Fund may distribute income gross of expenses.*" shall be inserted at the end of the investment policies of the following Funds:

(a) Franklin Euro Government Bond Fund
(b) Franklin Euro High Yield Fund
(c) Franklin Global High Income Bond Fund
(d) Franklin Global Real Estate Fund
(e) Franklin High Yield Fund
(f) Franklin Income Fund
(g) Templeton Asian Bond Fund
(h) Templeton Emerging Markets Bond Fund
(i) Templeton Global Balanced Fund
(j) Templeton Global Bond Fund
(k) Templeton Global High Yield Fund
(l) Templeton Global Income Fund
(m) Templeton Global Total Return Fund

II. Replacement of "People's Republic of China" with "Mainland China"

The references to "People's Republic of China" in the investment policies of the following Funds shall be replaced by "Mainland China" to clarify that the particular reference does not include Hong Kong (which is separately referred to under the investment policy) or Macau:

(a) Templeton Asian Dividend Fund;
(b) Templeton Asian Growth Fund
(c) Templeton Asian Smaller Companies Fund
(d) Templeton China Fund

III. Franklin Euro Government Bond Fund

The following new paragraph will be added immediately following the fourth paragraph of the investment objective and policy of the Franklin Euro Government Bond Fund, as set out on page 28 of the Current Explanatory Memorandum and amended by the 2014 Third Addendum to the Current Explanatory Memorandum dated October 2014:

> "*The Fund may also utilise financial derivative instruments for hedging purposes and/or efficient portfolio management. These financial derivative instruments may be dealt on either (i) regulated markets, such as futures contracts (including those on government securities), as well as options or (ii) over-the-counter such as currency, exchange rate, and interest rate related swaps and forwards.*"

IV. Franklin Euro High Yield Fund

The second sentence of the second paragraph of the investment objective and policy of the Franklin Euro High Yield Fund, as set out on page 28 of the Current Explanatory Memorandum and amended by the 2014 Second Addendum to the Current Explanatory Memorandum dated April 2014, will be revised and restated as set out below:-

> "*These financial derivative instruments may include, inter alia, swaps such as credit default swaps or fixed income related total return swaps, forwards, futures contracts, as well as options on such contracts dealt ~~in~~ either on regulated markets or over-the-counter. The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes.*"

V. Franklin Global Convertible Securities Fund

The second paragraph of the investment objective and policy of Franklin Global Convertible Securities Fund on page 1 of the 2013 Addendum to the Current Explanatory Memorandum dated April 2013 relating to (amongst other things) the Franklin Global Convertible Securities Fund and amended by the 2014 Second Addendum to the Current Explanatory Memorandum dated April 2014, will be revised and restated as set out below:-

(a) Changes to the first and second sentences of the second paragraph:-

> "*The Fund seeks to achieve its investment objectives by investing primarily* in convertible securities (including low-rated, unrated, investment grade~~,~~ and/or non-investment grade securities ~~and/or securities in default~~) of corporate issuers globally. The Fund may also invest in other securities, such as common or preferred stocks and non-convertible debt securities (including low-rated, unrated, investment grade~~,~~and/or non-investment grade securities ~~and/or securities in default~~). The Fund may continue to hold securities subsequent to issuer default ("securities in default").*"

(b) Changes to the sixth sentence of the second paragraph:-

> "*These financial derivative instruments may be dealt ~~in~~ either on regulated markets or over-the-counter, and may include, inter alia, forwards and cross forwards as well as options.*"

(c) Changes to the last sentence of the second paragraph:-

> "*The Fund may also invest up to 10% of its net assets in securities in default and up to 10% of its net assets in units of UCITS and other UCIs.*"

VI. Franklin Global High Income Bond Fund

The second sentence of the first paragraph of the investment policy of Franklin Global High Income Bond Fund on page 7 of the 2014 Addendum to the Current Explanatory Memorandum dated March 2014 will be revised and restated as set out below:-

> "*For the purpose of this Fund, debt securities shall include all varieties of fixed and floating-rate income securities, bonds, mortgage- and other asset-backed securities, convertible securities, collateralised loan obligations ("CLOs"), collateralised debt obligations ("CDOs") and structured notes (including credit-linked notes).*"

VII. Franklin Global Real Estate Fund[*]

The second paragraph of the objective and policy of the Franklin Global Real Estate Fund on page 11 of the Current Explanatory Memorandum will be revised and restated as set out below:-

> "*The Investment Manager seeks to achieve its investment objective by investing in real estate investment trusts ("Real Estate Investment Trusts" or "REITs") and other real estate and real estate-related companies (including small to mid-sized companies) whose principal business is financing, dealing, holding, developing and managing real estate and which are located around the world, including emerging markets. "REITs" are companies the shares of which are listed on a stock exchange, which invest a significant portion of their net assets directly in real estate and which profit from a special and favourable tax regime. These investments of the Fund shall qualify as transferable securities. The Fund seeks to invest in companies across a wide range of real estate sectors and countries.*
>
> *The Fund may also utilise various financial derivative instruments for currency hedging and/or efficient portfolio management (such as but not limited to currency forwards and cross forwards, interest rate futures and swaps as well as options).*"

The fifth paragraph of the objective and policy of the Franklin Global Real Estate Fund on page 11 of the Current Explanatory Memorandum will be revised and restated as set out below:-

> "*The Fund is suitable for investors seeking ~~interest~~dividend income and capital appreciation ~~and seeking to~~by investing in companies across a wide range of real estate sectors and countries and planning to hold their investments for the medium to long term.*"

VIII. Franklin High Yield Fund

The second sentence of the second paragraph of the objective and policy of the Franklin High Yield Fund on page 12 of the Current Explanatory Memorandum and amended by the 2014 Second Addendum to the Current Explanatory Memorandum dated April 2014 will be revised and restated as set out below:-

> "*The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may include, inter alia, swaps such as credit default swaps or fixed income related total return swaps,*

[*] This Fund is authorised by the SFC under the SFC Code but not the Code on Real Estate Investment Trusts. SFC authorization is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product or its performance. It does not mean the product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

forwards, futures contracts, as well as options on such contracts dealt ~~in~~ either on regulated markets or over-the-counter."

IX. Franklin Natural Resources Fund

The first sentence of the second paragraph of the objective and policy of the Franklin Natural Resources Fund on page 17 of the Current Explanatory Memorandum will be revised and restated as set out below:-

"*The Fund invests primarily in equity ~~and debt~~ securities as well as depositary receipts of (i) companies which perform a substantial part of their business in the natural resources sector, and (ii) companies which hold a substantial part of their participations in companies referred to in (i), including small and mid-sized companies.*"

X. Franklin U.S. Equity Fund

The second and fourth paragraphs of the investment objective and policy of the Franklin U.S. Equity Fund on page 19 to 20 of the Current Explanatory Memorandum will with effect from 31 July 2015 be revised and restated as set out below:-

(Second paragraph) "*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~~, as well as macroeconomic and sector level considerations~~. 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.*"

(Fourth paragraph) "*The Fund is suitable for investors seeking capital appreciation through a blend style investment in a ~~well-~~diversified US equity fund and planning to hold their investments for the medium to long term.*"

Investors should note that the Fund may, in addition to the key risks disclosed in the Product Key Facts Statement of the Fund, be subject to concentration risk and market risk. For more information on concentration risk and market risk, please refer to paragraph 6 of the notice to shareholders dated 19 June 2015 and to page 45 of the Current Explanatory Memorandum respectively.

XI. Franklin World Perspectives Fund

The first and fourth sentences of the second paragraph of the objective and policy of the Franklin World Perspectives Fund on page 21 of the Current Explanatory Memorandum and amended by the 2011 Addendum to the Current Explanatory Memorandum dated June 2011 and the 2014 Second Addendum to the Current Explanatory Memorandum dated April 2014 will be revised and restated as set out below:-

(First sentence) "*The Fund seeks to achieve this objective by investing in equity and equity-related transferable securities (including equity-linked notes, such as participatory notes) across the world.*"

(Fourth sentence) "*The Fund may also invest in financial derivative instruments for hedging purposes and/or efficient portfolio management, which may include, inter alia, swaps such as credit default swaps, forwards, futures contracts, as well as options on such contracts dealt on either regulated markets or over-the-counter.*"

XII. Templeton Asian Dividend Fund

The following sentence shall with effect from 30 November 2015 be inserted at the end of the third paragraph of the investment policy of the Templeton Asian Dividend Fund, as set out on page 2 of the 2013 Addendum to the Current Explanatory Memorandum dated April 2013 and amended by the 2014 Second Addendum to the Current Explanatory Memorandum dated April 2014:-

> "*The Fund may invest up to 15% of its net assets in securities or structured products (such as equity-linked securities) where the security is linked to or derives its value from another security or is linked to assets or currencies of any country.*"

XIII. Templeton Asian Smaller Companies Fund

The last sentence of the second paragraph of the investment objective and policy of the Templeton Asian Smaller Companies Fund, as set out on page 24 of the Current Explanatory Memorandum and amended by the 2014 Second Addendum to the Current Explanatory Memorandum dated April 2014, will be revised and restated as set out below:-

> "*Furthermore, for the purpose of the Fund's investment objective, Asian small-cap companies are those having a market capitalisation at the time of ~~the~~initial purchase ~~of less than~~within the range of the market capitalisations of companies included in the MSCI AC Asia ex-Japan Small Cap Index ("Index"). Once a security qualifies for initial purchase, it continues to qualify for additional purchases as long as it is held by the Fund; however, if the maximum market capitalisations of companies allowed by the Index falls below USD 2 billion, the security will only qualify for additional purchases if its market capitalisation does not exceed USD 2 billion.*"

XIV. Templeton Eastern Europe Fund

The first paragraph of the objective and policy of the Templeton Eastern Europe Fund on page 25 of the Current Explanatory Memorandum will be revised and restated as set out below:-

> "*The Fund's investment objective is capital appreciation, which it seeks to achieve by investing primarily in listed equity securities of issuers organised under the laws of, or with their principal activities within the countries of Eastern Europe, as well as the New Independent States, e.g. the countries in Europe and Asia that were formerly part of or under the influence of the Soviet Union in the past (the "Region").*"

XV. Templeton Emerging Markets Fund

The third paragraph of the objective and policy of the Templeton Emerging Markets Fund on page 26 of the Current Explanatory Memorandum will be revised and restated as set out below:-

> "*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, participatory notes, securities convertible into common stock, and corporate and government debt obligations~~, which are US dollar and non-US dollar denominated~~.*"

XVI. Templeton Emerging Markets Balanced Fund

The first sentence of the third paragraph of the investment objective and policy of the Templeton Emerging Markets Balanced Fund, as set out on the 2011 Second Addendum to the Current Explanatory Memorandum dated October 2011 and amended by the 2013 Third Addendum to the Current Explanatory Memorandum dated June 2013 and the 2014 Second Addendum to the Current Explanatory Memorandum dated April 2014, will be revised and restated as set out below:-

> "*The Fund may also utilize financial derivative instruments for hedging, efficient portfolio management and/or investment purposes.*"

XVII. Templeton Emerging Markets Smaller Companies Fund

The second sentence of the first paragraph, and the second paragraph, of the objective and policy of the Templeton Emerging Markets Smaller Companies Fund on page 27 of the Current Explanatory Memorandum will be revised and restated as set out below:-

> "*For the purpose of the Fund's investment objective, Emerging Market small cap companies are normally those having a market capitalisation at the time of ~~the purchase of less than USD2 billion~~ initial purchase within the range of the market capitalisations of companies included in the MSCI Emerging Markets Small Cap Index (Index). Once a security qualifies for initial purchase, it continues to qualify for additional purchases as long as it is held by the Fund; however, if the maximum market capitalisations of companies allowed by the Index falls below USD 2 billion, the security will only qualify for additional purchases if its market capitalisation does not exceed USD 2 billion.*
>
> *On an ancillary basis, the Fund may also invest in participatory notes, in debt securities of Emerging Market countries, which may be low-rated or unrated, and in transferable securities of issuers located in the developed countries.*"

XVIII. Templeton Frontier Markets Fund

The first sentence of the third paragraph of the investment objective and policy of the Templeton Frontier Markets Fund, as set out on pages 30 and 31 of the Current Explanatory Memorandum and amended by the 2011-12 Addendum to the Current Explanatory Memorandum dated January 2013, will be revised and restated as set out below:-

> "*Since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also invest in participatory notes and other types of transferable securities, including equity, equity-related and fixed income securities of issuers worldwide as well as in financial derivative instruments for hedging and/or efficient portfolio management purposes.*"

XIX. Templeton Global Balanced Fund

The following new paragraph will be added immediately following the second paragraph of the investment objective and policy of the Templeton Global Balanced Fund, as set out on page 32 of the Current Explanatory Memorandum:-

> "*The Fund may also utilise financial derivative instruments for hedging purposes and/or efficient portfolio management. These financial derivative instruments may be dealt on either (i) regulated markets, such as futures contracts (including those on government securities), as well as options or (ii) over-the-counter such as currency, exchange rate, and interest rate related swaps and forwards.*"

The following sentence shall be inserted at the end of the investment policy of the Templeton Global Balanced Fund, as set out on page 32 of the Current Explanatory Memorandum:-

> "*If and for so long as the Templeton Global Balanced Fund accepts investment by Malaysian investment funds authorized by the Malaysian Securities Commission as feeders, the Templeton Global Balanced Fund will typically invest 65% of its net assets in equity and equity-linked securities and 35% of its net assets in fixed income securities and liquid assets, with a permitted deviation of up to 5% of its net assets from this allocation.*"

XX. Templeton Global High Yield Fund

The second sentence of the second paragraph of the investment objective and policy of the Templeton Global High Yield Fund, as set out in page 34 of the Current Explanatory Memorandum and amended by the 2014

Second Addendum to the Current Explanatory Memorandum dated April 2014, will be revised and restated as set out below:-

> "*For the purpose of this Fund, debt securities shall include all varieties of fixed and floating rate income securities (including bank loans through regulated investment funds subject to the limits indicated below), bonds, mortgage and other asset-backed securities <u>(including collateralised debt obligations)</u> and convertible securities.*"

2. <u>Changes to the investment restrictions of the Company relating to the use of financial derivative instruments and techniques and instruments relating to transferable securities and money market instruments</u>

The following paragraph shall be inserted immediately after the sixth paragraph of the section "INVESTMENT RESTRICTIONS – 3. Financial derivative instruments" as set out on page 7 of the 2014 Second Addendum to the Current Explanatory Memorandum dated April 2014:-

> "*In accordance with the criteria laid down in the preceding paragraph, a Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by any EU Member State, its local authorities, or public international bodies of which one or more EU Member States are members, by any other State of the OECD, by Singapore or any member state of the G20, provided that such Fund holds securities at least from six different issues and that any single issue must not account for more than 30% of such Fund's net assets.*"

The following revisions shall be made to the section on "INVESTMENT RESTRICTIONS – 4. Use of techniques and instruments relating to transferable securities and money market instruments" as set out on pages 63 and 64 of the Current Explanatory Memorandum and as amended by the 2014 Second Addendum to the Current Explanatory Memorandum dated April 2014:

(a) the first paragraph of the section shall be amended as follows (with changes marked up):-

> "*To the maximum extent allowed by, and within the limits set forth in, the Law of 17 December 2010 as well as any present or future related Luxembourg laws or implementing regulations, circulars and the Luxembourg supervisory authority's positions (the "Regulations"), in particular the provisions of (i) article 11 of the Grand-Ducal regulation of February 8, 2008 relating to certain definitions of the Luxembourg Law of 20 December 2002 on undertakings for collective investment and of (ii) CSSF Circulars 08/356 and ~~13/559~~<u>14/592</u> relating to the rules applicable to undertakings for collective investments when they use certain techniques and instruments relating to transferable securities and money market instruments, each Fund may for the purpose of generating additional capital or income or for reducing costs or risks (A) enter, either as purchaser or seller, into optional as well as non optional repurchase transactions and (B) engage in securities lending transactions.*"; and

(b) the following paragraph will be inserted as a new paragraph immediately following the end of the fifth paragraph as set out on page 8 of the 2014 Second Addendum to the Current Explanatory Memorandum dated April 2014:

> "*In accordance with the criteria laid down in the precedent paragraph, a Fund may be fully collateralised in different transferable securities and money market instruments issued or guaranteed by any EU Member State, its local authorities, or public international bodies of which one or more EU Member States are members, by any other State of the OECD, by Singapore or any member state of the G20, provided that such Fund holds securities at least from six different issues and that any single issue must not account for more than 30% of such Fund's net assets.*"

3. <u>Revisions to disclosures on expected levels of leverage and maximum levels of leverage</u>

Paragraph (a) of Part III of the 2011-12 Addendum to the Current Explanatory Memorandum dated January 2013 on "Investment in financial derivative instruments", will be revised and restated as set out below:-

"*(a) FDIs may be used extensively for investment purpose in respect of the following sub-funds:-*

- *<u>Franklin Strategic Income Fund</u>*
- *Templeton Asian Bond Fund*
- *Templeton Emerging Markets Bond Fund*
- *Templeton Global Bond Fund*
- *Templeton Global Income Fund*
- *Templeton Global High Yield Fund*
- *Templeton Global Total Return Fund*

(collectively, the "Sub-Funds")"

Paragraph (b)(iii) of Part III of the 2011-12 Addendum to the Current Explanatory Memorandum dated January 2013 on "Investment in financial derivative instruments", shall be deleted in its entirety and replaced by the following paragraph:-

"*(iii) The Sub-Funds use relative Value-at Risk (VaR) approach to calculate the global exposure of the Sub-Funds. VaR is a measure of the maximum potential loss that could arise over a given time interval under normal market conditions, and at a given confidence level. Under Luxembourg Law, absolute VaR limits are currently 20% of total net assets and relative VaR limits are currently twice or 200% of the benchmark VaR.*"

Paragraph (b)(iv) of Part III of the 2011-12 Addendum to the Current Explanatory Memorandum dated January 2013 on "Investment in financial derivative instruments", as amended by the 2013 Third Addendum to the Current Explanatory Memorandum dated June 2013, shall be deleted in its entirety and replaced by the following paragraph:-

"*(iv) The expected level of leverage (based on the "sum of notionals" approach) and the maximum level of leverage (based on the "commitment" approach) for the Sub-Funds (as a percentage of the net asset value of the Sub-Funds) are as follows:-*

	Current expected level of leverage (based on "sum of notionals" approach)	***Expected maximum level of leverage (based on "commitment" approach)***
Franklin Strategic Income Fund	*30%*	*100%*
Templeton Asian Bond Fund	*40%*	*225%*
Templeton Emerging Markets Bond Fund	*70%*	*175%*
Templeton Global Bond Fund	*110%*	*225%*
Templeton Global High Yield Fund	*20%*	*100%*
Templeton Global Income Fund	*30%*	*225%*
Templeton Global Total Return Fund	*100%*	*225%*

The current expected level of leverage (based on the "sum of notionals" approach) and the expected maximum level of leverage (based on the "commitment" approach) for the Sub-Funds are not regulatory limits for the Sub-Funds (as these Sub-Funds use relative VaR as their measure of global exposure, not the commitment approach) and should be used for indicative purposes only. The level of leverage in a Sub-Fund may be higher or lower than the expected level shown above at any time as long as the Sub-Fund remains in line with its risk profile and *complies with its relative VaR limit. The level of leverage in a Sub-Fund is not expected to exceed the maximum level indicated above but investors should note that there is possibility of higher leverage levels in certain circumstances, such as when trades are put in reaction to sudden high market volatility (to mitigate risk).*

The expected level of leverage based on the "sum of notionals" approach is measured as the sum of notionals of all financial derivative contracts entered into by the relevant Sub-Fund expressed as a percentage of the relevant Sub-Fund's net asset value. The leverage is a measure of the aggregate derivative usage and therefore does not take into account other physical assets directly held in the portfolio of the relevant Sub-Fund.

The expected level of leverage is an estimate only and may be subject to higher leverage levels when cross currency positions or negative positions, which may be held to hedge against market risk or eliminate or reduce undesired investment risk in the portfolio, are a larger portion of the portfolios. The leverage calculation method used is the sum of notionals.*

**The level of leverage is measured as the sum of notionals of all financial derivative contracts entered into by the relevant Sub-Fund expressed as a percentage of the Sub-Fund's net asset value. This methodology does not:*

- *make a distinction between financial derivative instruments that are used for investment or hedging purposes;*
- *allow the netting of derivative positions;*
- *take into account the derivative underlying assets' volatility or make a distinction between short-dated & long-dated assets; or*
- *consider the delta for option contracts, so there is no adjustment for the likelihood that any option contract will be exercised.*

The annual report of the Company will provide the actual level of leverage based on the "sum of notionals" approach over the applicable period and additional explanations on this figure.

The expected maximum level of leverage based on the commitment approach is calculated in line with the Committee of European Securities Regulators' Guidelines on Risk Measurement and the Calculation of Global Exposure and Counterparty Risk for UCITS dated 28 July 2010 (Ref. CESR/10-788), and factors in the market value of the equivalent positions in the underlying assets of the financial derivative instruments held by a Sub-Fund (sometimes referred to as "notional exposure"), after taking into account netting and hedging arrangements where the market value of underlying security positions may be offset by other commitments related to the same underlying positions. Such netting and hedging arrangement are not applied to the "sum of notionals" approach, which factors in the notional amounts for all derivative contracts regardless of whether it is a hedge or not. However, the commitment approach does require that, in instances where neither leg of a forward currency transaction is denominated in the base currency of the Sub-Fund, both legs of the transaction need to be reflected in the commitment approach calculation, whereas under the "sum of notionals" approach only one leg would be included. For this reason, it is possible for the commitment approach figure to be higher than the "sum of notionals" figure despite the offsets allowed when netting and hedging arrangements are applied. Global exposure using the commitment approach is expressed as an absolute percentage of total net assets."

4. <u>Changes to investment managers</u>

I. Franklin Mutual European Fund

With effect from 31 July 2015, paragraph 7 of the 2014 Third Addendum to the Current Explanatory Memorandum dated October 2014 shall be deleted in its entirety.

II. Templeton Euroland Fund and Templeton European Fund

With effect from 30 November 2015, the changes set out in paragraphs 6(A) and 6(B) on page 13 of the 2014 Addendum to the Current Explanatory Memorandum dated March 2014 will be reinstated.

III. Templeton Global Smaller Companies Fund

With effect from 31 July 2015:

(a) the list of Funds managed by Franklin Templeton Investments Corp. as set out under the section headed "MANAGEMENT AND ADMINISTRATION – Investment Managers" on page 87 of the Current Explanatory Memorandum shall be deleted in its entirety;

(b) all references to "Franklin Templeton Investments Corp." shall be deleted from the Current Explanatory Memorandum;

(c) the following list of Funds managed by Templeton Investment Counsel, LLC shall be inserted at the end of the same section on page 87 of the Current Explanatory Memorandum:-

"***Templeton Investment Counsel, LLC manages the following Fund:***

Templeton Global Smaller Companies Fund";

(d) Templeton Investment Counsel, LLC shall be included in the lists of Investment Managers in the second paragraph of the section headed "INTRODUCTION – Franklin Templeton Investment Funds" on page 2 of the Current Explanatory Memorandum and in the first paragraph of the section headed "MANAGEMENT AND ADMINISTRATION – Investment Managers" on page 86 of the Current Explanatory Memorandum; and

(e) the following paragraph shall be inserted under the section headed "ADMINISTRATION – Investment Managers" on page 89 of the Current Explanatory Memorandum:

"*TEMPLETON INVESTMENT COUNSEL, LLC*
300 S.E., 2nd Street
Fort Lauderdale
Florida 33301
United States".

IV. Franklin Asia Credit Fund

With effect from 1 April 2016, the list of Investment Manager(s) for Franklin Asia Credit Fund as set out on page 3 of the 2015 Second Addendum dated October 2015 to the Current Explanatory Memorandum shall be amended by replacing the word 'and' with a comma, and by adding the words "and Templeton Asset Management Limited" immediately after "Franklin Templeton Institutional, LLC".

V. Templeton Eastern Europe Fund

With effect from 1 April 2016:

(a) the list of Funds managed by Templeton Asset Management Limited as set out on page 87 of the Current Explanatory Memorandum shall be amended by adding the symbol "*" immediately after the name of Templeton Eastern Europe Fund and adding the following footnote under the list:

“**Templeton Asset Management Limited has been appointed as a Co-Investment Manager of this Fund, together with Franklin Templeton Investment Management Limited.*”; and

(b) the list of Funds managed by Franklin Templeton Investment Management Limited as set out on page 87 of the Current Explanatory Memorandum shall be amended by adding the words “Templeton Eastern Europe Fund*;” at the top of the list, adding the following footnote as the first footnote under the list:

“**Franklin Templeton Investment Management Limited has been appointed as a Co-Investment Manager of this Fund, together with Templeton Asset Management Limited.*”.

VI. Templeton Frontier Markets Fund

With effect from 1 April 2016:

(a) the list of Funds managed by Templeton Asset Management Limited as set out on page 87 of the Current Explanatory Memorandum shall be amended by adding the symbol “**” immediately after the name of Templeton Frontier Markets Fund and adding the following footnote as the second footnote under the list:

“***Templeton Asset Management Limited has been appointed as a Co-Investment Manager of this Fund, together with Franklin Templeton Investment Management Limited.*”; and

(b) the list of Funds managed by Franklin Templeton Investment Management Limited as set out on page 87 of the Current Explanatory Memorandum shall be amended by adding the words “Templeton Frontier Markets Fund**;” immediately following the reference to “Templeton European Fund;” and adding the following footnote as the second footnote under the list:

“***Franklin Templeton Investment Management Limited has been appointed as a Co-Investment Manager of this Fund, together with Templeton Asset Management Limited.*”.

VII. Templeton Latin America Fund

With effect from 1 April 2016:

(a) the list of Funds managed by Templeton Asset Management Limited as set out on page 87 of the Current Explanatory Memorandum shall be amended by adding the symbol “***” immediately after the name of Templeton Latin America Fund and adding the following footnote as the third footnote under the list:

“****Templeton Asset Management Limited has been appointed as a Co-Investment Manager of this Fund, together with Franklin Templeton Investimentos (Brasil) Ltda.*”;

(b) Franklin Templeton Investimentos (Brasil) Ltda. shall be included in the list of investment managers named in the fourth paragraph of page 2 and the first paragraph of page 86 of the Current Explanatory Memorandum. The following shall be inserted immediately before the list of Funds managed by Franklin Templeton Investment Management Limited on page 87 of the Current Explanatory Memorandum:

“**Franklin Templeton Investimentos (Brasil) Ltda. manages the following Fund:**

Templeton Latin America Fund*
**Franklin Templeton Investimentos (Brasil) Ltda. has been appointed as Co-Investment Manager of this Fund, together with Templeton Asset Management Limited.*”; and

(c) the following paragraph shall be inserted under the heading “INVESTMENT MANAGERS” on page 89 of the Current Explanatory Memorandum:

"*FRANKLIN TEMPLETON INVESTIMENTOS (Brasil) Ltda.*
Avenue Brigadeiro Faria Lima 3311, 5o andar,
São Paulo 04538-133,
Brazil"

5. <u>Clarifications on the amount of maintenance charge that is payable for each share class of the Funds and on the use of the maintenance charge by the Principal Distributor</u>

With effect from 31 July 2015, the section of the Current Explanatory Memorandum on "CHARGES AND EXPENSES" will be revised and restated as set out below:-

(a) All references to "up to" and "(up to)" in the tables on Annual Management Fees for Class A Shares, Class B Shares and Class N Shares on pages 72 to 73, page 74 and pages 78 to 79 respectively, will be deleted.

(b) Page 8 of the 2014 Addendum to the Current Explanatory Memorandum dated March 2014 will be amended to clarify that the annual maintenance charge for Class A Shares of the Franklin Global High Income Bond Fund is 0.40% and that the aggregate of the annual management fee and the annual maintenance charge for Class A Shares of the Franklin Global High Income Bond Fund is 1.20%.

(c) Page 10 of the 2014 Addendum to the Current Explanatory Memorandum dated March 2014 will be amended to clarify that the annual maintenance charge for Class A Shares of the Franklin Global Listed Infrastructure Fund is 0.50% and that the aggregate of the annual management fee and the annual maintenance charge for Class A Shares of the Franklin Global Listed Infrastructure Fund is 1.50%.

(d) Page 2 of the 2013 Addendum to the Current Explanatory Memorandum dated April 2013 relating to the Franklin Global Convertible Securities Fund will be amended to clarify that the annual maintenance charge for Class A Shares of the Franklin Global Convertible Securities Fund is 0.50% and that the aggregate of the annual management fee and the annual maintenance charge for Class A Shares of the Franklin Global Convertible Securities Fund is 1.25%.

(e) Page 3 of the 2013 Addendum to the Current Explanatory Memorandum dated April 2013relating to the Templeton Asian Dividend Fund will be amended to clarify that the annual maintenance charge for Class A Shares of the Templeton Asian Dividend Fund is 0.50% and that the aggregate of the annual management fee and the annual maintenance charge for Class A Shares of the Templeton Asian Dividend Fund is 1.85%.

(f) Page 2 of the 2011 Second Addendum to the Current Explanatory Memorandum dated October 2011 will be amended to clarify that the annual maintenance charge for Class A Shares of the Templeton Emerging Markets Balanced Fund is 0.50% and that the aggregate of the annual management fee and the annual maintenance charge for Class A Shares of the Templeton Emerging Markets Balanced Fund is 1.80%.

(g) The table appearing under the heading "CHARGES AND EXPENSES – CLASS B SHARES – Annual Management Fee" on page 74 of the Current Explanatory Memorandum shall be amended to clarify that the annual maintenance charge for Class B Shares of the Franklin U.S. Government Fund is 0.50%.

(h) The paragraph appearing under the heading "CHARGES AND EXPENSES – CLASS A SHARES – Maintenance Charge" on page 73 of the Current Explanatory Memorandum shall be amended as follows:

"*In the case of Class A Shares, a maintenance charge of ~~USD to~~ a certain percentage per annum of the applicable average net asset value is deducted and paid to the Principal Distributor in order to compensate the Principal Distributor for any expenses incurred by it in connection with ~~S~~<u>s</u>hareholder~~s~~ liaison and administration of the Shares. The charge is accrued daily and paid monthly to the Principal Distributor.*

<u>*The Principal Distributor will generally pay part or all of this maintenance charge to various third party sub-distributors, intermediaries or brokers/dealers.*</u>"

(i) The paragraphs appearing under the heading "CHARGES AND EXPENSES – CLASS B SHARES – Maintenance Charge" on page 75 of the Current Explanatory Memorandum shall be amended as follows:

"*~~In addition, i~~<u>I</u>n the case of Class B Shares, a maintenance charge of ~~up to~~ 0.75% per annum of the applicable average net asset value is deducted and paid to the Principal Distributor, in order to compensate the Principal Distributor for any expenses incurred by it in connection with shareholder~~s~~ liaison and administration of the ~~s~~<u>S</u>hares and the handling of the CDSC. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor.*

~~The maintenance charge paid to the Principal Distributor may be used to defray certain charges for individual investors or for particular groups of investors.~~ <u>The Principal Distributor will generally pay part or all of this maintenance charge to various third party sub-distributors, intermediaries or brokers/dealers.</u>"

(j) The references to "Distribution Charge" in the table on Annual Management Fees for Class N Shares on pages 78 to 79 of the Current Explanatory Memorandum shall be replaced with "Maintenance Charge" and the table has been revised and restated to clarify that the maintenance charge and aggregate charge for Class N Shares will be at the levels set out in the table below:

Fund Name Class N Shares	**Revised Maintenance Charge**	**Revised Aggregate Charge**
Franklin High Yield Fund	1.00%	1.80%
Franklin Income Fund	1.00%	1.85%
Franklin India Fund	1.25%	2.25%
Franklin MENA Fund	1.00%	2.50%
Franklin Mutual Beacon Fund	1.25%	2.25%
Franklin Mutual European Fund	1.25%	2.25%
Franklin Mutual Global Discovery Fund	1.25%	2.25%
Franklin U.S. Equity Fund	1.25%	2.25%
Franklin U.S. Government Fund	1.00%	1.65%
Franklin U.S. Small-Mid Cap Growth Fund	1.25%	2.25%
Templeton Asian Bond Fund	1.00%	1.75%
Templeton Asian Growth Fund	1.00%	2.35%
Templeton BRIC Fund	1.00%	2.60%
Templeton Eastern Europe Fund	1.00%	2.60%
Templeton Emerging Markets Fund	1.00%	2.60%
Templeton European Fund*	1.25%	2.25%
Templeton Global Fund	1.25%	2.25%
Templeton Global Bond Fund	1.00%	1.75%
Templeton Global Equity Income Fund*	1.25%	2.25%
Templeton Global Income Fund	1.00%	1.85%
Templeton Global Smaller Companies Fund	1.25%	2.25%
Templeton Global Total Return Fund	1.00%	1.75%
Templeton Latin America Fund	1.00%	2.40%

** The Class N Shares of the Templeton European Fund and the Templeton Global Equity Income Fund have ceased to be offered under the Current Explanatory Memorandum. Please refer to the 2011 Addendum to the Current Explanatory Memorandum dated June 2011 for details.*

(k) The third paragraph appearing under the heading "CHARGES AND EXPENSES – CLASS N SHARES – Annual Management Fees" on page 79 of the Current Explanatory Memorandum Changes shall be amended as follows:

"*In addition to any other terms, Class N Shares are subject to an ~~distribution~~annual maintenance charge as stated in the table above~~of up to 1.25% per annum of the applicable average net asset value~~, deducted and paid to the Principal Distributor for any expenses incurred by it in connection with ~~providing distribution and S~~shareholder liaison and administration of the Shares~~services to the Company~~. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor.*

The Principal Distributor will generally pay part or all of this maintenance charge to various third party sub-distributors, intermediaries or brokers/dealers."

6. Disclosure of the Management Company's policy in relation to soft closures

The following paragraph will be inserted immediately before the heading "MINIMUM INVESTMENT" on page 4 of the Current Explanatory Memorandum:-

"***FUND SOFT CLOSURE***

A Fund, or Share Class, may be closed to new investors or to all new subscriptions or switches in (but not to redemptions or switches out) if, in the opinion of the Management Company, closing is necessary to protect the interests of existing Shareholders. Without limiting the circumstances where closing may be appropriate, one such circumstance would be where the Fund has reached a size such that the capacity of the market and/or the capacity of the relevant Investment Manager has been reached, and where to permit further inflows would be detrimental to the performance of the Fund. Any Fund, or Share Class, may be closed to new investors or all new subscriptions or switches in without notice to Shareholders.

Notwithstanding the above, the Management Company may allow, at its discretion, the continuation of subscriptions from regular savings schemes on the basis that these types of flows present no challenge with respect to capacity. Once closed, a Fund or a Share Class will not be re-opened until, in the opinion of the Management Company, the circumstances which required closure no longer prevail. Shareholders and potential investors should contact the Hong Kong Representative for the current status of Funds or Share Classes."

7. Payment of redemption monies

The following sentence will be inserted immediately following the fifth sentence of the second paragraph under the heading "REDEMPTIONS – Instructions and Payments" on page 68 of the Current Explanatory Memorandum:

"*Investors should note that if their redemption instruction is accompanied by a request to pay the sale proceeds into a bank account located in a country other than the investor's country of residence, the Company and/or the Management Company reserves the right to delay the execution of the transaction or the release of the payment proceeds, until additional information or documentation is received that provides additional investor protection to the satisfaction of the Company and/or the Management Company. This procedure is subject to the requirements of the Securities and Futures Commission's Code on Unit Trusts and Mutual Funds, including the maximum interval of one calendar month between the receipt of a properly documented redemption request and the payment of the redemption money*."

8. Revisions to risk disclosures

(A) Replacement of "People's Republic of China" and "PRC" with "Mainland China"

The references to “People's Republic of China” and “PRC” in the following risk disclosures under the section “INVESTMENT CONSIDERATIONS – Risk Considerations” shall be replaced by “Mainland China” to clarify that the particular reference does not include Hong Kong or Macau:

(i) Chinese Short Swing Profit Rule risk
(ii) Shanghai-Hong Kong Stock Connect risk

(B) Collateralised Debt Obligations risk

The following new risk disclosure shall be added immediately after the sub-section headed “Class Hedging risk” under the section “INVESTMENT CONSIDERATIONS – Risk Considerations” on page 39 of the Current Explanatory Memorandum (as amended by the 2013 Addendum to the Current Explanatory Memorandum dated April 2013):-

“***Collateralised Debt Obligations risk***

Some funds (such as the Franklin Global High Income Bond Fund and the Templeton Global High Yield Fund) may invest in particular types of asset-backed security known as Collateralised Debt Obligation (CDOs) or (if loans are the underlying asset) Collateralised Loan Obligations (CLOs). The risks of an investment in a CDO or CLO depend largely on the type of collateral held by the special purpose entity (SPE) and the tranche of the CDO or CLO in which a Fund invests. In a typical CDO or CLO structure, there are multiple tranches with varying degrees of seniority, with the most senior tranche getting first access to the interest and principal payments from the pool of underlying assets, the next most senior getting second access, and so on down the line until the residual (or equity tranche) which has the last call on the interest and principal. The lower the priority of the tranche is, the greater the risk. Investment risk may also be affected by the performance of the collateral manager (the entity responsible for selecting and managing the pool of collateral securities held by the SPE trust), especially during a period of market volatility. CDOs or CLOs may be deemed to be illiquid securities and subject to a Fund’s restrictions on investments in illiquid securities. A Fund’s investment in CDOs or CLOs will not receive the same investor protection as an investment in registered securities. As a result of these factors, prices of CDO or CLO tranches can decline considerably.

In addition to the normal risks associated with debt securities and asset backed securities (e.g., interest rate risk, credit risk and default risk), CDOs and CLOs carry additional risks including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or quality or go into default or be downgraded; (iii) a Fund may invest in tranches of a CDO or CLO that are subordinate to other classes; and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer, difficulty in valuing the security or unexpected investment results, which may result in a substantial loss to the Fund.”

(C) High Leverage risk

The following revisions shall be made to the sub-section headed “High Leverage risk” under the section “INVESTMENT CONSIDERATIONS – Risk Considerations” on page 44 of the Current Explanatory Memorandum: (as amended by the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015):-

“***High Leverage risk***

Funds utilising financial derivative instruments extensively for investment purposes may have a net leverage exposure of over 100% of their net asset value to financial derivative instruments. Investors should note that the maximum leverage (based on the commitment approach) of the <u>Templeton Asian Bond Fund,</u> Templeton Emerging Markets Bond Fund, the Templeton Global

Bond Fund, Templeton Global Income Fund and the Templeton Global Total Return Fund is greater than 100%. Other Funds which use financial derivative instruments for investment purposes may also exceed this threshold in exceptional circumstances, for example, during times of heightened market uncertainty where a relevant Fund increases its use of derivatives in order to manage risk within the portfolio and protect against the potential effects of market events such as interest rate or currency movements or potential credit exposure. In adverse situations, this may result in significant or total loss to the relevant Fund(s)."

9. Closure of Class B Shares to New and Further Subscriptions

Please note that with effect from 1 April 2016, Class B Shares of the Company will cease to be available to new investors for subscription and existing shareholders of the Company will not be able to purchase Class B Shares for subsequent investment.

This arrangement will not affect the right of holders of Class B Shares to sell, transfer or switch their shares in accordance with the terms of the Current Explanatory Memorandum.

Franklin Templeton Investments (Asia) Limited
富蘭克林鄧普頓投資(亞洲)有限公司
17/F, Chater House
8 Connaught Road Central
Hong Kong
t +852 2877-7733
f +852 2877-5401
www.franklintempleton.com.hk

FRANKLIN TEMPLETON INVESTMENT FUNDS

2016 Addendum to the Explanatory Memorandum dated December 2010
Dated June 2016

Note: This 2016 Addendum dated June 2016 shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Investment Funds (the "**Company**") dated December 2010 as supplemented by the 2011 Addendum dated June 2011, the 2011 Second Addendum dated October 2011, the 2012 Addendum dated November 2012, the 2011-12 Addendum dated January 2013, the 2013 Addendum dated April 2013, the 2013 Second Addendum dated May 2013, the 2013 Second Addendum (I) dated May 2013, the 2013 Third Addendum dated June 2013, the 2014 Addendum dated March 2014, the 2014 Second Addendum dated April 2014, the 2014 Third Addendum dated October 2014, the 2015 Addendum dated March 2015 and the 2015 Second Addendum dated October 2015 (the "**Current Explanatory Memorandum**"). The Management Company accepts full responsibility for the accuracy of the information contained in this Addendum as at the date of its publication and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Please note that the following changes apply to the Current Explanatory Memorandum of the Company:

1. <u>New Funds</u>

With effect from June 2016, information about the following Funds will be included in the Current Explanatory Memorandum.

(A) Franklin NextStep Stable Growth Fund

Fund Name	Franklin NextStep Stable Growth Fund
Asset Class	Multi-Asset Fund
Base Currency	US dollar (USD)
Investment Objective and Policy	**<u>Investment Objective</u>** The Fund's investment objective is to seek the highest level of long-term total return. Total return includes capital growth and income. **<u>Investment Policy</u>** The Fund intends to achieve its objective by investing its net assets principally [1] in units of Undertakings for Collective Investment in

[1] It generally means that at least two-thirds and less than 100% of the Fund's net assets shall be invested in collective investment schemes. In exceptional market circumstances (such as extreme volatility) and on a temporary basis only, up to 100% of the Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading.

	Transferable Securities ("UCITS") and other open and closed-end Undertakings for Collective Investment ("UCIs")[2] (including exchange traded funds), managed by Franklin Templeton Investments entities as well as other asset managers ("Underlying Funds"), providing exposure to equity securities of any market capitalisation (including smaller and mid-sized companies) as well as fixed or floating-rate debt securities (including investment grade, non-investment grade or unrated debt securities issued or guaranteed by governments and corporations, provided that the Fund will not invest more than 10% of its assets in securities issued and/or guaranteed by any single government or government-related issuer with a credit rating below investment grade at the time of purchase) of issuers located anywhere in the world, including Asia, Europe, the US and emerging markets, with typically between 25% to 50% of them located or having their principal business activities in the Asia region. The Fund may use financial derivative instruments for foreign exchange hedging purposes only.[3] Other than as specified above, the Fund invests with no prescribed regional, country, industry sector or market capitalisation limits for investment by its Underlying Funds. The Fund will seek to maintain an asset allocation exposure generally in the range of 10% to 30% for equities (including global equities, Asian equities, emerging market equities, European equities and US equities) and equity-related securities globally and 70% to 90% for fixed or floating rate debt securities (including global fixed income securities and Asian fixed income securities). These asset allocations may move out of these ranges from time to time based on market conditions and the Investment Managers' strategic and tactical asset allocation views. The Fund may invest in Underlying Funds that are authorised by the Securities and Futures Commission of Hong Kong ("SFC") or in recognised jurisdiction schemes as permitted by the SFC from time to time, currently including Ireland, Luxembourg and the United Kingdom (whether authorised by the SFC or not). The Fund may also invest up to 10% of its net assets in non-recognised jurisdiction schemes that are not authorised by the SFC. The Underlying Funds, which may include other sub-funds of the Company, may be unlisted or listed on exchanges located in countries such as France, Germany, Ireland, Italy, London, Mexico, Netherlands, Singapore, Switzerland and the United Kingdom. The Fund may, on an ancillary basis, through its investments in Underlying Funds, be exposed to convertible securities, credit-linked securities, debt securities on which the issuer is currently (at the time of purchase) not making principal or interest payments (defaulted debt securities) as well as securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy (restructuring companies).

[2] The Investment Managers do not intend to invest more than 10% of the Fund's net assets in non-UCITS UCIs.
[3] The Fund does not intend to invest extensively in financial derivative instruments for investment purposes or Underlying Funds that use financial derivative instruments extensively for investment purposes. Any change to the purposes for which and the extent to which financial derivative instruments will be used by the Fund will be subject to the Securities and Futures Commission's prior approval and at least one month's prior written notice will be given to investors, where appropriate.

Investor's Profile[4]	The Fund may appeal to investors looking: - for a high level of long-term total return that is consistent with a low to moderate level of risk; and - to invest for the medium to long term.
Risks of Investing in the Fund	The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" as set out on pages 38 to 50 of the Current Explanatory Memorandum for a full description of these risks. • Asset Allocation risk • Convertible Securities risk • Counterparty risk • Credit risk • Credit-Linked Securities risk • Defaulted Debt Securities risk • Derivative Instruments risk • Dividend Policy risk • Emerging Markets risk • Equity risk • Eurozone risk • Foreign Currency risk • Interest Rate Securities risk • Investment Funds risk • Liquidity risk • Low-Rated and Non-Investment Grade Securities risk • Market risk • Regional Market risk • Restructuring Companies risk • Smaller and Midsize Companies risk • Sovereign Debt risk • Valuation risk
Management Company	Franklin Templeton International Services S.à r.l.
Investment Manager(s)	Franklin Advisers, Inc. and Franklin Templeton Investments Corp.
Share Classes	A (acc) USD, A (Mdis) USD, A (acc) HKD, A (Mdis) HKD, A (acc) SGD-H1, A (Mdis) SGD-H1
Annual Management Fee	Class A : 0.80%
Annual Maintenance Charge	Class A : 0.30%

[4] The information contained in the "Investor's Profile" section is provided for reference only.
- Before making any investment decisions, investors should consider their own specific circumstances, including, without limitation, their own risk tolerance level, financial circumstances and investment objectives etc.
- If in doubt, investors should consult their stockbrokers, bank managers, solicitors, accountants, representative banks or other financial advisers.

Aggregate of the above charges	Class A : 1.10%
Sales Charge	Class A : Up to 5%
Financial period to be covered by the first available financial report of the Fund	5 February 2016 to 30 June 2016

The establishment expenses for the Fund are estimated to be approximately US$8,000 to US$10,000 and are borne by the Company.

The Fund does not currently intend to engage in securities lending, repurchase, reverse repurchase agreements or other similar over-the-counter transactions.

Shares of this Fund are exclusively offered to selected intermediaries by invitation only based on specific agreement with the Management Company or the Hong Kong Representative. Shares of this Fund are made available to investors subscribing into the Fund through such intermediaries only. Please contact the Hong Kong Representative for additional information.

(B) Franklin NextStep Balanced Growth Fund

Fund Name	Franklin NextStep Balanced Growth Fund
Asset Class	Multi-Asset Fund
Base Currency	US dollar (USD)
Investment Objective and Policy	**Investment Objective** The Fund's investment objective is to seek the highest level of long-term total return. Total return includes capital growth and income. **Investment Policy** The Fund intends to achieve its objective by investing its net assets principally [5] in units of Undertakings for Collective Investment in Transferable Securities ("UCITS") and other open and closed-end Undertakings for Collective Investment ("UCIs")[6] (including exchange traded funds), managed by Franklin Templeton Investments entities as well as other asset managers ("Underlying Funds"), providing exposure to equity securities of any market capitalisation (including smaller and mid-sized companies) as well as fixed or floating-rate debt securities (including investment grade, non-investment grade or unrated debt securities issued or guaranteed by governments and corporations, provided that the Fund will not invest more than 10% of its assets in securities issued and/or guaranteed by any single government or government-related issuer with a credit rating below investment grade at the time of purchase) of issuers located anywhere in the world, including

[5] It generally means that at least two-thirds and less than 100% of the Fund's net assets shall be invested in collective investment schemes. In exceptional market circumstances (such as extreme volatility) and on a temporary basis only, up to 100% of the Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading.

[6] The Investment Managers do not intend to invest more than 10% of the Fund's net assets in non-UCITS UCIs.

	Asia, Europe, the US and emerging markets, with typically between 25% to 50% of them located or having their principal business activities in the Asia region. The Fund may use financial derivative instruments for foreign exchange hedging purposes only.[7] Other than as specified above, the Fund invests with no prescribed regional, country, industry sector or market capitalisation limits for investment by its Underlying Funds. The Fund will seek to maintain an asset allocation exposure generally in the range of 45% to 65% for equities (including global equities, Asian equities, emerging market equities, European equities and US equities) and equity-related securities globally and 35% to 55% for fixed or floating rate debt securities (including global fixed income securities and Asian fixed income securities). These asset allocations may move out of these ranges from time to time based on market conditions and the Investment Managers' strategic and tactical asset allocation views. The Fund may invest in Underlying Funds that are authorised by the Securities and Futures Commission of Hong Kong ("SFC") or in recognised jurisdiction schemes as permitted by the SFC from time to time, currently including Ireland, Luxembourg and the United Kingdom (whether authorised by the SFC or not). The Fund may also invest up to 10% of its net assets in non-recognised jurisdiction schemes that are not authorised by the SFC. The Underlying Funds, which may include other sub-funds of the Company, may be unlisted or listed on exchanges located in countries such as France, Germany, Ireland, Italy, London, Mexico, Netherlands, Singapore, Switzerland and the United Kingdom. The Fund may, on an ancillary basis, through its investments in Underlying Funds, be exposed to convertible securities, credit-linked securities, debt securities on which the issuer is currently (at the time of purchase) not making principal or interest payments (defaulted debt securities) as well as securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy (restructuring companies).
Investor's Profile[8]	The Fund may appeal to investors looking: - for a high level of long-term total return that is consistent with a moderate level of risk; and - to invest for the medium to long term.
Risks of Investing in the Fund	The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to

[7] The Fund does not intend to invest extensively in financial derivative instruments for investment purposes or Underlying Funds that use financial derivative instruments extensively for investment purposes. Any change to the purposes for which and the extent to which financial derivative instruments will be used by the Fund will be subject to the Securities and Futures Commission's prior approval and at least one month's prior written notice will be given to investors, where appropriate.

[8] The information contained in the "Investor's Profile" section is provided for reference only.

- Before making any investment decisions, investors should consider their own specific circumstances, including, without limitation, their own risk tolerance level, financial circumstances and investment objectives etc.
- If in doubt, investors should consult their stockbrokers, bank managers, solicitors, accountants, representative banks or other financial advisers.

	time. Please refer to the Section "Risk Considerations" as set out on pages 38 to 50 of the Current Explanatory Memorandum for a full description of these risks. • Asset Allocation risk • Convertible Securities risk • Counterparty risk • Credit risk • Credit-Linked Securities risk • Defaulted Debt Securities risk • Derivative Instruments risk • Dividend Policy risk • Emerging Markets risk • Equity risk • Eurozone risk • Foreign Currency risk • Interest Rate Securities risk • Investment Funds risk • Liquidity risk • Low-Rated and Non-Investment Grade Securities risk • Market risk • Regional Market risk • Restructuring Companies risk • Smaller and Midsize Companies risk • Sovereign Debt risk • Valuation risk
Management Company	Franklin Templeton International Services S.à r.l.
Investment Manager(s)	Franklin Advisers, Inc. and Franklin Templeton Investments Corp.
Share Classes	A (acc) USD, A (Mdis) USD, A (acc) HKD, A (Mdis) HKD, A (acc) SGD-H1, A (Mdis) SGD-H1
Annual Management Fee	Class A : 0.85%
Annual Maintenance Charge	Class A : 0.40%
Aggregate of the above charges	Class A : 1.25%
Sales Charge	Class A : Up to 5%
Financial period to be covered by the first available financial report of the Fund	5 February 2016 to 30 June 2016

The establishment expenses for the Fund are estimated to be approximately US$8,000 to US$10,000 and are borne by the Company.

The Fund does not currently intend to engage in securities lending, repurchase, reverse repurchase agreements or other similar over-the-counter transactions.

Shares of this Fund are exclusively offered to selected intermediaries by invitation only based on specific agreement with the Management Company or the Hong Kong Representative. Shares of this Fund are made available to investors subscribing into the Fund through such intermediaries only. Please contact the Hong Kong Representative for additional information.

(C) Franklin NextStep Dynamic Growth Fund

Fund Name	Franklin NextStep Dynamic Growth Fund
Asset Class	Multi-Asset Fund
Base Currency	US dollar (USD)
Investment Objective and Policy	**<u>Investment Objective</u>** The Fund's investment objective is to seek the highest level of long-term total return. Total return includes capital growth and income. **<u>Investment Policy</u>** The Fund intends to achieve its objective by investing its net assets principally [9] in units of Undertakings for Collective Investment in Transferable Securities ("UCITS") and other open and closed-end Undertakings for Collective Investment ("UCIs")[10] (including exchange traded funds), managed by Franklin Templeton Investments entities as well as other asset managers ("Underlying Funds"), providing exposure to equity securities of any market capitalisation (including smaller and mid-sized companies) as well as fixed or floating-rate debt securities (including investment grade, non-investment grade or unrated debt securities issued or guaranteed by governments and corporations, provided that the Fund will not invest more than 10% of its assets in securities issued and/or guaranteed by any single government or government-related issuer with a credit rating below investment grade at the time of purchase) of issuers located anywhere in the world, including Asia, Europe, the US and emerging markets, with typically between 25% to 50% of them located or having their principal business activities in the Asia region. The Fund may use financial derivative instruments for foreign exchange hedging purposes only.[11] Other than as specified above, the Fund invests with no prescribed regional, country, industry sector or market capitalisation limits for investment by its Underlying Funds. The Fund will seek to maintain an asset allocation exposure generally in the range of 60% to 80% for equities (including global equities, Asian equities, emerging market

[9] It generally means that at least two-thirds and less than 100% of the Fund's net assets shall be invested in collective investment schemes. In exceptional market circumstances (such as extreme volatility) and on a temporary basis only, up to 100% of the Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading.

[10] The Investment Managers do not intend to invest more than 10% of the Fund's net assets in non-UCITS UCIs.

[11] The Fund does not intend to invest extensively in financial derivative instruments for investment purposes or Underlying Funds that use financial derivative instruments extensively for investment purposes. Any change to the purposes for which and the extent to which financial derivative instruments will be used by the Fund will be subject to the Securities and Futures Commission's prior approval and at least one month's prior written notice will be given to investors, where appropriate.

	equities, European equities and US equities) and equity-related securities globally and 20% to 40% for fixed or floating rate debt securities (including global fixed income securities and Asian fixed income securities). These asset allocations may move out of these ranges from time to time based on market conditions and the Investment Managers' strategic and tactical asset allocation views. The Fund may invest in Underlying Funds that are authorised by the Securities and Futures Commission of Hong Kong ("SFC") or in recognised jurisdiction schemes as permitted by the SFC from time to time, currently including Ireland, Luxembourg and the United Kingdom (whether authorised by the SFC or not). The Fund may also invest up to 10% of its net assets in non-recognised jurisdiction schemes that are not authorised by the SFC. The Underlying Funds, which may include other sub-funds of the Company, may be unlisted or listed on exchanges located in countries such as France, Germany, Ireland, Italy, London, Mexico, Netherlands, Singapore, Switzerland and the United Kingdom. The Fund may, on an ancillary basis, through its investments in Underlying Funds, be exposed to convertible securities, credit-linked securities, debt securities on which the issuer is currently (at the time of purchase) not making principal or interest payments (defaulted debt securities) as well as securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy (restructuring companies).
Investor's Profile[12]	The Fund may appeal to investors looking: - for a high level of long-term total return that is consistent with a higher level of risk; and - to invest for the long term.
Risks of Investing in the Fund	The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" as set out on pages 38 to 50 of the Current Explanatory Memorandum for a full description of these risks. • Asset Allocation risk • Convertible Securities risk • Counterparty risk • Credit risk • Credit-Linked Securities risk • Defaulted Debt Securities risk • Derivative Instruments risk • Dividend Policy risk • Emerging Markets risk • Equity risk

[12] The information contained in the "Investor's Profile" section is provided for reference only.
- Before making any investment decisions, investors should consider their own specific circumstances, including, without limitation, their own risk tolerance level, financial circumstances and investment objectives etc.
- If in doubt, investors should consult their stockbrokers, bank managers, solicitors, accountants, representative banks or other financial advisers.

	• Eurozone risk • Foreign Currency risk • Interest Rate Securities risk • Investment Funds risk • Liquidity risk • Low-Rated and Non-Investment Grade Securities risk • Market risk • Regional Market risk • Restructuring Companies risk • Smaller and Midsize Companies risk • Sovereign Debt risk • Valuation risk
Management Company	Franklin Templeton International Services S.à r.l.
Investment Manager(s)	Franklin Advisers, Inc. and Franklin Templeton Investments Corp.
Share Classes	A (acc) USD, A (Mdis) USD, A (acc) HKD, A (Mdis) HKD, A (acc) SGD-H1, A (Mdis) SGD-H1
Annual Management Fee	Class A : 0.85%
Annual Maintenance Charge	Class A : 0.50%
Aggregate of the above charges	Class A : 1.35%
Sales Charge	Class A : Up to 5%
Financial period to be covered by the first available financial report of the Fund	5 February 2016 to 30 June 2016

The establishment expenses for the Fund are estimated to be approximately US$8,000 to US$10,000 and are borne by the Company.

The Fund does not currently intend to engage in securities lending, repurchase, reverse repurchase agreements or other similar over-the-counter transactions.

Shares of this Fund are exclusively offered to selected intermediaries by invitation only based on specific agreement with the Management Company or the Hong Kong Representative. Shares of this Fund are made available to investors subscribing into the Fund through such intermediaries only. Please contact the Hong Kong Representative for additional information.

2. Information on Co-Investment Managers

With effect from June 2016, the following information will be included in the Current Explanatory Memorandum:

(a) The name “Franklin Templeton Investments Corp.” shall be included in the lists of Investment Managers in the second paragraph of the section headed “INTRODUCTION – Franklin Templeton Investment Funds” on page 2 of the Current Explanatory Memorandum and in the first paragraph of the section headed “MANAGEMENT AND ADMINISTRATION – Investment Managers” on page 86 of the Current Explanatory Memorandum.

(b) The list of Funds managed by Franklin Advisers, Inc. as set out on page 86 of the Current Explanatory Memorandum shall be amended by:

(i) inserting the following Fund names immediately following the name of Franklin Natural Resources Fund:

“*Franklin NextStep Stable Growth Fund****
*Franklin NextStep Balanced Growth Fund****
*Franklin NextStep Dynamic Growth Fund****”; and

(ii) adding the following footnote under the list:
“****Franklin Advisers, Inc. has been appointed as a Co-Investment Manager of this Fund, together with Franklin Templeton Investments Corp.*”.

(c) The following list of Funds managed by Franklin Templeton Investments Corp. shall be inserted immediately following the list of Funds managed by Franklin Mutual Advisers, LLC on page 87 of the Current Explanatory Memorandum:

“***Franklin Templeton Investments Corp. manages the following Funds:***

*Franklin NextStep Stable Growth Fund**
*Franklin NextStep Balanced Growth Fund**
*Franklin NextStep Dynamic Growth Fund**

**Franklin Templeton Investments Corp has been appointed as a Co-Investment Manager of this Fund, together with Franklin Advisers, Inc.*”

(d) The following paragraph shall be inserted under the section headed “ADMINISTRATION – Investment Managers” on page 89 of the Current Explanatory Memorandum:

“FRANKLIN TEMPLETON INVESTMENTS CORP.
200 King Street West, Suite 1500,
Toronto, Ontario M5H 3T4
Canada”

3. <u>Alternative currency classes and hedged share classes</u>

The following sub-sections on "Alternative Currency Classes" and "Hedged Share Classes" shall be inserted immediately after the table on available funds and share classes under the section headed "FRANKLIN TEMPLETON INVESTMENT FUNDS" on page 6 of the Current Explanatory Memorandum:

"***Alternative Currency Classes***

Share Classes may be offered in the following currencies:

- *Australian Dollar (AUD)*
- *Euro (EUR)*
- *Hong Kong Dollar (HKD)*
- *Singapore Dollar (SGD)*
- *US Dollar (USD)*
- *UK Sterling (GBP)*

or any other freely convertible currency.

Where the currency of denomination of a share class is different from the base currency of the Fund, such share class shall be referred to as an "alternative currency share class" and the currency in which the share class is denominated shall be referred to as an "alternative currency". The net asset value of alternative currency share classes will be calculated and published in the alternative currency and purchase payments for such Classes are to be paid by the investors, and sale proceeds are paid to selling investors, in such alternative currency, unless otherwise authorised under this Explanatory Memorandum and with the consent of investors, where appropriate. The Company does not currently intend to hedge the currency risks to which these Classes are exposed, except for Hedged Share Classes (as explained below).

The terms and conditions applicable to the share classes available in alternative currency are the same as those which apply for the same share classes offered in the base currency.

The Board of Directors may decide to offer alternative currency share classes in a currency other than those mentioned above, in which case this Explanatory Memorandum will be updated.

Hedged Share Classes

The Company may engage in currency hedging transactions with regard to certain share classes (the "Hedged Share Classes"). Each Hedged Share Class will be denominated in an alternative currency, which may be hedged against the base currency of the Fund to reduce exchange rate fluctuations and to reduce return fluctuations. Hedged Share Class using this methodology will contain the abbreviation "H1" in their denomination.

The terms and conditions applicable to the Hedged Share Classes are the same as those which apply for the same share classes offered in the base currency, the only difference being the hedging of the Hedged Share Class into the base currency of the Fund."

For details of the risks relating to alternative currency share classes and hedged share classes, please refer to the risk disclosures on "Foreign Currency risk" on page 43 of the Current Explanatory Memorandum and "Class Hedging risk" on page 38 of the Current Explanatory Memorandum, as amended.

4. <u>Addition to risk disclosures</u>

(A) Asset Allocation risk

The following new risk disclosure shall be added immediately before the sub-section "Biotechnology, Communication and Technology Sectors risk" under the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on page 38 of the Current Explanatory Memorandum:-

"***Asset Allocation risk***

Some Funds apply an actively managed asset allocation approach. The investments of such Funds may be periodically rebalanced and therefore the Funds may incur greater transaction costs than funds with a static allocation strategy. Such Funds could experience losses if the Investment Manager's and/or Investment Co-Managers' judgment about markets, future volatility, interest rates, industries, sectors and regions or the attractiveness, relative values, liquidity, effectiveness or potential appreciation of particular investments made for a Fund's portfolio prove to be incorrect. The Investment Manager's allocation of a Fund's assets among different asset classes, Investment Co-Managers, underlying funds and direct investments may not prove beneficial in light of subsequent market events. There can be no guarantee that these techniques or the Investment Manager's and/or Investment Co-Managers' investment decisions will produce the desired results. Additionally, legislative, regulatory, or tax developments may affect the investment techniques available to the Investment Manager and Investment Co-Managers in connection with managing the Fund and may also adversely affect the ability of the Fund to achieve its investment goals.

The Investment Manager and/or Investment Co-Managers may use modeling systems to implement their investment strategies for a Fund. There is no assurance that the modeling systems are complete or accurate, or representative of future market cycles, nor will they necessarily be beneficial to the Fund even if they are accurate. The results generated by these models may perform differently than in the past, or as expected. They may negatively affect Fund performance and the ability of a Fund to meet its investment goal for various reasons. For example, human judgment plays a role in building, using, testing, and modifying the financial algorithms and formulas used in these models. Additionally, there is a possibility that the historical data may be imprecise or become stale due to new events or changing circumstances which the models may not promptly detect. Market performance can be affected by non-quantitative factors (for example, market or trading system dysfunctions, investor fear or over-reaction or other emotional considerations) that are not easily integrated into the Investment Manager's or Investment Co-Managers' risk models. There may also be technical issues with the construction and implementation of quantitative models (for example, software or other technology malfunctions, or programming inaccuracies). Investors may be adversely affected as a result of these risks."

(B) Foreign Currency risk

The following new paragraph shall be inserted at the end of the risk disclosure on "Foreign Currency risk" on page 43 of the Current Explanatory Memorandum as amended by the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015:-

> "*Holders of Alternative Currency Classes are subject to certain additional currency risks. The total return ultimately realized by a holder of Shares of an Alternative Currency Class will be directly affected, either positively or negatively, by changes in the exchange rate between the currency of denomination of the Alternative Currency Class and the base currency of the Fund. The Company does not currently intend to hedge the currency risks to which Alternative Currency Classes are exposed, except for Hedged Share Classes.*"

(C) Real Estate Securities risk

The following paragraph shall replace the last paragraph of the risk disclosure on "Real Estate Securities risk" on page 47 of the Current Explanatory Memorandum (as amended by the 2015 Second Addendum to the Current Explanatory Memorandum dated October 2015):

> "*The REITs that a Fund may invest in or be exposed to may not necessarily be authorised by the Securities and Futures Commission of Hong Kong under the Code on Real Estate Investment Trusts. An investment in a Fund that invests in REITs extensively (such as the Franklin Global Real Estate Fund) or on an ancillary basis is not equivalent to an investment in a REIT. In addition, the dividend policy of a Fund which invests in or is exposed to REITs may be not representative of the dividend/payout policy of the underlying REITs.*"

(D) Regional Market risk

The following revisions shall be made to the sub-section headed "Regional Market risk" under the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on page 47 of the Current Explanatory Memorandum (as amended by the 2013 Addendum to the Current Explanatory Memorandum dated April 2013):-

> "***Regional Market risk***
>
> *Some Funds may invest in a single region, and as a result are subject to higher concentration risk and potentially greater volatility compared to Funds following a more <u>globally</u> diversified policy. <u>In addition, some regions may be dominated by a single country or a few countries, with the result that the Fund's investments may be concentrated to a significant degree in a single country or only a few countries, increasing the potential for volatility to an even greater extent.</u>*"

FRANKLIN TEMPLETON INVESTMENTS

Franklin Templeton Investments (Asia) Limited
富蘭克林鄧普頓投資(亞洲)有限公司
17/F, Chater House
8 Connaught Road Central
Hong Kong
t +852 2877-7733
f +852 2877-5401
www.franklintempleton.com.hk

FRANKLIN TEMPLETON INVESTMENT FUNDS

2015 Second Addendum to the Explanatory Memorandum dated December 2010
Dated October 2015

Note: This 2015 Second Addendum dated October 2015 shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Investment Funds (the "**Company**") dated December 2010 as supplemented by the 2011 Addendum dated June 2011, the 2011 Second Addendum dated October 2011, the 2012 Addendum dated November 2012, the 2011-12 Addendum dated January 2013, the 2013 Addendum dated April 2013, the 2013 Second Addendum dated May 2013, the 2013 Second Addendum (I) dated May 2013, the 2013 Third Addendum dated June 2013, the 2014 Addendum dated March 2014, the 2014 Second Addendum dated April 2014, the 2014 Third Addendum dated October 2014 and the 2015 Addendum dated March 2015 (the "**Current Explanatory Memorandum**"). The Management Company accepts full responsibility for the accuracy of the information contained in this Addendum as at the date of its publication and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Please note that the following changes apply to the Current Explanatory Memorandum of the Company:

1. New Funds

With effect from 30 October 2015, information about the following Funds will be included in the Current Explanatory Memorandum.

(A) Franklin Asia Credit Fund

Fund name	**Franklin Asia Credit Fund**
Investment Objective and Policy	**Investment Objective** The Fund's objective is to maximise total investment return through a combination of interest income and capital appreciation. **Investment Policy** The Fund seeks to achieve its objective by investing principally* in a portfolio composed of fixed and/or floating rate debt securities issued or guaranteed by governments (including government agencies and government-related bodies), corporations and/or financial institutions, which are either (i) domiciled in Asian countries† which are included in the JP Morgan Asia Credit Index benchmark

* It generally means that at least two-thirds of the Fund's net assets (without taking into account ancillary liquid assets) shall be invested into the relevant securities. In exceptional market circumstances (such as extreme volatility) and on a temporary basis only, up to 100% of the Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading.
† Although the Fund will be concentrated in one region (*i.e.*, Asia), the Fund currently does not intend to invest more than 20% of its net assets in a single country.

	("JACI benchmark"), or (ii) have significant business activities within countries included in the JACI benchmark. Debt securities may include bonds, notes, commercial paper‡, preferred securities§ (including trust-preferred securities**), contingent capital securities††, hybrid bonds‡‡, private placement securities and bonds convertible into common stock or with warrants attached, as well as covered bonds§§ and sukuk issues. Hybrid bonds and contingent capital securities not included in the JACI benchmark will not represent more than 10% of the Fund's net assets. The Fund may invest up to 10% of its net assets in securities issued and/or guaranteed by any single sovereign issuer (including its government and a public or local authority of that country) with a credit rating below investment grade and may hold securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy. The Fund may also continue to hold debt securities after the issuer has defaulted on principal or interest payments. The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt on either regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed-income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options (including warrants). Use of financial derivative instruments may result in negative returns in a specific yield curve/duration, currency or credit since, among other things, the price of financial derivative instruments are dependent on the price of their underlying instruments and these prices may go up or down. The Fund may invest up to 10% of its net assets into units of UCITS and other UCIs, which may include other Funds of the Company as well as exchange traded funds. Additionally, the Fund may invest up to 5% of its net assets in debt securities on which the issuer is currently not making principal or interest payments (defaulted debt securities). The Fund may distribute income gross of expenses.
Investor's Profile***	The Fund may appeal to investors looking for/to: - total investment return consisting of interest income and capital appreciation by investing in debt securities of issuers located throughout Asia; and

‡ Commercial paper are unsecured, short-term debt instruments issued by a corporation.

§ Preferred securities are a class of securities that gives the holder a claim, prior to the claim of common stockholders, on earnings and also generally on assets in the event of liquidation.

** A trust-preferred security is a hybrid security with characteristics of both debt and equity issues. It is generally very long term, allows early redemption by the issuer, makes periodic fixed or variable interest payments, and matures at face value.

†† A contingent capital security is a hybrid debt security that converts into equity when there is a crisis or when certain triggers (such as when an issuer's common equity ratio in relation to its regulatory risk-weighted assets falls below a specified level) are met.

‡‡ A hybrid bond is a hybrid debt security with characteristics of both debt and equity issues. It is a type of convertible security that is generally subordinated in priority, has a very long or perpetual tenor, and has a fixed interest rate which may change over the tenor of the bond.

§§ Covered bonds are securities issued by a financial institution and backed by a group of loans residing on the balance sheet of the financial institution known as the "cover pool". The assets in the pools can consist of high quality private mortgage loans or public sector loans, or a mix of the two.

*** The information contained in the "Investor's Profile" section is provided for reference only.

- Before making any investment decisions, investors should consider their own specific circumstances, including, without limitation, their own risk tolerance level, financial circumstances and investment objectives etc.
- If in doubt, investors should consult their stockbrokers, bank managers, solicitors, accountants, representative banks or other financial advisers.

	- invest for the medium to long term.
Risks of Investing in the Fund	The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section “Risk Considerations” as set out on pages 38 to 50 of the Current Explanatory Memorandum for a full description of these risks. • Class Hedging risk • Contingent Capital Securities risk • Convertible Securities risk • Counterparty risk • Covered Bonds risk • Credit risk • Credit-Linked Securities risk • Defaulted Debt Securities risk • Derivative Instruments risk • Dividend Policy risk • Emerging Markets risk • Foreign Currency risk • Hybrid Bonds risk • Interest Rate Securities risk • Liquidity risk • Low-Rated or Non-Investment Grade Securities risk • Market risk • Preferred Securities risk • Private Placement Securities risk • Restructuring Companies risk • Sukuk risk • Swap Agreements risk • Valuation risk • Warrants risk
Management Company	Franklin Templeton International Services S.à r.l.
Investment Manager(s)	Franklin Advisers, Inc. and Franklin Templeton Institutional, LLC.
Share Classes	A (acc) USD, A(Mdis) USD
Annual Management Fee	Class A : 0.75%
Annual Maintenance Charge	Class A : 0.30%
Aggregate of the above charges	Class A : 1.05%
Sales Charge	Class A : Up to 5%
Financial period to be covered by the first available financial report of the Fund	17 November 2014 to 30 June 2015

The establishment expenses for the Fund are estimated to be approximately US$8,000 to US$10,000 and are borne by the Company.

The Fund may invest in financial derivative instruments for investment purposes beyond hedging purposes. The name of the Fund, "Franklin Asia Credit Fund" shall be inserted in the list of funds that may invest in financial derivative instruments for investment purposes beyond hedging and/or efficient portfolio management purposes, on pages 8-9 of the Current Explanatory Memorandum.

The Fund does not intend to invest extensively in financial derivative instruments for investment purposes. Any change to the purposes for which and the extent to which financial derivative instruments will be used by the Fund will be subject to the Securities and Futures Commission's prior approval and at least one month's prior written notice will be given to investors, where appropriate.

The Fund does not currently intend to engage in securities lending, repurchase, reverse repurchase agreements or other similar over-the-counter transactions.

(B) Franklin Strategic Income Fund

Fund name	**Franklin Strategic Income Fund**
Investment Objective and Policy	**<u>Investment Objectives</u>** The Fund's primary investment objective is to earn a high level of current income. As a secondary investment objective, the Fund seeks capital appreciation over the long term.[†††] **<u>Investment Policy</u>** The Fund invests principally[‡‡‡] in debt securities globally, including those in emerging markets. For the purpose of this Fund, debt securities shall include all varieties of fixed and floating-rate income securities, including bank loans (through regulated investment funds and/or financial derivative instruments)[§§§], bonds, mortgage and other asset-backed securities (including collateralised debt obligations and mortgage dollar roll transactions[****]) and convertible securities. The Fund may invest up to 100% of its net assets in low-rated, unrated and non-investment grade debt securities of issuers worldwide[††††] and up to 100% of its net assets in securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy. In order to seek to achieve its objective, the Fund may use various financial derivative instruments for hedging, efficient portfolio management and/or investment purposes[‡‡‡‡], subject to the investment restrictions more fully described in the section headed "INVESTMENT CONSIDERATIONS – Investment Restrictions" of the Current Explanatory Memorandum.[§§§§] These financial derivative instruments may be either dealt on regulated markets or over-

[†††] The Fund primarily focuses on earning a high level of current income. This may diminish its ability to achieve sustainable capital growth. Investors should be aware that capital appreciation is a secondary objective.

[‡‡‡] It generally means that at least two-thirds of the Fund's net assets (without taking into account ancillary liquid assets) shall be invested into the relevant securities. In exceptional market circumstances (such as extreme volatility) and on a temporary basis only, up to 100% of the Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading.

[§§§] The Fund may be exposed to bank loans indirectly through its investments in regulated investment funds and/or financial derivative instruments.

[****] In a mortgage dollar roll transaction, the Fund sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase substantially similar securities on a specified future date.

[††††] The Fund does not intend to invest more than 10% of its net asset value in securities issued and/or guaranteed by any single sovereign issuer (including its government and a public or local authority of that country) with a credit rating below investment grade.

[‡‡‡‡] "Investment purposes" means taking an active position in financial derivative instruments which may be uncorrelated to the underlying assets of the Fund.

[§§§§] The Investment Manager may use derivatives to efficiently manage the risk associated with the Fund's strategy, seeking to capture the positive returns associated with debt securities, and reducing the impact a change of interest rates will have on the Fund's holding of debt securities. Currently, no specific strategy is being employed in relation to the use of derivatives to achieve these objectives.

	the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards (either of which may result in negative currency exposures), futures contracts (including those on government securities), as well as options. Examples of the Fund's use of financial derivative instruments for investment purposes, which may be uncorrelated to the underlying assets of the Fund, include taking active currency positions (such as long/short positions) via forwards and cross forwards, taking active credit positions via credit default swaps and taking active interest rate positions via fixed income related total return swaps. The Fund may invest up to 10% of its net assets in units of UCITS and other UCIs, up to 10% of its net assets in credit-linked securities and up to 10% of its net assets in securities in default. The Fund may also temporarily and/or on an ancillary basis[*****], seek investment opportunities in other types of transferable securities such as preferred stock, common stock and other equity-linked securities, and warrants. The Fund may distribute income gross of expenses.
Investor's Profile[†††††]	The Fund may appeal to investors looking for/to: - high level of current income and prospects for capital appreciation in USD by investing in debt securities and financial derivative instruments worldwide; and - invest for the medium to long term.
Risks of Investing in the Fund	The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" as set out on pages 38 to 50 of the Current Explanatory Memorandum for a full description of these risks. • Class Hedging risk • Collateralised Debt Obligations risk • Convertible Securities risk • Counterparty risk • Credit risk • Credit-Linked Securities risk • Defaulted Debt Securities risk • Derivative Instruments risk • Dividend Policy risk • Emerging Markets risk • Eurozone risk • Foreign Currency risk • Investment Funds risk • Liquidity risk • Loan Credit Derivatives risk • Low-Rated or Non-Investment Grade Securities risk • Market risk • Interest Rate Securities risk • Mortgage- and Asset-Backed Securities risk • Mortgage Dollar Roll risk • Prepayment risk

[*****] "Ancillary basis" generally means up to 10% of the Fund's net assets.
[†††††] The information contained in the "Investor's Profile" section is provided for reference only.

- Before making any investment decisions, investors should consider their own specific circumstances, including, without limitation, their own risk tolerance level, financial circumstances and investment objectives etc.
- If in doubt, investors should consult their stockbrokers, bank managers, solicitors, accountants, representative banks or other financial advisers.

	• Restructuring Companies risk • Swap Agreements risk • Valuation risk • Warrants risk
Level of Leverage	The expected level of leverage for the Fund (based on the "sum of notionals" approach) is 30%[‡‡‡‡‡]. The maximum level of leverage for the Fund (based on the "commitment" approach) is 100% [§§§§§]. Under Luxembourg Law, the absolute VaR limit is currently 20% of the Fund's total net assets and the relative VaR limit is currently twice or 200% of the Fund's benchmark VaR[******].
Management Company	Franklin Templeton International Services S.à r.l.
Investment Manager(s)	Franklin Advisers, Inc.
Share Classes	A (acc) USD, A(Mdis) AUD-H1, A(Mdis) EUR-H1, A(Mdis) USD
Annual Management Fee	Class A : 0.75%
Annual Maintenance Charge	Class A : 0.50%
Aggregate of the above charges	Class A : 1.25%
Sales Charge	Class A : Up to 5%
Financial period to be covered by the first available financial report of the Fund	1 July 2014 to 30 June 2015

The establishment expenses for the Fund are estimated to be approximately US$8,000 to US$10,000 and are borne by the Company.

The Fund may invest extensively in financial derivative instruments for investment purposes. The name of the Fund, "Franklin Strategic Income Fund" shall be inserted in the list of Funds that may use financial derivative instruments extensively for investment purposes, on page 9 of the Current Explanatory Memorandum (as amended by the 2011-12 Addendum dated January 2013). Any change to the purposes for which and the extent to which financial derivative instruments will be used by the Fund will be subject to the Securities and Futures Commission's prior approval and at least one month's prior written notice will be given to investors, where appropriate.

The Fund does not currently intend to engage in securities lending, repurchase, reverse repurchase agreements or other similar over-the-counter transactions.

[‡‡‡‡‡] The level of leverage in the Fund may be higher or lower than the expected level shown above in certain circumstances, such as high market volatility.

[§§§§§] The level of leverage in the Fund is not expected to exceed the maximum level indicated above but investors should note that there is possibility of higher leverage levels in certain circumstances, such as high market volatility.

[******] The relative VaR reference benchmark for the Fund is a blended benchmark of the following Barclays Capital Index components: US High Yield (10%), US Mortgage-Backed (10%), US Government (10%), US Credit (Corporates) (10%), US Commercial Mortgage-Backed (5%), Global Treasury ex-US (10%), US Dollar Emerging Markets Sovereign (10%), Emerging Market Local Currency Government (10%) and Global High Yield (25%).

(C) Templeton ASEAN Fund

Fund name	**Templeton ASEAN Fund**
Investment Objective and Policy	**<u>Investment Objective</u>** The Fund's investment objective is to provide long-term capital appreciation. **<u>Investment Policy</u>** The Fund seeks to achieve its objective by investing principally[††††††] in transferable equity and equity-related securities of companies of any market capitalisation which are (i) incorporated or listed in countries which are member states of the Association of Southeast Asian Nations (the "ASEAN region"), and/or (ii) listed or incorporated elsewhere in the world but which have their principal business activities in the ASEAN region. The ASEAN region includes but is not limited to the following countries: Brunei, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam. The Fund applies the traditional Templeton investment method. The stock selection approach is bottom-up, long-term value-oriented with strong emphasis on diligence and discipline.
Investor's Profile[‡‡‡‡‡‡]	The Fund may appeal to investors looking for/to: - capital appreciation by investing in equity securities of companies located in member states of the ASEAN; and - invest for the medium to long term.
Risks of Investing in the Fund	The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" as set out on pages 38 to 50 of the Current Explanatory Memorandum for a full description of these risks. • Counterparty risk • Dividend Policy risk • Emerging Markets risk • Equity risk • Foreign Currency risk • Liquidity risk • Market risk • Regional Market risk • Value Stocks risk
Management Company	Franklin Templeton International Services S.à r.l.
Investment Manager(s)	Templeton Asset Management Ltd.

[††††††] It generally means that at least two-thirds of the Fund's net assets (without taking into account ancillary liquid assets) shall be invested into the relevant securities. In exceptional market circumstances (such as extreme volatility) and on a temporary basis only, up to 100% of the Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading.

[‡‡‡‡‡‡] The information contained in the "Investor's Profile" section is provided for reference only.

- Before making any investment decisions, investors should consider their own specific circumstances, including, without limitation, their own risk tolerance level, financial circumstances and investment objectives etc.
- If in doubt, investors should consult their stockbrokers, bank managers, solicitors, accountants, representative banks or other financial advisers.

Share Classes	A (acc) USD
Annual Management Fee	Class A : 1.35%
Annual Maintenance Charge	Class A : 0.50%
Aggregate of the above charges	Class A : 1.85%
Sales Charge	Class A : Up to 5%
Financial period to be covered by the first available financial report of the Fund	17 November 2014 to 30 June 2015

The establishment expenses for the Fund are estimated to be approximately US$8,000 to US$10,000 and are borne by the Company.

The Fund does not intend to invest extensively in financial derivative instruments for investment purposes. Any change to the purposes for which and the extent to which financial derivative instruments will be used by the Fund will be subject to the Securities and Futures Commission's prior approval and at least one month's prior written notice will be given to investors, where appropriate.

In addition, the Fund does not intend to invest more than 10% of its net asset value in securities issued and/or guaranteed by any single sovereign issuer (including its government and a public or local authority of that country) with a credit rating below investment grade.

The Fund does not currently intend to engage in securities lending, repurchase, reverse repurchase agreements or other similar over-the-counter transactions.

Notwithstanding the incorporation of the availability of investment powers under the UCITS Directive 2001/108/EC into the Current Explanatory Memorandum of the Company, it is the intention of the Management Company to operate the Fund in accordance with the investment restrictions under UCITS I regulations. Any changes to the investment restrictions which apply to the Fund will, where necessary, be subject to the Securities and Futures Commission's prior approval and at least one month's prior written notice will be given to investors, where appropriate. Information on the investment restrictions under UCITS I regulations will be made available to Hong Kong investors by the Hong Kong representative upon request.

2. Availability of fund prices

The following revisions shall be made to the sub-section headed "SUMMARY – Other Information" on page 5 of the Current Explanatory Memorandum:-

> *"**OTHER INFORMATION***
>
> *Price and Account Balances: The latest Fund prices and your account balances are available from the Company by telephone. Prices of the Funds are also published ~~daily~~<u>on every Business Day in Hong Kong</u> on ~~our~~<u>the Hong Kong Representative's website</u> at www.franklintempleton.com.hk~~, as well as in the South China Morning Post and Hong Kong Economic Times~~.*
>
> *Investors Service & Information: Franklin Templeton Investments (Asia) Limited as Hong Kong Representative of the Funds is available to provide assistance to investors from 9 a.m. to 6 p.m.<u> on Business Days in Hong Kong</u>~~Mondays to Fridays except public holidays in Hong Kong~~."*

The following revisions shall be made to the sub-section headed "PURCHASE AND REDEMPTION OF SHARES – Prices" on page 71 of the Current Explanatory Memorandum:-

*"**PRICES***

The most recent dealing prices may be obtained by telephoning the Hong Kong Representative ~~on Hong Kong~~at (852) 2877 7733. ~~The Net Asset Value prices are also published daily in the South China Morning Post and Hong Kong Economic Times.~~ Prices may also be obtained on the ~~Internet~~Hong Kong Representative's website at ~~http://~~www.franklintempleton.com.hk."

3. Approval, procedure, information and/or confirmations required in relation to large purchases of Class B Shares

The following revisions shall be made to the second paragraph of the sub-section headed "CHARGES AND EXPENSES - CLASS B SHARES - Shares Issued Upon Reinvestment of Dividends" on page 76 of the Current Explanatory Memorandum:-

"The Transfer Agent reserves the right to require additional information and/or confirmation from the investor for large purchases into Class B Shares, which may result in a delay in the processing of the investment until receipt of the requested information/ confirmation. Institutions acting as nominees are permitted to purchase Class B Shares in their own name on behalf of investors provided that they have received explicit prior approval from the Transfer Agent to do so and do apply an agreed procedure to monitor the aging of these Shares."

4. United States nationals and Canadian residents

The references to "nationals or" in the second sentence of the second paragraph of the section "INTRODUCTION – Authorization and Registration" on page 3 of the Current Explanatory Memorandum shall be deleted.

The following revisions shall be made to the last paragraph of the section "INTRODUCTION – Authorization and Registration" on page 3 of the Current Explanatory Memorandum (as amended by the 2013 Second Addendum to the Current Explanatory Memorandum dated May 2013):-

"The Company is not registered in any provincial or territorial jurisdiction in Canada and Shares of the Company have not been qualified for sale in any Canadian jurisdiction under applicable securities laws. The Shares made available under this offer may not be directly or indirectly offered or sold in any provincial or territorial jurisdiction in Canada or to or for the benefit of residents thereof, unless such Canadian resident is, and will remain at all times during their investment, a "permitted client" as that term is defined in Canadian securities legislation. Prospective investors may be required to declare that they are not a Canadian resident and are not applying for Shares on behalf of any Canadian residents. If an investor becomes a Canadian resident after purchasing Shares of the Company, the investor will not be able to purchase any additional Shares of the Company."

5. Revisions to risk disclosures

(A) Chinese Short Swing Profit Rule risk

The following new risk disclosure shall be added after the sub-section "Chinese Market risk" under the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on page 38 of the Current Explanatory Memorandum (as amended by the 2015 Addendum to the Current Explanatory Memorandum dated March 2015):

"***Chinese Short Swing Profit Rule risk***

Under the PRC's regulations on disclosure of interests, a Fund may be deemed to be acting in concert with other funds and accounts managed by the Management Company and/or Investment Manager or their respective affiliates and therefore may be subject to the risk that the Fund's holdings may be required to be reported in the aggregate with the holdings of such other funds and accounts should the aggregate holdings trigger the reporting threshold under the PRC law, which is currently 5% of the total issued shares of a listed company. This may expose the Fund's holdings to the public and may potentially have an adverse impact on the performance of the Fund.

In addition, subject to the interpretation of PRC courts and PRC regulators, the operation of the PRC short swing profit rule may be applicable to a Fund's investments with the result that where the holdings of the Fund (possibly with the holdings of other investors deemed as concert parties of the Fund) exceed 5% of the total issued shares of a PRC listed company, the Fund may not reduce its holdings in such company within six months of the last purchase of shares of such company. If the Fund violates the rule and sells any of its holdings in such company in the six-month period, it may be required by the listed company to return any profits realised from such trading to the listed company. Moreover, under PRC civil procedures, the Fund's assets may be frozen to the extent of the claims made by such company. The inability to sell such assets and any obligation to return profits may adversely affect the performance of the Fund."

(B) Class Hedging risk

Paragraphs 2 to 5 of the risk disclosure on "Class Hedging risk" on page 38 of the Current Explanatory Memorandum shall be revised as follows (with revisions marked up):

"*The hedging will be undertaken to reduce exchange rate fluctuations in case the base currency of the Fund or other material currencies within the Fund (the "reference currency(ies)") is(are) declining or increasing in value relative to the hedged currency. The hedging strategy employed will seek to reduce as far as possible the exposure of the Hedged Share Classes so that the performance of the Hedged Share Classes closely tracks the performance of the Share Classes in base currency. ~~and n~~No assurance can be given that the hedging objective will be achieved. In the case of a net flow to or from a Hedged Share Class the hedging may not be adjusted and reflected in the net asset value of the Hedged Share Class until the following or a subsequent business day following the Valuation Day on which the instruction was accepted.*

This risk for holders of any Hedged Share Class may be mitigated by using any of the efficient portfolio management techniques and instruments (including currency options and forward currency exchange contracts, currency futures, written call options and purchased put options on currencies and currency swaps), within the conditions and limits imposed by the Luxembourg financial supervisory authority.

Investors should be aware that the hedging strategy may substantially limit Shareholders of the relevant Hedged Share Class from benefiting from any potential increase in value of the share class expressed in the reference currency (ies), if the Hedged Share Class currency falls against the reference currency(ies). Additionally, Shareholders of the Hedged Share Class may be exposed to fluctuations in the net asset value per Share reflecting the gains/losses on and the associated transaction costs of the relevant financial instruments used to implement the hedging strategy. The gains/losses on and the transaction costs of the relevant financial instruments will accrue solely to the relevant Hedged Share Class.

Any financial instruments used to implement such hedging strategies with respect to one or more Classes of a Fund shall be assets and/or liabilities of such Fund as a whole, but will be attributable to the relevant Class(es) and the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant Class. However, due to the lack of segregated liabilities between Classes of the same Fund, costs which are principally attributed to a specific Class may be ultimately charged to the Fund as a whole. Any currency exposure of a Class may not be combined with or offset against that of any other Class of a Fund. The currency exposure of the assets attributable to a Class may not be allocated to other Classes. No intentional leveraging should result from currency hedging transactions of a Class through hedging may exceed 100% for short periods (i) between redemption instructions and execution of the hedge trade and (ii) between market value decreases of assets being hedged and the execution of the hedge adjustment."

(C) Concentration risk

The following new risk disclosure shall be added after the sub-section "Class Hedging risk" and before the sub-section "Convertible securities risk" under the section "INVESTMENT CONSIDERATIONS – Risk

Considerations” on page 39 of the Current Explanatory Memorandum (as amended by the 2013 Addendum to the Current Explanatory Memorandum dated April 2013):-

“***Concentration risk***

Some Funds, such as the Franklin U.S. Focus Fund, may have an investment policy which specifically states an intention to maintain a portfolio with holdings in a relatively limited number of issuers (for example, the securities of 30 to 40 companies) even as the Fund increases in size, for the purpose of keeping the Fund concentrated in fewer issuers than the Fund might normally hold as part of a more highly diversified strategy. It should be noted that some Funds may have holdings in a relatively limited number of issuers by virtue of being relatively small in size, so the smaller number of holdings is simply a result of the Funds not having sufficiently large net asset values to invest efficiently in more issuers – bonds in particular tend to trade in relatively large lot sizes that makes it difficult for small bond funds to have a large number of holdings. Funds that by policy seek to maintain a smaller number of holdings, however, will remain less diversified even as they grow in size. By being less diversified, such Funds may be more volatile than broadly diversified Funds, or may be exposed to greater risk since underperformance of one or a few positions will have a greater impact in a less diversified Fund where there are fewer positions so each position will tend to be a larger percentage of total net assets. The relevant Funds may be adversely affected as a result of such greater volatility or risk.”

(D) Contingent Capital Securities Risk, Convertible Securities Risk and Covered Bonds Risk

The risk disclosure on “Convertible Securities risk” on page 3 of the 2013 Addendum dated April 2013 to the Current Explanatory Memorandum shall be deleted in its entirety and replaced by the following risk disclosures:

“***Contingent Capital Securities risk***

Some Funds, such as the Franklin Asia Credit Fund, may invest in contingent capital securities, which are a form of convertible securities where the conversion of the bond into equity occurs at stated conversion rate if a pre-specified trigger event (such as when an issuer’s common equity ratio in relation to its regulatory risk-weighted assets falls below a specified level) occurs. This type of convertible became popular following the 2008-2009 financial crisis as a way of triggering conversion of debt to equity in the event of deteriorating financial condition to avoid bankruptcy. As such, issuers of such bonds may tend to be those that are vulnerable to weakness in the financial markets. Because conversion occurs after a specified event, conversion may occur when the share price of the underlying equity is less than when the bond was issued or purchased, resulting in greater potential compared to conventional convertible securities for capital loss.

Investment in contingent capital securities may entail liquidity risks. In addition, some contingent convertible securities are issued as perpetual instruments. These securities may only be called at pre-determined levels and with the approval of the competent authority. Contingent convertible securities may be more risky than equity, as investors in such securities may suffer a write-down of their capital (i.e., reduction in the value of the securities) upon the occurrence of the relevant triggering event. It might be difficult for the Investment Manager, the Investment co-Managers and/or Sub-Managers of the relevant Fund to assess how the securities will behave upon conversion. In case of conversion into new equity shares, the Investment Manager, the Investment co-Managers and/or Sub-Managers might be forced to sell these new equity shares since the investment policy of the relevant Fund does not allow equity in its portfolio. This forced sale may itself lead to liquidity issue for these shares. For some contingent convertible securities, coupon payments are entirely discretionary and may be cancelled by the issuer at any point, for any reason and for any length of time. Investment in contingent convertible securities may also lead to an increased industry concentration risk as such securities are issued by a limited number of banks. The trigger levels for contingent convertible securities differ and a particular security’s exposure to conversion risk may depend on the gap between the capital ratio and the trigger level. It might be difficult for the Investment Manager, the Investment co-Managers and/or Sub-Managers of the relevant Fund to anticipate the triggering events that would require the debt to convert into equity. The structure of contingent convertible securities is innovative yet untested. The value of contingent convertible securities may need to be reduced due to a higher risk of overvaluation of such an asset class on the *relevant eligible markets. This means that a Fund may lose its entire investment or may be required to accept cash or securities with a value less than its original investment.*

Convertible Securities risk

A convertible security is generally a debt obligation (including hybrid bonds and bonds convertible into common stock or with warrants attached), preferred security (including preferred stock and trust-preferred securities) or other security that pays interest or dividends and may be converted by the holder within a specified period of time into common stock. The value of convertible securities may rise and fall with the market value of the underlying stock or, like a debt security, vary with changes in interest rates and the credit quality of the issuer. A convertible security tends to perform more like a stock when the underlying stock price is high relative to the conversion price (because more of the security's value resides in the option to convert) and more like a debt security when the underlying stock price is low relative to the conversion price (because the option to convert is less valuable). Because its value can be influenced by many different factors, a convertible security is not as sensitive to interest rate changes as a similar non-convertible debt security, and generally has less potential for gain or loss than the underlying stock.

The value and performance of Funds which invest in convertible securities may be adversely affected as a result of the risks associated with such investments.

Covered Bonds risk

Covered Bonds are debt instruments issued by a financial institution and secured by a segregated pool of financial assets (the "cover pool"), typically comprised of mortgages or, in certain cases, public-sector loans. The cover pool, typically maintained by the issuing financial institution, is designed to pay covered bond holders in the event that there is a default on the payment obligations of a covered bond. To the extent the cover pool assets are insufficient to repay principal and/or interest, covered bond holders also have a senior, unsecured claim against the issuing financial institution. Covered bonds differ from other debt instruments, including asset-backed securities, in that covered bond holders have claims against both the cover pool and the issuing financial institution.

While covered bonds are secured by a pool of assets, there is no guarantee that the cover pool will adequately or fully compensate covered bond holders in the event that an issuer defaults on its payment obligations. In the event of such default, while the covered bond structure is designed to ensure continued timely interest payments to the covered bond holders and to avoid acceleration of payment under the covered bonds, a Fund could, in certain cases, obtain assets of the cover pool, rather than cash, which may be difficult to liquidate. These assets may be difficult to value.

The prices of covered bonds will generally be affected by changing interest rates and credit spread. Assets that comprise a cover pool, such as mortgages or public-sector loans, may decline in value. Accordingly, upon an issuer default, the relevant Fund may experience significant delays in obtaining any amounts for the cover pool and/or may obtain only limited amounts or no amounts in certain circumstances. Market practice surrounding the maintenance of a cover pool, including custody arrangements, varies based on the jurisdiction in which the covered bonds are issued. Certain jurisdictions may provide less protection regarding the amount cover pools are required to maintain or the manner in which such assets are held. Also, because certain covered bonds may benefit from the support of a sovereign government, such covered bonds may be negatively affected to the extent that the creditworthiness of the sovereign government is negatively affected.

While covered bond holders have a preferential claim on cover pool assets, senior to other creditors, there is no guarantee that such a claim will provide an amount equal to the obligations owed to covered bond holders. If the proceeds in a cover pool are not sufficient to cover the obligations owed to investors of a covered bond held by a Fund, the Fund may attempt to recover the shortfall as a senior unsecured creditor but may still be prevented from realizing the full amount of principal and interest due. As a result, the shareholders of the Fund may incur losses, which may be significant.

Investors should be aware that the rating of the underlying issuer of a covered bond may be lower *than the rating of the covered bond. Also, due to demand from other investors, certain covered bonds may be less accessible to the capital markets and may be difficult for the relevant Fund to acquire. This may cause the Fund, at times, to pay a premium to obtain such securities.*

The value and performance of Funds which invest in covered bonds may be adversely affected as a result of the risks associated with such investments."

(E) Credit-linked Securities Risk

Paragraph 5 of the risk disclosure on "Credit-linked Securities risk" on page 40 of the Current Explanatory Memorandum shall be revised as follows (with revisions marked up):

"*Most credit-linked securities are structured as US Rule 144A securities so that they may be freely traded among institutional buyers. -A Fund will generally only purchase credit-linked securities, which are determined to be liquid in ~~accordance with the Fund's liquidity guidelines~~the opinion of the Investment Manager, Investment Co-Managers and/or Sub-Managers. However, the market for credit-linked securities may suddenly become illiquid. The other parties to the transaction may be the only investors with sufficient understanding of the derivative to be interested in bidding for it. Changes in liquidity may result in significant, rapid and unpredictable changes in the* prices *for credit-linked securities. In certain cases, a market price for a credit-linked security may not be available or may not be reliable, and the Fund could experience difficulty in selling such security at a price the Investment Manager, Investment Co-Managers and/or Sub-Managers believes is fair.*"

(F) Defaulted Debt Securities Risk

Paragraph 1 of the risk disclosure on "Defaulted Debt Securities risk" on page 41 of the Current Explanatory Memorandum shall be revised as follows (with revisions marked up):

"*Some Funds may invest in debt securities on which the issuer is not currently making principal or interest payments (defaulted debt securities) or continue to hold securities after the issuer has defaulted on principal or interest payments. These Funds may buy or continue to hold defaulted debt securities if, in the opinion of the Investment Manager, Investment Co-Managers and/or Sub-Managers, it appears likely that the issuer may resume interest payments or other advantageous developments appear likely in the near future. These securities may become illiquid.*"

(G) Derivative Instruments Risk

The risk disclosure on "Derivative risk" on page 41 of the Current Explanatory Memorandum shall be deleted in its entirety and replaced by the following risk disclosure:

"***Derivative Instruments risk***

The performance of derivative instruments depends largely on the performance of an underlying currency, security, index or other reference asset, and such instruments often have risks similar to the underlying instrument, in addition to other risks. A Fund may use options, futures, options on futures, and forward contracts on currencies, securities, indices, interest rates or other reference assets for hedging, efficient portfolio management and/or investment purposes. Derivative instruments involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that significantly exceeds the Fund's initial investment. In the case of futures transactions, the amount of the initial margin is small relative to the value of the futures contract so that transactions are "leveraged" or "geared". A relatively small market movement will have a proportionately larger impact which may work for or against the Fund. The placing of certain orders which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders.

Transactions in options may also carry a high degree of risk. Selling ("writing" or "granting") an option generally entails considerably greater risk than purchasing options. Although the premium received by the Fund is fixed, the Fund may sustain a loss well in excess of that amount. The Fund will also be exposed to the risk of the purchaser exercising the option and the Fund will be obliged *either to settle the option in cash or to acquire or deliver the underlying investment. If the option is "covered" by the Fund holding a corresponding position in the underlying investment or a future on another option, the risk may be reduced. The risk of loss to a Fund for a swap transaction on a net basis depends on which party is obliged to pay the net amount to the other party. If the counterparty is obliged to pay the net amount to the Fund, the risk of loss to the Fund is the loss of the entire amount that the Fund is entitled to receive; if the Fund is obliged to pay the net amount, the Fund's risk of loss is limited to the net amount due (please also refer to "Swap Agreements risk").*

Certain derivatives have the potential for a high degree of leverage regardless of the size of the initial investment. The use of leverage may cause a Fund to liquidate portfolio positions to satisfy its obligations or to meet asset segregation requirements when it may not be advantageous to do so. Other risks include illiquidity, mispricing or improper valuation of the derivative instrument, and the risk that the value of the derivative instrument does not fully correlate with the underlying or reference assets (such as credit, currencies and interest rates) so that a Fund may not realise the intended benefits of using derivatives. Their successful use will usually depend on the Investment Manager's, Investment Co-Managers' and/or Sub-Managers' ability to accurately forecast movements in the market relating to the underlying instrument. Should a market or markets, or prices of particular classes of investments move in an unexpected manner, especially in unusual or extreme market conditions, a Fund may not achieve the anticipated benefits of the transaction, and it may realise losses, which could be significant. If the Investment Manager, Investment Co-Manager and/or Sub-Manager is not successful in using such derivative instruments, a Fund's performance may be worse than if the Investment Manager, Investment Co-Manager and/or Sub-Manager did not use such derivative instruments at all. To the extent that a Fund uses such instruments for hedging purposes, there is the risk of imperfect correlation between movements in the value of the derivative instrument and the value of the underlying investment or other asset being hedged. There is also the risk, especially under extreme market conditions, that an instrument, which usually would operate as a hedge, provides no hedging benefits at all.

A Fund may engage in transactions involving derivative instruments that trade on exchanges or that may be privately negotiated and trade "over-the-counter" (OTC) and not on an exchange. Exchange-traded derivatives include futures, options, options on futures, and warrants. Examples of OTC derivative instruments include currency forwards, interest rate swaps, credit default swaps, total return swaps or contracts for differences. Use of such OTC instruments could result in a loss if the counterparty to the transaction (with respect to forward currency contracts and other OTC derivatives) does not perform as promised, including because of such counterparty's bankruptcy or insolvency. This risk may be heightened during volatile market conditions. Collateral is employed for many OTC derivative transactions – it needs to be pledged to the counterparty if a Fund has a net loss on a given transaction and a Fund may hold collateral pledged by the counterparty to the Fund if the Fund has a net gain on a given transaction. The value of the collateral may fluctuate, however, and it may be difficult to sell, so there are no assurances that the value of collateral held will be sufficient to cover the amount owed to a Fund or will not be absorbed by other outstanding obligations of the counterparty. Other risks include the inability to close out a position because the trading market becomes illiquid (particularly in the OTC markets) or the availability of counterparties becomes limited for a period of time. In addition, the presence of speculators in a particular market could lead to price distortions. To the extent that a Fund is unable to close out a position because of market illiquidity, the Fund may not be able to prevent further losses of value in its derivatives holdings and the Fund's liquidity may be impaired to the extent that it has a substantial portion of its otherwise liquid assets marked as segregated to cover its obligations under such derivative instruments. A Fund may also be required to take or make delivery of an underlying instrument that the Investment Manager would otherwise have attempted to avoid. Some derivatives can be particularly sensitive to changes in interest rates or other market prices. Investors should bear in mind that, while a Fund may intend to use derivative strategies on a regular basis, it is not obligated to actively engage in these transactions, generally or in any particular kind of derivative, if the Investment Manager, Investment Co-Manager and/or Sub-Manager elects not to do so due to availability, cost or other factors.

Under recent financial reforms, certain types of derivatives (i.e., certain swaps) are, and others eventually are expected to be, required to be cleared through a central counterparty. Central clearing is designed to reduce counterparty credit risk and increase liquidity compared to OTC *swaps, but it does not eliminate those risks completely. With cleared swaps, there is also a risk of loss by a Fund of its initial and variation margin deposits in the event of bankruptcy of the futures commission merchant ("FCM") with which the Fund has an open position in a swap contract. If an FCM does not provide accurate reporting, the Fund is also subject to the risk that the FCM could use the Fund's assets to satisfy its own financial obligations or the payment obligations of another customer to the central counterparty. With cleared swaps, a Fund may not be able to obtain as favorable terms as it would be able to negotiate for a bilateral, uncleared swap. In addition, an FCM may unilaterally amend the terms of its agreement with a Fund, which may include the imposition of position limits or additional margin requirements with respect to the Fund's investment in certain types of swaps. Central counterparties and FCMs generally can require termination of existing cleared swap transactions at any time, and can also require increases in margin above the margin that is required at the initiation of the swap agreement.*

The regulation of cleared and uncleared swaps, as well as other derivatives, is a rapidly changing area of law and is subject to modification by government and judicial action. In addition, regulators and exchanges in many jurisdictions are authorised to take extraordinary actions in the event of a market emergency, including, for example, the implementation or reduction of speculative position limits, the implementation of higher margin requirements, the establishment of daily price limits and the suspension of trading. It is not possible to predict fully the effects of current or future regulation. New requirements, even if not directly applicable to a Fund, may increase the cost of a Fund's investments and cost of doing business, which could adversely affect investors.

The use of derivative strategies may also have a tax impact on a Fund. The timing and character of income, gains or losses from these strategies could impair the ability of the Investment Manager, Investment Co-Manager and/or Sub-Manager to utilise derivatives when it wishes to do so.

The value and performance of Funds which engage in transactions involving derivative instruments may be adversely affected as a result of the risks associated with such transactions and/or instruments."

Consequently, the references to "Derivative risk" in the 2011-12 Addendum dated January 2013, the 2013 Addendum dated April 2013, the 2014 Addendum dated March 2014 and the 2014 Third Addendum dated October 2014 will be replaced by a reference to "Derivative Instruments risk".

(H) Emerging Markets Risk

The first sentence of paragraph 1 of the risk disclosure on "Emerging Markets risk" on page 42 of the Current Explanatory Memorandum shall be revised as follows (with revisions marked up):

"*All Fund investments in the securities issued by corporations, governments, and ~~public-law~~government related entities in different nations and denominated in different currencies involve certain risks.*"

(I) Equity Risk

The risk disclosure on "Equity risk" on page 42 of the Current Explanatory Memorandum shall be revised as follows (with revisions marked up):

"***Equity risk***

The value of all Funds that invest in equity and equity-related securities ~~will~~fluctuate daily. Prices of equities be influenced and affected by many micro and macro factors such as economic, political, market, and issuer-specific changes. Such changes may adversely affect ~~securities~~the value of the equities which can go up and down, regardless of company-specific performance. Additionally, different industries, financial markets, and securities can react differently to these changes. Such fluctuations of the Fund's value are often exacerbated in the short-term as well. The risk that one or more companies in a Fund's portfolio will fall, or fail to rise, can adversely affect the overall portfolio performance in any given period and the Fund could incur significant losses."

(J) Foreign Currency Risk

Paragraph 2 of the risk disclosure on "Foreign Currency risk" on page 43 of the Current Explanatory Memorandum shall be revised as follows (with revisions marked up):

> "*Since the securities, including cash and cash equivalents, held by a Fund may be denominated in currencies different from its base currency, the Fund may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between such reference currency and other currencies. Changes in currency exchange rates may influence the value of a Fund's Shares, and also may affect the value of dividends and interests earned by the Fund and gains and losses realised by said Fund. If the currency in which a security is denominated appreciates against the base currency, the price of the security could increase. Conversely, a decline in the exchange rate of the currency would adversely affect the price of the security. If a Fund has a negative currency exposure to a particular currency as a result of the use of instruments such as forwards and cross forwards, any increase in the value of the currency will adversely affect the value of the Fund, and any decrease in the value of the currency will positively affect the value of the Fund."*

Paragraph 4 of the risk disclosure on "Foreign Currency risk" on page 43 of the Current Explanatory Memorandum shall be revised as follows (with revisions marked up):

> "*~~Funds which use currency~~Currency management strategies, including the use of currency forwards, cross currency forwards and currency futures contracts, may substantially change ~~the~~a Fund's exposure to currency exchange rates and could result in losses to the Fund if the currencies do not perform as the Investment Manager expects. In addition, currency management strategies, to the extent that they reduce the Fund's exposure to currency risks, may also reduce the Fund's ability to benefit from favorable changes in currency exchange rates. There is no assurance that the Investment Manager's use of currency management strategies will benefit the Fund or that they will be, or can be, used at appropriate times. Furthermore, there may not be perfect correlation between the amount of exposure to a particular currency and the amount of securities in the portfolio denominated in that currency. Investing in foreign currencies for purposes of gaining from projected changes in exchange rates, as opposed to hedging currency risks applicable to the Fund's holdings, further increases the Fund's exposure to foreign investment losses.*
>
> *Investors should be aware of the fact that the Chinese Renminbi (RMB) is subject to a managed floating exchange rate based on market supply and demand with reference to a basket of currencies. Currently, the RMB is traded in two markets: one in Mainland China, and one outside Mainland China (primarily in Hong Kong). The RMB traded in Mainland China is not freely convertible and is subject to exchange controls and certain requirements by the government of Mainland China. The RMB traded outside Mainland China, on the other hand, is freely tradable. While the RMB is traded freely outside Mainland China, the RMB spot, forward foreign exchange contracts and related instruments reflect the structural complexities of this evolving market. Accordingly, Funds with investments denominated in RMB (if any) may be exposed to greater foreign exchange risks. The value and performance of the relevant Fund may be adversely affected as a result.*"

(K) High Leverage Risk and Hybrid Bonds Risk

The following new risk disclosures shall be added after the sub-section headed "Growth Stocks risk" under the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on page 44 of the Current Explanatory Memorandum:

> *"**High Leverage risk***
>
> *Funds utilising financial derivative instruments extensively for investment purposes may have a net leverage exposure of over 100% of their net asset value to financial derivative instruments. Investors should note that the maximum leverage (based on the commitment approach) of the Templeton Emerging Markets Bond Fund, the Templeton Global Bond Fund and the Templeton Global Total Return Fund is greater than 100%. Other Funds which use financial derivative instruments for investment purposes may also exceed this threshold in exceptional circumstances, for example, during times of heightened market uncertainty where a relevant Fund increases its use of derivatives*

in order to manage risk within the portfolio and protect against the potential effects of market events such as interest rate or currency movements or potential credit exposure. In adverse situations, this may result in significant or total loss to the relevant Fund(s).

Hybrid Bonds risk

Certain Funds, such as the Franklin Asia Credit Fund, may invest in hybrid bonds, which are a form of convertible securities. Hybrid bonds are generally subordinated bonds, so that in the event of the insolvency or liquidation of the issuer, their repayment is of a lower priority than other classes of bonds of the same issuer. They also generally have long or unlimited tenors and can be repaid prior to maturity only by the issuer. The interest rate paid by a hybrid bond may change over the very long or unlimited tenor of the bond. The issuer of a hybrid bond may alter or suspend the interest rate over time (in line with the bond conditions). The issuer of a hybrid bond may also convert the bond into equity or reduce the nominal amount of the bond when certain predetermined triggers are met. The value and performance of Funds which invest in hybrid bonds may be adversely affected as a result of the risks associated with such investments."

(L) Interest Rate Securities Risk and Investment Funds risk

The following new paragraphs will be inserted immediately following the end of the risk disclosure on "Interest Rate Securities risk" on page 45 of the Current Explanatory Memorandum:

"*Variable rate securities (which include floating rate debt securities) generally are less sensitive to interest rate changes than fixed rate debt securities. However, the market value of variable rate debt securities may decline when prevailing interest rates rise if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, variable rate securities will not generally increase in market value if interest rates decline. However, when interest rates fall, there will be a reduction in the payments of interest received by a Fund from its variable rate securities. Floating rate securities may be rated below investment grade (such securities are commonly referred to as "junk bonds"). Limits on the aggregate amount by which a variable rate security's interest rate may increase over its lifetime or during any one adjustment period can prevent the interest rate from ever adjusting to prevailing market rates.*

Investment Funds risk

A Fund's performance is directly impacted by the performance of any investment funds held by it. The ability of a Fund to achieve its investment goal is directly related to, in part, the ability of its underlying investment funds (if any) to meet their investment goal.

Investing in other investment funds may be more costly to a Fund than if the Fund had invested in the underlying securities directly. Shareholders of the Fund will indirectly bear the fees and expenses (including management and advisory fees and other expenses) of the underlying investment funds. As the Fund's allocations among the investment funds change from time to time, or to the extent that the expense ratios of the underlying funds change, the expenses borne by the Fund may increase or decrease. In addition, the determination of net asset value of the shares of any particular investment fund held by a Fund may be suspended under certain conditions. In the event this were to happen, it could impede the ability of a Fund to meet a redemption request in a timely manner.

A Fund's investments in investment funds may subject the Fund to additional risks than if the Fund would have invested directly in the investment funds' underlying securities. These risks include the possibility that an unregistered fund or an exchange-traded fund ("ETF") may experience a lack of liquidity that can result in greater volatility than its underlying securities. In addition, an ETF may trade at a premium or discount to its net asset value, as shares of an ETF are bought and sold based on exchanges on market values and not at the ETF's net asset value.

Another risk of investing in investment funds is the possibility that one investment fund may buy the same securities that another investment fund sells. If this happens, an investor in the affected Fund would indirectly bear the costs of these transactions without accomplishing the intended investment purpose. Also, the Fund and its underlying investment funds may hold common portfolio securities, *thereby reducing the diversification benefits to the Fund. The value and performance of the Fund may be adversely affected as a result.*"

(M) Liquidity Risk and Loan Credit Derivatives Risk

The risk disclosure on "Liquidity risk" on page 45 of the Current Explanatory Memorandum shall be deleted in its entirety and replaced by the following risk disclosures:

"***Liquidity risk***

Liquidity risk takes two forms: asset side liquidity risk and liability side liquidity risk. Asset side liquidity risk refers to the inability of a Fund to sell a security or position at its quoted price or market value due to such factors as a sudden change in the perceived value or credit worthiness of the position, or due to adverse market conditions generally. Liability side liquidity risk refers to the inability of a Fund to meet a redemption request, due to the inability of the Fund to sell securities or positions in order to raise sufficient cash to meet the redemption request. Markets where the Fund's securities are traded could also experience such adverse conditions as to cause exchanges to suspend trading activities. Reduced liquidity due to these factors may have an adverse impact on the net asset value of the Fund and, as noted, on the ability of the Fund to meet redemption requests in a timely manner.

Certain securities are illiquid due to a limited trading market, financial weakness of the issuer, legal or contractual restrictions on resale or transfer, or that are otherwise illiquid in the sense that they cannot be sold within seven days at approximately the price at which the Fund values them. Securities that are illiquid involve greater risk than securities with more liquid markets. Market quotations for such securities may be volatile and/or subject to large spreads between bid and ask prices. Illiquidity may have an adverse impact on market price and the Fund's ability to sell particular securities when necessary to meet the Fund's liquidity needs or in response to a specific economic event. The value and performance of the Fund may be adversely affected as a result.

Loan Credit Derivatives risk

The value and performance of Funds which engage in transactions involving derivative instruments may be adversely affected as a result of the risks associated with such transactions and/or instruments, as well as the risks arising from the Funds' exposure to the underlying assets through such instruments. For example, a Fund may be indirectly exposed to bank loans through investing in loan credit derivatives. When the Fund invests in a loan credit derivative, it assumes the risks associated with the derivative instrument and the credit risk of the underlying loan. These risks may result in a substantial loss to the Fund."

(N) Low-Rated, Unrated or Non-Investment Grade Securities Risk

The risk disclosure on "Low-Rated or Non Investment Grade Securities risk" on page 45 of the Current Explanatory Memorandum shall be deleted in its entirety and replaced by the following risk disclosure:

"***Low-Rated, Unrated or Non-Investment Grade Securities risk***

Some Funds may invest in higher-yielding securities rated lower than investment grade. High-yield debt securities (including loans) and unrated securities of similar credit quality ("high-yield debt instruments" or "junk bonds") involve greater risk of a complete loss of the Fund's investment, or delays of interest and principal payments, than higher-quality debt securities. Issuers of high-yield debt instruments are not as strong financially as those issuing securities of higher credit quality. High-yield debt instruments are generally considered predominantly speculative by the applicable rating agencies as these issuers are more likely to encounter financial difficulties and are more vulnerable to changes in the relevant economy, such as a recession or a sustained period of rising interest rates, that could affect their ability to make interest and principal payments when due. If an issuer stops making interest and/or principal payments, payments on the securities may never resume. These instruments may be worthless and the Fund could lose its entire investment.

The prices of high-yield debt instruments fluctuate more than higher-quality securities. Prices are especially sensitive to developments affecting the issuer's business or operations and to changes in the ratings assigned by rating agencies. In addition, the entire high-yield debt market can experience sudden and sharp price swings due to changes in economic conditions, stock market activity, large sustained sales by major investors, a high-profile default, or other factors. Prices of corporate high-yield debt instruments often are closely linked with the company's stock prices and typically rise and fall in response to factors that affect stock prices.

High-yield debt instruments are generally less liquid than higher-quality securities. Many of these securities are not registered for sale with relevant regulatory authorities in the local jurisdiction and/or do not trade frequently. When they do trade, their prices may be significantly higher or lower than expected. At times, it may be difficult to sell these securities promptly at an acceptable price, which may limit the Fund's ability to sell securities in response to specific economic events or to meet redemption requests. As a result, high-yield debt instruments generally pose greater illiquidity and valuation risks.

The use of credit ratings in evaluating debt securities can involve certain risks, including the risk that the credit rating may not reflect the issuer's current financial condition or events since the security was last rated by a rating agency. Credit ratings may be influenced by conflicts of interest or based on historical data that no longer apply or are accurate. Recently, legislation and regulations to reform rating agencies have been proposed and may adversely impact the Fund's investments or investment process.

Unrated debt securities determined by the Investment Manager, Investment Co-Managers and/or Sub-Managers to be of comparable quality to rated securities which the Fund may purchase may pay a higher interest rate than such rated debt securities and be subject to a greater risk of illiquidity or price changes. Less public information is typically available about unrated securities or issuers.

Exposure to the low-rated or high-yield debt may be achieved through synthetic means. For example, the CDX is a credit default swap on a basket of high yield bonds, constituting in effect a high yield bond index. By purchasing such an instrument, a Fund is buying protection (i.e. the ability to get par for the bonds in the event of an unfavourable credit event), allowing the Fund to hedge its exposure or go short the high yield sector. By selling such an instrument short and holding cash against the potential obligation to purchase it, the Fund is selling protection and effectively getting long exposure to the high yield sector more efficiently than purchasing individual bonds. The risks associated with such synthetic instruments are comparable to those of the underlying high yield securities that the instruments are seeking to replicate, in addition to the risk that the synthetic instruments themselves do not perform as intended due to adverse market conditions.

The value and performance of Funds which invest in low-rated, unrated or non-investment grade securities may be adversely affected as a result of the risks associated with such investments."

Consequently, the references to "Low-Rated or Non-Investment Grade Securities risk" in the 2014 Addendum dated March 2014 and to "Low-rated securities risk" in the 2013 Addendum dated April 2013 will each be replaced by a reference to "Low-Rated, Unrated or Non-Investment Grade Securities risk".

(O) Market Risk

The risk disclosure on "Market risk" on page 45 of the Current Explanatory Memorandum shall be deleted in its entirety and replaced by the following risk disclosure:

"***Market risk***

The market values of securities owned by a Fund will go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting individual issuers, securities markets generally or particular industries or sectors within the securities markets. The value of a security may go up or down due to general market conditions which are not specifically related to a particular issuer, such as real or perceived adverse economic conditions, changes in the general outlook for revenues or corporate earnings, changes in interest or currency rates or adverse investor *sentiment generally. They may also go up or down due to factors that affect an individual issuer or a particular industry or sector, such as changes in production costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that securities held by a Fund will participate in or otherwise benefit from the advance.*

Stock prices tend to go up and down more dramatically than those of debt securities. A slower-growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by the Fund. The value and performance of the Fund may be adversely affected as a result."

(P) Mortgage- and Asset-Backed Securities Risk

The risk disclosure on "Mortgage- and Asset-Backed Securities Risk" on page 45 of the Current Explanatory Memorandum shall be deleted in its entirety and replaced by the following risk disclosure:

"***Mortgage- and Asset-Backed Securities risk***

Some Funds may invest in mortgage- and asset-backed securities. Mortgage-backed securities (sometimes referred as mortgage pass-through securities) are securities that are backed by pools of mortgage loans where the payment of interest and principal from the underlying mortgages are passed through to the holders of the mortgage-backed securities. The underlying mortgages may be single family, multi-family, or commercial mortgages (that latter are frequently called commercial mortgage-backed securities, or CMBS), and may be fixed rate or adjustable rate mortgages (if adjustable, such securities are called Adjustable Rate Mortgage Securities or ARMS). Mortgage-backed securities differ from conventional debt securities in that principal is paid back over the life of the security rather than at maturity, as the underlying mortgages are subject to unscheduled pre-payments of principal before the security's maturity date due to voluntary prepayments, refinancings or foreclosures on the underlying mortgage loans. To the Fund this means a loss of anticipated interest, and a portion of its principal investment represented by any premium the Fund may have paid over par at the time of purchase. Mortgage pre-payments generally increase when interest rates fall.

Mortgage-backed securities are also subject to extension risk. An unexpected rise in interest rates could reduce the rate of pre-payments on mortgage-backed securities and extend their life. This could cause the price of the mortgage-backed securities to be more sensitive to interest rate changes. Issuers of asset-backed securities may have limited ability to enforce the security interest in the underlying assets, and credit enhancements provided to support the securities, if any, may be inadequate to protect investors in the event of default.

Collateralised Mortgage Obligations (CMOs) are securities backed by a pool of mortgage pass-through securities or actual mortgage loans that are structured into various tranches with varying maturities and varying priorities in terms of their access to the principal and interest payments from the underlying assets. Such securities will have, depending on the tranches, varying degrees of pre-payment risk and credit risk, depending on their priority in the capital structure. The shorter, more senior tranches will generally be lower risk than the longer dated, more junior tranches.

Mortgage-backed securities may be offered as interest only (IO) or principal only (PO) strips, where only the interest or the principal of the underlying mortgages in the pool is passed on to the security holders. These types of securities are highly sensitive to the pre-payment experience associated with the underlying mortgages and will behave in opposite ways to the same trend in pre-payments. For IO securities, early pre-payments within the pool will mean less than expected interest payments since the mortgages will have terminated, adversely affecting security holders. For PO securities, early pre-payments within the pool will mean quicker repayment of principal than expected, benefiting security holders. Because of the highly sensitive nature of these securities, the possibility of sharp declines in prices is much greater compared to conventional mortgage-backed securities.

Mortgage- and asset-backed securities may be structured as synthetic securities. For example, the CMBX is a credit default swap on a basket of CMBS bonds, constituting in effect a CMBS index. By purchasing such an instrument, a Fund is buying protection (i.e. the ability to get par for the bonds *in the event of an unfavourable credit event), allowing the Fund to hedge its exposure or go short the CMBS sector. By selling such an instrument short and holding cash against the potential obligation to purchase it, the Fund is selling protection and effectively getting long exposure to the CMBS sector more quickly and efficiently than purchasing individual bonds. The risks associated with such synthetic instruments are comparable to those of the underlying ABS or MBS securities that the instruments are seeking to replicate, in addition to the risk that the synthetic instruments themselves do not perform as intended due to adverse market conditions.*

Asset-backed securities are very similar to mortgage-backed securities, except that the securities are collateralised by other types of assets besides mortgages, such as credit card receivables, home-equity loans, manufactured homes, automobile loans, student loans, equipment leases, or senior bank loans, among others. Like mortgage-backed securities, asset-backed securities are subject to pre-payment and extension risks.

The value and performance of Funds which invest in mortgage- and asset-backed securities may be adversely affected as a result of the risks associated with such investments."

(Q) Mortgage Dollar Roll Risk

The first two sentences of the risk disclosure on "Mortgage Dollar Roll risk" on page 46 of the Current Explanatory Memorandum shall be deleted in their entirety and replaced by the following sentences:

"*Some Funds, such as the Franklin Strategic Income Fund and the Templeton Global Total Return Fund, may engage in mortgage dollar roll transactions. In a mortgage dollar roll, a Fund sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase substantially similar securities on a specified future date (typically so-called "to-be-announced" or TBA securities where the actual securities underlying the transaction are not identified, rather only certain parameters are specified, e.g. coupon, maturity, issuer, mortgage type, and month of settlement).*"

(R) Multiple Manager Risk

The following new risk disclosure shall be added after the risk disclosure on "Mortgage Dollar Roll risk" under the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on page 46 of the Current Explanatory Memorandum:

"***Multiple Manager risk***

The Investment Manager of certain Funds, such as the Franklin Global Growth and Value Fund and the Franklin World Perspectives Fund, may seek to achieve their investment objectives through the careful selection of two or more investment co-managers (the "Investment Co-Managers")(as in the case of the Franklin World Perspectives Fund) and/or sub-managers (the "Sub-Managers")(as in the case of the Franklin Global Growth and Value Fund). The Investment Manager may also take part in managing the assets of such Funds in addition to selecting and allocating to the Investment Co-Managers and/or Sub-Managers (as the case may be). The Investment Co-Managers and/or Sub-Managers (as the case may be) may be affiliates of the Investment Manager or may be completely independent of the Investment Manager, but subject to careful due diligence on the part of the Investment Manager as part of the selection process.

There is the risk that the Investment Co-Managers and/or Sub-Managers (as the case may be) selected will not effectively implement the intended investment strategy for which they were selected. In addition, the Investment Co-Managers and/or Sub-Managers (as the case may be) make their investment decisions independently of one another, and as a result may make decisions that conflict with each other. For example, it is possible that an Investment Co-Manager and/or Sub-Manager (as the case may be) may purchase a security for the Fund at the same time that another Investment Co-Manager and/or Sub-Manager (as the case may be) sells the same security, resulting in higher expenses without accomplishing any net investment result; or that several Investment Co-Managers and/or Sub-Managers (as the case may be) purchase the same security at the same time, without aggregating their transactions, resulting in higher expenses. Moreover, the relevant Fund's multi-manager approach may result in the Fund investing a significant percentage of its assets in certain *types of securities, which could be beneficial or detrimental to the Fund's performance depending on the performance of those securities and the overall market environment. The Investment Co-Managers and/or Sub-Managers (as the case may be) may underperform the market generally or underperform other investment managers that could have been selected for the Fund.*"

(S) Preferred Securities Risk and Prepayment Risk

The risk disclosure on "Pre-Payment" risk" on page 47 of the Current Explanatory Memorandum shall be deleted in its entirety and replaced by the following risk disclosures:

"***Preferred Securities risk***

An investment in preferred securities involves additional risks that are not typically associated with an investment in common stocks. Generally, holders of preferred securities have no voting rights with respect to the issuer unless preferred dividends have been in arrears for a specified number of periods, at which time the preferred security holders may have the right to elect a number of directors to the issuer's board. Generally, once the issuer pays all the arrearages, the preferred security holders no longer have voting rights. In certain circumstances, an issuer of preferred securities may redeem the securities prior to a specified date. A special redemption by the issuer may negatively impact the return of the security held by the Fund. Preferred securities may include provisions that permit the issuer, at its discretion, to defer distributions for a stated period without any adverse consequences to the issuer. Preferred securities are subordinated to bonds and other debt instruments in a company's capital structure in terms of priority to corporate income and liquidation payments and therefore will be subject to greater credit risk than those debt instruments. Preferred securities may be substantially less liquid than many other securities, including common stocks.

Some Funds, such as the Franklin Asia Credit Fund, may invest in trust-preferred securities. Generally, distributions on trust-preferred securities will be made only if interest payments on the related interest-bearing notes of the operating company are made. Because a corporation issuing the interest-bearing notes may defer interest payments on these instruments for consecutive periods, if such election is made distributions will not be made on the trust-preferred securities during the deferral period. Further, certain tax or regulatory events may trigger the redemption of the interest-bearing notes by the issuing corporation and result in prepayment of the trust-preferred securities prior to their stated maturity date. The value and performance of the Fund may be adversely affected as a result.

Prepayment risk

Debt securities are subject to prepayment risk when the issuer can "call" the security, or repay principal, in whole or in part, prior to the security's maturity. When a Fund reinvests the prepayments of principal it receives, it may receive a rate of interest that is lower than the rate on the existing security, potentially lowering the Fund's income, yield and its distributions to shareholders. The value and performance of the Fund may be adversely affected as a result.

Securities subject to prepayment may offer less potential for gains during a declining interest rate environment and have greater price volatility. Prepayment risk is greater in periods of falling interest rates."

(T) Private Placement Securities Risk

The following new paragraph will be inserted immediately following the end of the risk disclosure on "Pre-Payment" risk" on page 47 of the Current Explanatory Memorandum:

"***Private Placement Securities risk***

Some Funds, such as the Franklin Asia Credit Fund, may invest in private placement securities. A private placement is a direct private offering of securities to a limited number of sophisticated investors. Investment in privately placed securities may be less liquid than in comparable public issues. Although these securities may be resold in privately negotiated transactions, the prices *realised from these sales could be less than those originally paid by the relevant Fund or less than what may be considered the fair value of such securities. Further, investments in privately placed securities may be on the basis of limited information about the issuer and its management and may be without the disclosure and other investor protection requirements that apply to publicly traded securities. The value and performance of Funds which invest in privately placed securities may be adversely affected as a result of the risks associated with such investments.*"

(U) Real Estate Securities Risk

The first paragraph of the risk disclosure on "Real Estate Securities risk" on page 47 of the Current Explanatory Memorandum shall be revised as follows (with revisions marked up):

"*Some Funds invest in real estate securities<u>, securities linked to real estate indices or a basket of real estate securities,</u> or real <u>estate </u>investment trusts ("REITs"). Real estate values rise and fall in response to a variety of factors, including local, regional and national economic conditions, interest rates and tax considerations. When economic growth is slow, demand for property decreases and prices may decline. Property values may decrease because of overbuilding, increases in property taxes and operating expenses, changes in zoning laws, environmental regulations or hazards, uninsured casualty or condemnation losses, or general decline in neighbourhood values.*

<u>Securities linked to a real estate index or basket of real estate related securities may take the form of a structured note whose value is intended to move in line with the underlying index (or indices) or real estate related securities basket specified in the note. Such notes involve assuming risk associated with the counterparty that is packaging the note. Such notes depend on the solvency of the issuer for the life of the note. There is no guarantee that such notes will perform as intended in line with the underlying index (indices) or basket of securities. The liquidity of such notes may also be limited, depending on the creditworthiness of the issuer of the note as well as the nature of the underlying indices or basket of securities. The value and performance of Funds which invest in securities linked to real estate indices or a basket of real estate securities may be adversely affected as a result of the risks associated with such investments.</u>"

(V) Restructuring Companies Risk

The risk disclosure on "Restructuring Companies Risk" on page 47 of the Current Explanatory Memorandum shall be revised as follows (with revisions marked up):

"***Restructuring Companies Risk***

Some Funds, especially the Franklin High Yield Fund<u>, the Franklin Strategic Income Fund</u>, the Franklin Mutual Beacon Fund, the Franklin Mutual European Fund, the Franklin Mutual Global Discovery Fund, the ~~Templeton~~<u>Franklin</u> Euro High Yield Fund and the Templeton Global High Yield Fund may also invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations or as to which there exist tender or exchange offers, and may participate in such transactions; they may also purchase indebtedness and participations therein, both secured and unsecured, of debtor companies engaged in reorganisation or financial restructuring. Such investments also involve greater credit risks.<u> The companies involved in reorganisation or financial restructuring tend to have a relatively weak financial position and may also be subject to the risks that the restructuring could be disruptive to the business and management structure of the companies involved, which may expose the Funds to higher investment risk. The value and performance of the Funds may be adversely affected as a result.</u>"

(W) Russian and Eastern European Markets Risk

The following new paragraphs will be inserted immediately following the end of the risk disclosure on "Russian and Eastern European Markets risk" on page 48 of the Current Explanatory Memorandum as amended by the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum:

"*In April 2013, Russia implemented the new National Settlement Depository ("NSD") as Russia's central securities depository ("CSD") in an effort to overhaul its share registration system. The NSD* *is regulated by Russia's securities regulator, the Federal Service for Financial Markets ("FSFM"). The Custodian has confirmed that all Funds' positions of eligible securities were moved to the NSD.*

The implementation of the NSD as Russia's CSD has alleviated the major concerns associated with the use of Russia's previous share registrar system. All Russian securities transfers and settlements are now required to take place on the CSD system which has specific rules on the finality of these transactions. As a result, all securities transactions are recorded in one central system and not merely in the books of various private registrars."

(X) Smaller and Midsize Companies Risk

The risk disclosure on "Small and Mid-Sized Companies risk" on page 48 of the Current Explanatory Memorandum shall be deleted in its entirety and replaced by the following risk disclosure:

"***Smaller and Midsize Companies risk***

While smaller and midsize companies may offer substantial opportunities for capital growth, they also involve substantial risks and should be considered speculative. Historically, smaller and midsize company securities have been more volatile in price than larger company securities, especially over the short term. Among the reasons for the greater price volatility are the less certain growth prospects of smaller and midsize companies, the lower degree of liquidity in the markets for such securities, and the greater sensitivity of smaller and midsize companies to changing economic conditions.

In addition, smaller and midsize companies may lack depth of management, be unable to generate funds necessary for growth or development, have limited product lines or be developing or marketing new products or services for which markets are not yet established and may never become established. Smaller and midsize companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans which are floating rate.

These risks are typically increased for securities issued by smaller companies registered or performing a significant part of their activities in developing countries and emerging markets, especially as the liquidity of securities issued by companies in emerging markets may be substantially smaller than with comparable securities in industrialised countries.

The value and performance of Funds which invest in smaller and midsize companies may be adversely affected as a result of the risks associated with such investments."

Consequently, the references to "Small and Mid-Sized Companies risk" in the 2014 Addendum dated March 2014 will be replaced by a reference to "Smaller and Midsize Companies risk".

(Y) Sovereign Debt Risk

The risk disclosure on "Sovereign Debt risk" on page 3 of the 2011 Addendum dated June 2011 to the Current Explanatory Memorandum shall be deleted in its entirety and replaced by the following risk disclosure:

"***Sovereign Debt risk***

Sovereign debt securities are subject to various risks in addition to those relating to debt securities and foreign securities generally, including, but not limited to, the risk that a governmental entity may be unwilling or unable to pay interest and repay principal on its sovereign debt, or otherwise meet its obligations when due because of cash flow problems, insufficient foreign reserves, the relative size of the debt service burden to the economy as a whole, the government's policy towards principal international lenders such as the International Monetary Fund, or the political considerations to which the government may be subject. Sovereign debtors also may be dependent on expected disbursements from other foreign governments or multinational agencies and the country's access to, or balance of, trade. If a sovereign debtor defaults (or threatens to default) on its sovereign debt obligations, the indebtedness may be restructured. Restructuring may include obtaining additional *credit to finance outstanding obligations, reduction and rescheduling of payments of interest and principal, or negotiation of new or amended credit and security agreements. Unlike most corporate debt restructurings, the fees and expenses of financial and legal advisers to the creditors in connection with a restructuring may be borne by the holders of the sovereign debt securities instead of the sovereign entity itself. Some sovereign debtors have in the past been able to restructure their debt payments without the approval of some or all debt holders or to declare moratoria on payments, and similar occurrences may happen in the future.*

In the event of a default on sovereign debt, a Fund may have limited legal recourse against the defaulting government entity. As a sovereign entity, the issuing government may be immune from lawsuits in the event of its failure or refusal to pay the obligations when due, and any rights a Fund may have may be restricted pursuant to the terms of applicable treaties with such sovereign entity. If a sovereign entity defaults, it may request additional time in which to pay or for further loans. There may be no legal process for collecting sovereign debt that a government does not pay or such legal process may be relatively more expensive, nor are there bankruptcy proceedings by which a Fund may collect in whole or in part on debt issued by a sovereign entity. In certain cases, remedies must be pursued in the courts located in the country of the defaulting sovereign entity itself, which may further limit a Fund's ability to obtain recourse. The value and performance of the Fund may be adversely affected as a result.

Funds may invest in sovereign debt issued by governments or government-related entities from countries referred to as emerging markets or frontier markets, which bear additional risks compared to more developed markets due to such factors as greater political and economic uncertainties, currency fluctuations, repatriation restrictions or capital controls."

(Z) Sukuk Risk

The following new paragraph will be inserted immediately following the end of the risk disclosure on "Structured Notes risk" as introduced by the 2014 Addendum dated March 2014 to the Current Explanatory Memorandum:

"***Sukuk risk***

Some Funds, such as the Franklin Asia Credit Fund, may invest in sukuk. Sukuk are a type of Shariah compliant debt security and are generally subject to the risks associated with debt securities, such as credit risk and liquidity risk. Although sukuk do not pay interest, the prices of sukuk will generally decrease in an environment of rising interest rates, and increase in an environment of falling interest rates. Investors should be aware that sukuk with longer maturities and lower profit rates tend to be more sensitive to interest rate changes. Sukuk are subject to the risk of being reclassified as Shariah non-compliant. Such reclassification may affect the price and liquidity of the sukuk that is held by a Fund, which may adversely affect the value and performance of the Fund."

(AA) Swap Agreements Risk

Each of the references to "Investment Managers" in the second paragraph of the risk disclosure on "Swap Agreements risk" on page 49 of the Current Explanatory Memorandum shall be replaced by a reference to "Investment Managers, Investment Co-Managers and/or Sub-Managers".

(BB) Valuation Risk

The following new paragraph will be inserted immediately following the end of the risk disclosure on "Use of Techniques and Instruments Risk" risk" on page 50 of the Current Explanatory Memorandum:

"***Valuation risk***

The valuation of a Fund's investments may involve uncertainties and judgmental determinations, and independent pricing information may not be available at all times. If such valuations should prove to be incorrect, the net asset value of the Fund may be adversely affected."

6. Changes in the directors of the Company

The section on "ADMINISTRATION – Directors of Franklin Templeton Investment Funds" on page 89 of the Current Explanatory Memorandum shall be revised by deleting the following names:

- Gregory E. McGowan;
- Duke of Abercorn KG
- The Honourable Nicholas F. Brady;
- Richard H. Frank;
- David E. Smart; and

by inserting the following name:

- William Lockwood.

7. De-authorisation of the Franklin U.S. Focus Fund

With effect from 20 August 2015, the authorisation of the Franklin U.S. Focus Fund with the Securities and Futures Commission of Hong Kong will be withdrawn and all references to the Franklin U.S. Focus Fund throughout the Current Explanatory Memorandum shall be removed.

Franklin Templeton Investments (Asia) Limited
富蘭克林鄧普頓投資(亞洲)有限公司
17/F, Chater House
8 Connaught Road Central
Hong Kong
t +852 2877-7733
f +852 2877-5401
www.franklintempleton.com.hk

FRANKLIN TEMPLETON INVESTMENTS

FRANKLIN TEMPLETON INVESTMENT FUNDS

2015 Addendum to the Explanatory Memorandum dated December 2010
Dated March 2015

Note:	This 2015 Addendum dated March 2015 shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Investment Funds (the "**Company**") dated December 2010 as supplemented by the 2011 Addendum dated June 2011, the 2011 Second Addendum dated October 2011, the 2012 Addendum dated November 2012, the 2011-12 Addendum dated January 2013, the 2013 Addendum dated April 2013, the 2013 Second Addendum dated May 2013, the 2013 Second Addendum (I) dated May 2013, the 2013 Third Addendum dated June 2013, the 2014 Addendum dated March 2014, the 2014 Second Addendum dated April 2014 and the 2014 Third Addendum dated October 2014 (the "**Current Explanatory Memorandum**"). The Management Company accepts full responsibility for the accuracy of the information contained in this Addendum as at the date of its publication and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Please note that the following changes apply to the Current Explanatory Memorandum of the Company:

1. <u>Additional share classes to be offered by the Company</u>

With effect from 30 March 2015, the following additional share classes will be offered by the Company:-

(A) Franklin Euro High Yield Fund

The share class "Class A (Mdis) USD-H1" will be available for the Franklin Euro High Yield Fund and this will be shown in the table on page 6 of the Current Explanatory Memorandum under the column headed "Alternative Currency Class of Shares".

(B) Franklin Mutual European Fund

The share class "Class A (acc) USD-H1" will be available for the Franklin Mutual European Fund and this will be shown in the table on page 6 of the Current Explanatory Memorandum under the column headed "Alternative Currency Class of Shares".

2. <u>De-authorisation of the Franklin Euro Liquid Reserve Fund</u>

With effect from 31 March 2015, the authorisation of the Franklin Euro Liquid Reserve Fund with the Securities and Futures Commission of Hong Kong will be withdrawn and all references to the Franklin Euro Liquid Reserve Fund throughout the Current Explanatory Memorandum shall be removed.

3. <u>Additional risk disclosures</u>

With effect from 31 March 2015, the following risk disclosures will be added to the Current Explanatory Memorandum:

(A) Chinese Market risk

The following new risk disclosure shall be added after the sub-section "Biotechnology, Communication and Technology Sectors risk" under the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on page 38 of the Current Explanatory Memorandum:-

> "***Chinese Market risk***
>
> *Risks associated with the Chinese Market are similar to the "Emerging Markets risk" described below. With the government having a greater control over allocation of resources, the risks that naturally prevail in this type of market is political and legal uncertainty, currency fluctuations and blockage, no government support on reform or nationalisation and expropriation of assets. Such risks can have a negative impact on the performance of the relevant Fund.*
>
> *The Chinese market is undergoing economic reform, including reforms of decentralisation which are unprecedented or experimental and subject to modification which may not always have a positive outcome on the performance of the economy and the value of securities in the relevant Fund.*
>
> *The Chinese economy is also export driven and highly reliant on trade. Adverse changes in the economic conditions of its primary trading partners such as the US, Japan and South Korea would adversely impact the Chinese economy and the relevant Fund's investments.*"

(B) Shanghai-Hong Kong Stock Connect risk

The following new risk disclosure shall be added after the sub-section "Securities Lending risk" under the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on page 48 of the Current Explanatory Memorandum (which was introduced under paragraph 7(A) of the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum):-

> *"**Shanghai-Hong Kong Stock Connect risk***
>
> *Certain Funds may invest and have direct access to certain eligible China A-Shares via the Shanghai-Hong Kong Stock Connect ("**Stock Connect**"). The Stock Connect is a securities trading and clearing linked program developed by Hong Kong Exchanges and Clearing Limited ("**HKEx**"), Shanghai Stock Exchange ("**SSE**") and China Securities Depository and Clearing Corporation Limited ("**ChinaClear**"), with an aim to achieve mutual stock market access between the People's Republic of China ("**PRC**") and Hong Kong.*
>
> *The Stock Connect comprises a Northbound Trading Link (for investment in China A-Shares) by which certain Funds may be able to place orders to trade eligible shares listed on SSE.*
>
> *Under the Stock Connect, overseas investors (including the Funds) may be allowed, subject to rules and regulations issued/amended from time to time, to trade certain China A Shares listed on the SSE (the "**SSE Securities**") through the Northbound Trading Link. The SSE Securities include all the constituent stocks from time to time of the SSE 180 Index and SSE 380 Index, and all the SSE-listed China A-Shares that are not included as constituent stocks of the relevant indices but which have corresponding H-Shares listed on the Stock Exchange of Hong Kong Limited ("**SEHK**"), except (i) those SSE-listed shares which are not traded in RMB and (ii) those SSE-listed shares which are included in the "risk alert board". The list of*

eligible securities may be changed subject to the review and approval by the relevant PRC regulators from time to time.

Further information about the Stock Connect is available online at the website:

http://www.hkex.com.hk/eng/market/sec_tradinfra/chinaconnect/chinaconnect.htm.

In addition to the risks associated with the Chinese market and risks related to investments in RMB, investments through the Stock Connect are subject to additional risks, namely, quota limitations, suspension risk, differences in trading day, restrictions on selling imposed by front-end monitoring, clearing, settlement and custody risks, operational risk, nominee arrangements in holding China A-Shares, investor compensation, trading costs, PRC tax consideration and regulatory risk.

Quota limitations

The Stock Connect is subject to quota limitations on investments, which may restrict the relevant Funds' ability to invest in China A-Shares through the Stock Connect on a timely basis, and these Funds may not be able to effectively pursue their investment policies.

Suspension risk

Both the SEHK and SSE reserve the right to suspend trading if necessary for ensuring an orderly and fair market and managing risks prudently which could adversely affect the relevant Funds' ability to access the PRC market.

Differences in trading day

The Stock Connect only operates on days when both the PRC and Hong Kong markets are open for trading and when banks in both markets are open on the corresponding settlement days. It is possible that there are occasions when it is a normal trading day for the PRC market but Hong Kong investors (such as the Funds) cannot carry out any China A-Shares trading. The Funds may be subject to a risk of price fluctuations in China A-Shares during the time when the Stock Connect is not open for trading as a result.

Restrictions on selling imposed by front-end monitoring

PRC regulations require that before an investor sells any share, there should be sufficient shares in the account; otherwise SSE will reject the sell order concerned. SEHK will carry out pre-trade checking on China A-Shares sell orders of its participants (i.e. the stock brokers) to ensure there is no over-selling.

If the relevant Funds desire to sell certain China A-Shares they hold, they must transfer those China A-Shares to the respective accounts of their brokers before the market opens on the day of selling ("trading day"). If a Fund fails to meet this deadline, it will not be able to sell those shares on the trading day. Because of this requirement, the relevant Funds may not be able to dispose of holdings of China A-Shares in a timely manner.

Clearing, settlement and custody risks

*The Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of HKEx ("**HKSCC**") and ChinaClear established the clearing links and each is a participant of each other to facilitate clearing and settlement of cross-boundary trades. As the national central counterparty of the PRC's securities market,* *ChinaClear operates a comprehensive network of clearing, settlement and stock holding infrastructure. ChinaClear has established a risk management framework and measures that are approved and supervised by the China Securities Regulatory Commission ("**CSRC**"). The chances of a ChinaClear default are considered to be remote.*

Should the remote event of ChinaClear default occur and ChinaClear be declared as a defaulter, HKSCC will, in good faith, seek recovery of the outstanding stocks and monies from ChinaClear through available legal channels or through ChinaClear's liquidation. In that event, the relevant Fund(s) may suffer delay in the recovery process or may not be able to fully recover its losses from ChinaClear.

The China A-Shares traded through Shanghai-Hong Kong Stock Connect are issued in scripless form, so investors, such as the relevant Funds, will not hold any physical China A-Shares. Hong Kong and overseas investors, such as the Funds, who have acquired SSE Securities through Northbound trading should maintain the SSE Securities with their brokers' or custodians' stock accounts with the Central Clearing and Settlement System operated by HKSCC for the clearing securities listed or traded on SEHK. Further information on the custody set-up relating to Stock Connect is available upon request at the office of the Hong Kong Representative.

Operational risk

The Stock Connect provides a new channel for investors from Hong Kong and overseas, such as the Funds, to access the China stock market directly. The Stock Connect is premised on the functioning of the operational systems of the relevant market participants. Market participants are able to participate in this program subject to meeting certain information technology capability, risk management and other requirements as may be specified by the relevant exchange and/or clearing house.

It should be appreciated that the securities regimes and legal systems of the two markets differ significantly and in order for the trial program to operate, market participants may need to address issues arising from the differences on an on-going basis.

*Further, the "connectivity" in the Stock Connect program requires routing of orders across the border. This requires the development of new information technology systems on the part of the SEHK and exchange participants (i.e. a new order routing system ("**China Stock Connect System**") to be set up by SEHK to which exchange participants need to connect). There is no assurance that the systems of the SEHK and market participants will function properly or will continue to be adapted to changes and developments in both markets. In the event that the relevant systems failed to function properly, trading in both markets through the program could be disrupted. The relevant Funds' ability to access the China A-Share market (and hence to pursue their investment strategy) will be adversely affected.*

Nominee arrangements in holding China A-Shares

HKSCC is the "nominee holder" of the SSE securities acquired by overseas investors (including the relevant Fund(s)) through the Stock Connect. The CSRC Stock Connect rules expressly provide that investors such as the Funds enjoy the rights and benefits of the SSE securities acquired through the Stock Connect in accordance with applicable laws. However, the courts in the PRC may consider that any nominee or custodian as registered holder of SSE securities would have full ownership thereof, and that even if the concept of beneficial owner is recognised under PRC law those SSE securities would form part of the pool of assets of such entity available for *distribution to creditors of such entities and/or that a beneficial owner may have no rights whatsoever in respect thereof. Consequently, the relevant Fund(s) and the Custodian cannot ensure that the Fund's ownership of these securities or title thereto is assured in all circumstances.*

Under the rules of the Central Clearing and Settlement System operated by HKSCC for the clearing of securities listed or traded on SEHK, HKSCC as nominee holder shall have no obligation to take any legal action or court proceeding to enforce any rights on behalf of the investors in respect of the SSE securities in the PRC or elsewhere. Therefore, although the relevant Funds' ownership may be ultimately recognised, these Funds may suffer difficulties or delays in enforcing their rights in China A-Shares.

To the extent that HKSCC is deemed to be performing safekeeping functions with respect to assets held through it, it should be noted that the Custodian and the relevant Fund(s) will have no legal relationship with HKSCC and no direct legal recourse against HKSCC in the event that a Fund suffers losses resulting from the performance or insolvency of HKSCC.

Investor compensation

Investments of the relevant Funds through Northbound trading under the Stock Connect will not be covered by Hong Kong's Investor Compensation Fund. Hong Kong's Investor Compensation Fund is established to pay compensation to investors of any nationality who suffer pecuniary losses as a result of default of a licensed intermediary or authorised financial institution in relation to exchange-traded products in Hong Kong.

Since default matters in Northbound trading via the Stock Connect do not involve products listed or traded in SEHK or Hong Kong Futures Exchange Limited, they will not be covered by the Investor Compensation Fund. On the other hand, since the relevant Funds are carrying out Northbound trading through securities brokers in Hong Kong but not PRC brokers, therefore they are not protected by the China Securities Investor Protection Fund in the PRC.

Trading costs

In addition to paying trading fees and stamp duties in connection with China A-Share trading, the relevant Funds may be subject to new portfolio fees, dividend tax and tax concerned with income arising from stock transfers which are yet to be determined by the relevant authorities.

PRC tax consideration

The Management Company and/or the relevant Investment Manager reserve the right to provide for tax on gains of the relevant Fund that invests in PRC securities thus impacting the valuation of the relevant Funds. With the uncertainty of whether and how certain gains on PRC securities are to be taxed, the possibility of the laws, regulations and practice in the PRC changing, and the possibility of taxes being applied retrospectively, any provision for taxation made by the Management Company and/or the relevant Investment Manager may be excessive or inadequate to meet final PRC tax liabilities on gains derived from the disposal of PRC securities. Consequently, investors may be advantaged or disadvantaged depending upon the final outcome of how such gains will be taxed, the level of provision and when they purchased and/or sold their shares in/from the relevant Fund.

On 14 November 2014, the Ministry of Finance, State of Administration of Taxation and CSRC jointly issued a notice in relation to the taxation rule on the Stock Connect under Caishui [2014] No.81 ("Notice No.81"). Under Notice No.81, Corporate income tax, individual income tax and business tax will be temporarily exempted on gains derived by Hong Kong and overseas investors (such as the Funds) on the trading of China A-Shares through the Stock Connect with effect from 17 November 2014. However, Hong Kong and overseas investors (such as the Funds) are required to pay tax on dividends and/or bonus shares at the rate of 10% which will be withheld and paid to the relevant authority by the listed companies.

Regulatory risk

The CSRC Stock Connect rules are departmental regulations having legal effect in the PRC. However, the application of such rules is untested, and there is no assurance that PRC courts will recognise such rules, e.g. in liquidation proceedings of PRC companies.

The Stock Connect is novel in nature, and is subject to regulations promulgated by regulatory authorities and implementation rules made by the stock exchanges in the PRC and Hong Kong. Further, new regulations may be promulgated from time to time by the regulators in connection with operations and cross-border legal enforcement in connection with cross-border trades under the Stock Connect.

The regulations are untested so far and there is no certainty as to how they will be applied. Moreover, the current regulations are subject to change. There can be no assurance that the Stock Connect will not be abolished. The relevant Funds which may invest in the PRC markets through Stock Connect may be adversely affected as a result of such changes."

4. Change in address of Franklin Templeton Investment Management Limited

There is a change in address of Franklin Templeton Investment Management Limited, therefore the address of Franklin Templeton Investment Management Limited under the heading "INVESTMENT MANAGERS" on page 89 of the Current Explanatory Memorandum (as amended by the 2014 Second Addendum to the Current Explanatory Memorandum dated April 2014) shall be deleted in its entirety and replaced by the following address:-

"*Cannon Place*
78 Cannon Street
London EC4N 6HL"

Franklin Templeton Investments
(Asia) Limited
富蘭克林鄧普頓投資(亞洲)有限公司
17/F, Chater House
8 Connaught Road Central
Hong Kong
t +852 2877-7733
f +852 2877-5401
www.franklintempleton.com.hk

FRANKLIN TEMPLETON INVESTMENT FUNDS

2014 Third Addendum to the Explanatory Memorandum dated December 2010
Dated October 2014

Note:	This 2014 Third Addendum dated October 2014 shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Investment Funds (the "**Company**") dated December 2010, supplemented by 2011 Addendum dated June 2011, 2011 Second Addendum dated October 2011, 2012 Addendum dated November 2012, 2011-12 Addendum dated January 2013, 2013 Addenda dated April 2013, 2013 Second Addendum dated May 2013, 2013 Second Addendum (I) dated May 2013, 2013 Third Addendum dated June 2013, 2014 Addendum dated March 2014 and 2014 Second Addendum dated April 2014. The Management Company accepts full responsibility for the accuracy of the information contained in this Addendum as at the date of its publication and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Please note that the following changes apply to the Explanatory Memorandum of the Company dated December 2010, supplemented by 2011 Addendum dated June 2011, 2011 Second Addendum dated October 2011, 2012 Addendum dated November 2012, 2011-12 Addendum dated January 2013, 2013 Addenda dated April 2013, 2013 Second Addendum dated May 2013, 2013 Second Addendum (I) dated May 2013, 2013 Third Addendum dated June 2013, 2014 Addendum dated March 2014 and 2014 Second Addendum dated April 2014 (the "**Current Explanatory Memorandum**"):

1. Foreign Account Tax Compliance Act

The Foreign Account Tax Compliance Act ("**FATCA**"), which is an amendment to the US Internal Revenue Code, was enacted in the United States in 2010 and many of the operative provisions came into effect on 1 July 2014. Generally, FATCA requires financial institutions outside the US ("**foreign financial institutions**" or "**FFIs**") to provide the U.S. Internal Revenue Service ("**IRS**") with information about financial accounts held directly or indirectly by certain specified US persons. A 30% withholding tax is imposed on certain types of US sourced income (including dividends, interest and certain derivative payments) and on gross proceeds of sale of certain US assets that can produce US sourced income paid to an FFI that fails to comply with FATCA.

On 28 March 2014, the Grand-Duchy of Luxembourg entered into a Model 1 Intergovernmental Agreement ("**IGA**") with the United States of America and a memorandum of understanding in respect thereof. The Company would hence have to comply with such Luxembourg IGA, once the IGA has been implemented into Luxembourg law in order to comply with the provisions of FATCA rather than directly complying with the US Treasury Regulations implementing FATCA. Under the IGA, the Company will be required to collect information aiming to identify its direct and indirect shareholders that are US Persons for FATCA purposes ("**reportable accounts**"). Any such information on reportable accounts provided to the Company will be shared with the Luxembourg tax authorities which will exchange that information on an automatic basis with the Government of the United States of America.

The Company is a “sponsored investment entity” for the purposes of FATCA and is a deemed-compliant FFI. The Company intends to comply with the provisions of the Luxembourg IGA to be deemed compliant with FATCA and will thus not be subject to the 30% withholding tax with respect to its share of any such payments attributable to actual and deemed US investments of the Company. The Company will continually assess the extent of the requirements that FATCA and notably the Luxembourg IGA places upon it. As from the date of signature of the Luxembourg IGA and until the Grand Duchy of Luxembourg has implemented the national procedure necessary for the entry into force of the IGA, the United States Department of the Treasury will treat the Company as complying with and not subject to FATCA withholding.

To ensure the Company’s compliance with FATCA and the Luxembourg IGA, Franklin Templeton Investment Services S.à r.l., in its capacity as the Company’s Management Company, may:

(i) request information or documentation, including W-8 tax forms, a Global Intermediary Identification Number, if applicable, or any other valid evidence of a shareholder’s FATCA registration with the IRS or a corresponding exemption, in order to ascertain such shareholder’s FATCA status;

(ii) report information concerning a shareholder and his account holding in the Company to the Luxembourg tax authorities if such account is deemed a US reportable account under the Luxembourg IGA;

(iii) report information to the Luxembourg tax authorities concerning payments to account holders with the FATCA status of non-participating foreign financial institution; and

(iv) (if permitted by applicable laws and regulations) deduct applicable US withholding taxes from certain payments made to a shareholder by or on behalf of the Company in accordance with FATCA and the Luxembourg IGA, if applicable, from 2017 or later. The Management Company in taking any such action or pursuing any such remedy shall act in good faith and on reasonable grounds.

This is a complex area and therefore all prospective investors should consult with their own tax advisors regarding the possible implications of FATCA on them and on an investment in the Company. Investors are also recommended to check with their advisers and intermediaries (if applicable) as to their intention to comply with FATCA.

With effect from October 2014, the following new risk disclosure shall be added after the sub-section headed “Foreign Currency risk” under the section “INVESTMENT CONSIDERATIONS – Risk Considerations” on page 43 of the Current Explanatory Memorandum:-

> “***FATCA Withholding Tax risk***
>
> *Although the Company will endeavour to satisfy any obligations imposed on it to avoid the imposition of any FATCA withholding tax, no assurance can be given that the Company will be able to satisfy these obligations. If the Company becomes subject to a withholding tax as a result of the FATCA regime, its net asset value may be adversely affected and shareholders may suffer substantial losses as a result.*”

2. New Fund

With effect from 17 November 2014, information about the following Fund will be included in the Current Explanatory Memorandum.

Fund name	Franklin U.S. Focus Fund
Investment Objective and Policy	**<u>Investment Objectives</u>** The Fund's primary investment objective is capital appreciation. **<u>Investment Policy</u>** The Fund's investment strategy is to invest primarily [*] in a diversified portfolio composed of equity securities of large-capitalisation companies, which are companies similar in size to those in the S&P 500 Index, including common and preferred stocks, which (i) have their registered office in the United States and/or (ii) have their principal business activities in the United States and/or (iii) are holding companies holding principally participations in companies incorporated in the United States. The Fund retains the flexibility to also invest[†] in securities convertible into common stocks, equity securities of non-US large capitalisation companies, American Depository Receipts and American Depository Shares that are listed on the major US stock exchanges and other types of transferable securities, including debt and fixed income securities (including investment grade, non-investment grade and/or unrated securities), and money market instruments. The Fund generally seeks to maintain a portfolio consisting of securities of approximately 30 to 40 companies. 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 strategy is applied in a diversified manner, enabling the Investment Manager to search in all areas of the US stock market, including any sector and industry. The Investment Manager applies a long-term perspective through market and business cycles. In order to hedge against market or currency risk and/or for efficient portfolio management, the Fund may enter into derivative transactions, such as forwards and futures contracts, options on such contracts or credit default swaps.
Investor's Profile[‡]	The Fund may appeal to investors looking to: - capital appreciation by investing in a diversified portfolio of US equity securities of large capitalisation companies; and - invest for the medium to long term.

[*] It generally means that at least two-thirds of the Fund's net assets (without taking into account ancillary liquid assets) shall be invested into the relevant securities. In exceptional market circumstances (such as extreme volatility) and on a temporary basis only, 100% of the Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading.

[†] Up to one-third of the Fund's net assets may in the aggregate be invested in the investment types listed in this sentence.

[‡] The information contained in the "Investor's Profile" section is provided for reference only.

- Before making any investment decisions, investors should consider their own specific circumstances, including, without limitation, their own risk tolerance level, financial circumstances and investment objectives etc.
- If in doubt, investors should consult their stockbrokers, bank managers, solicitors, accountants, representative banks or other financial advisers.

Risks of Investing in the Fund	The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section “Risk Considerations” as set out on pages 38 to 50 of the Current Explanatory Memorandum for a full description of these risks. • Class Hedging risk • Convertible Securities risk • Counterparty risk • Derivative risk • Dividend Policy risk • Equity risk • Interest rate securities risk • Liquidity risk • Market risk • Single Country risk • Swap Agreements risk
Management Company	Franklin Templeton International Services S.à r.l.
Investment Manager(s)	Franklin Advisers, Inc.
Share Classes	A (acc) USD
Annual Management Fee	Class A : 1.00%
Annual Maintenance Charge	Class A : Up to 0.50%
Aggregate of the above charges	Class A : Up to 1.50%
Sales Charge	Class A : Up to 5%
Financial period to be covered by the first available financial report of the Fund	1 July 2013 to 30 June 2014

The establishment expenses for the Fund are estimated to be approximately US$8,000 to US$10,000 and are borne by the Company.

The Fund does not intend to invest extensively in financial derivative instruments for investment purposes. Any change to the purposes for which and the extent to which financial derivative instruments will be used by the Fund will be subject to the Securities and Futures Commission’s prior approval and by giving at least one month’s prior written notice to the investors, where appropriate.

In addition, the Fund does not intend to invest more than 10% of its net asset value in securities issued and/or guaranteed by any single sovereign issuer (including its government and a public or local authority of that country) with a credit rating below investment grade.

The Fund does not intend to engage in securities lending or invest in repurchase and/or reverse repurchase agreements.

3. De-authorisation of the Franklin Asian Flex Cap Fund

With effect from 30 September 2014, the authorisation of the Franklin Asian Flex Cap Fund with the Securities and Futures Commission of Hong Kong has been withdrawn and all references to the Franklin Asian Flex Cap Fund throughout the Current Explanatory Memorandum shall be removed.

4. Change in e-mail address of the Hong Kong Representative

The e-mail address of the Hong Kong Representative in the section "ADMINISTRATION" on page 89 of the Current Explanatory Memorandum and amended by the 2011 Addendum dated June 2011 to the Current Explanatory Memorandum shall be changed to "fti-hk@franklintempleton.com".

5. Revision to name of Templeton Euro Liquid Reserve Fund

With effect from 30 September 2014, the Templeton Euro Liquid Reserve Fund shall be renamed as "Franklin Euro Liquid Reserve Fund", and all references to the Fund's name in the Current Explanatory Memorandum shall be revised accordingly.

6. Revisions to investment policies of certain Funds

With effect from 31 October 2014, the Current Explanatory Memorandum shall be revised as follows:

(A) Franklin MENA Fund

The second and third paragraphs of the objective and policy of the Franklin MENA Fund on page 14 of the Current Explanatory Memorandum will be revised and restated as set out below (with revisions marked up):

> **"***The Fund invests primarily* in transferable securities such as equity securities ~~and fixed income securities~~ of companies (i) incorporated in the Middle East and North Africa countries ("MENA countries") including, but not limited to the Kingdom of Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Bahrain, Oman, Egypt, Jordan and Morocco, and/or (ii) which have their principal business activities in MENA countries across the entire market capitalisation spectrum (including small to mid-sized companies) as well as in financial derivative instruments. The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may include, inter alia, forwards and financial futures contracts, or options on such contracts, and equity-linked notes (including participatory notes) dealt on either Regulated Markets or over-the-counter.*
>
> *In addition, since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may invest in other types of transferable securities, including equity, equity-related and fixed income securities of issuers worldwide. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.*
>
> ** It generally means that at least two-thirds of the Fund's net assets (without taking into account ancillary liquid assets) shall be invested into the relevant securities. In*

<u>*exceptional market circumstances (such as extreme volatility) and on a temporary basis only, 100% of the Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading.*</u>"

(B) Franklin Euro Government Bond Fund

The following new paragraph will be inserted as the last paragraph of the objective and policy of the Franklin Euro Government Bond Fund on page 28 of the Current Explanatory Memorandum:

"*If and for so long as the Fund accepts investments by insurance undertakings subject to the provisions of the German law on the supervision of insurance undertakings (Versicherungsaufsichtsgesetz - VAG), the Fund will not invest in (i) unrated securities, (ii) securities that are rated B minus and below by Standard & Poor's Corporation and/or Fitch Ratings Limited, or B3 and below by Moody's Investors Service, Inc. (if at any time the Fund's assets are no longer compliant with this rating requirement due to a downgrade, they shall be sold, at the best interest of the investors, within 6 months' time), (iii) securitised debt without investment grade rating and (iv) use financial derivative instruments for anything other than hedging purposes.*"

7. <u>Appointment of Franklin Templeton Investment Management Limited as a co-investment manager of the Franklin Mutual European Fund</u>

With effect from 31 October 2014, the list of Funds managed by Franklin Mutual Advisers, LLC as set out on page 87 of the Current Explanatory Memorandum shall be amended by adding the symbol "*" immediately after the name of FMEF and adding the following footnote under the list:

"**Franklin Mutual Advisers, LLC has been appointed as a Co-Investment Manager of this Fund, together with Franklin Templeton Investment Management Limited.*"

With effect from 31 October 2014, the list of Funds managed by Franklin Templeton Investment Management Limited as set out on page 87 of the Current Explanatory Memorandum shall be amended by adding the words "Franklin Mutual European Fund*;" at the top of the list, adding the following footnote as the first footnote under the list and re-numbering the existing footnotes accordingly:

"**Franklin Templeton Investment Management Limited has been appointed as a Co-Investment Manager of this Fund, together with Franklin Mutual Advisers, LLC.*"

8. <u>Change in distribution frequency and re-designation of Class A (Qdis) USD shares of the Templeton Global Equity Income Fund</u>

With effect from 8 January 2015, the distribution frequency for the Class A (Qdis) USD share class of the Templeton Global Equity Income Fund will change from quarterly to monthly. Consequently, the share class will be re-designated as "Class A (Mdis) USD".

Franklin Templeton Investments (Asia) Limited
17/F, Chater House
8 Connaught Road Central
Hong Kong
t +852 2877-7733
f +852 2877-5401
www.franklintempleton.com.hk

FRANKLIN TEMPLETON INVESTMENTS

FRANKLIN TEMPLETON INVESTMENT FUNDS

2014 Second Addendum to the Explanatory Memorandum dated December 2010
Dated April 2014

Note: This 2014 Second Addendum dated April 2014 shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Investment Funds (the "**Company**") dated December 2010, supplemented by 2011 Addendum dated June 2011, 2011 Second Addendum dated October 2011, 2012 Addendum dated November 2012, 2011-12 Addendum dated January 2013, 2013 Addenda dated April 2013, 2013 Second Addendum dated May 2013, 2013 Second Addendum (I) dated May 2013, 2013 Third Addendum dated June 2013 and 2014 Addendum dated March 2014. The Management Company accepts full responsibility for the accuracy of the information contained in this Addendum as at the date of its publication and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Please note that the following changes apply to the Explanatory Memorandum of the Company dated December 2010, supplemented by 2011 Addendum dated June 2011, 2011 Second Addendum dated October 2011, 2012 Addendum dated November 2012, 2011-12 Addendum dated January 2013, 2013 Addenda dated April 2013, 2013 Second Addendum dated May 2013, 2013 Second Addendum (I) dated May 2013, 2013 Third Addendum dated June 2013 and 2014 Addendum dated March 2014 (the "**Current Explanatory Memorandum**"):

1. <u>Changes to Fund Names</u>

With effect from 31 March 2014, the names of the following Funds shall be revised as follows, and all references to the Funds' names in the Current Explanatory Memorandum shall be revised accordingly:-

Current Name of Fund	Name of Fund with effect from 31 March 2014
Franklin Templeton Global Growth and Value Fund	Franklin Global Growth and Value Fund
Templeton Euro Government Bond Fund	Franklin Euro Government Bond Fund
Templeton Euro High Yield Fund	Franklin Euro High Yield Fund

2. <u>Revisions to Investment Policies</u>

With effect from 17 April 2014, the Current Explanatory Memorandum shall be revised as follows:-

(A) Statement on total return swaps

The following new paragraph will be inserted immediately following the end of the sixth paragraph of the section titled "INVESTMENT OBJECTIVES AND POLICIES" as set out on page 8 of the Current Explanatory Memorandum:-

"*When a Fund may invest in total return swaps or other financial derivative instruments with similar characteristics, the underlying assets and investment strategies to which exposure will be gained are described in the relevant Fund's investment policy.*"

(B) Franklin European Small-Mid Cap Growth Fund

The sixth paragraph of the investment objective and policy of the Franklin European Small-Mid Cap Growth Fund as set out on page 11 of the Current Explanatory Memorandum shall be amended as set out below (with revisions marked up):-

> "*The Fund is suitable for investors seeking capital appreciation by investing in equity securities ~~and seeking a growth investment concentrated in~~ of small or mid-cap companies ~~of~~located in any European ~~countries~~country and planning to hold their investments for the medium to long term.*"

(C) Franklin Global Convertible Securities Fund

The second paragraph of the investment objective and policy of the Franklin Global Convertible Securities Fund, as set out on page 1 of the 2013 Addendum dated April 2013 to the Current Explanatory Memorandum relating to (amongst other things) the Franklin Global Convertible Securities Fund and amended by the 2013 Third Addendum dated June 2013 to the Current Explanatory Memorandum, will be amended as set out below (with revisions marked up):-

(I) Changes to the first and second sentences of the second paragraph:-

> **"***The Fund ~~will~~ seeks to achieve its investment objectives by investing primarily*[*] *in convertible securities (including low-rated~~ (including~~, unrated~~)~~, investment grade ~~securities~~, non-investment grade securities and/or securities in default) of corporate issuers globally. The Fund may also invest in other securities, such as common or preferred stocks and non-convertible debt securities (including low-rated~~ (including~~, unrated~~)~~, investment grade ~~securities~~, non-investment grade securities and/or securities in default).*"

(II) Changes to the fifth sentence of the second paragraph:-

> **"***The Fund may also utilize certain financial derivative instruments for ~~investment or~~ currency hedging, efficient portfolio management and/or investment purposes.*"

(D) Franklin High Yield Fund

The second sentence of the second paragraph of the objective and policy of the Franklin High Yield Fund, as set out on page 12 of the Current Explanatory Memorandum, will be amended as set out below (with revisions marked up):-

> **"***The financial derivative instruments may include, inter alia, swaps such as credit default swaps or fixed income related total return swaps, forwards, futures contracts, as well as options on such contracts dealt in either on regulated markets or over-the-counter.*"

(E) Franklin Mutual Beacon Fund

The first sentence of the fifth paragraph of the objective and policy of the Franklin Mutual Beacon Fund, as set out on page 15 of the Current Explanatory Memorandum, will be amended as set out below (with revisions marked up):-

> **"***The Fund may invest in financial derivative instruments, which may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps~~,~~ or synthetic equity swaps~~ or total return swaps~~.*"

(F) Franklin Mutual European Fund

The first sentence of the fifth paragraph of the objective and policy of the Franklin Mutual European Fund, as set out on page 16 of the Current Explanatory Memorandum, will be amended as set out below (with revisions marked up):-

> "*The Fund may invest in financial derivative instruments, which may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps~~,~~ or synthetic equity swaps~~ or total return swaps~~.*"

(G) Franklin Mutual Global Discovery Fund

The first sentence of the fifth paragraph of the objective and policy of the Franklin Mutual Global Discovery Fund, as set out on pages 16 and 17 of the Current Explanatory Memorandum, will be amended as set out below (with revisions marked up):-

> "*The Fund may invest in financial derivative instruments, which may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps~~,~~ or synthetic equity swaps~~ or total return swaps~~.*"

(H) Franklin World Perspectives Fund

The second sentence of the second paragraph of the objective and policy of the Franklin High Yield Fund, as set out on page 21 of the Current Explanatory Memorandum, will be amended as set out below (with revisions marked up):-

> **"***The financial derivative instruments may include, inter alia, swaps such as credit default ~~swaps or total return~~ swaps, forwards, futures contracts, as well as options on such contracts dealt in either on regulated markets or over-the-counter.*"

(I) Templeton Asian Bond Fund

The third and fourth sentences of the second paragraph of the investment objective and policy of the Templeton Asian Bond Fund, as set out on page 23 of the Current Explanatory Memorandum, will be amended as set out below (with revisions marked up):-

> **"***The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.*"

(J) Templeton Asian Dividend Fund

The third and fourth paragraph of the investment policy of the Templeton Asian Dividend Fund, as set out on page 2 of the 2013 Addendum dated April 2013 to the Current Explanatory Memorandum relating to (amongst other things) the Templeton Asian Dividend Fund, will be amended as set out below (with revisions marked up):-

(I) Changes to the first and second sentences of the third paragraph:-

> **"***The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt on either regulated markets or over-the-counter, and may include, inter alia, swaps (such as*

credit default swaps ~~or~~, and total return swaps on equity securities), forwards and cross forwards, futures contracts (including those on government securities), as well as options."

(II) Changes to the fourth paragraph:-

"*In addition, since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also, on an ancillary basis, invest in participatory notes, other types of transferable securities, including equity and fixed income securities of issuers worldwide (investment grade, non-investment grade and unrated) and other instruments (including convertible securities, money market instruments and liquid assets as more specifically set out in the section "Investment Restrictions" on pages 50 to 57 of the Current Explanatory Memorandum) that are consistent with the investment objective of the Fund.*"

(K) Templeton Asian Smaller Companies Fund

The third paragraph of the investment objective and policy of the Templeton Asian Smaller Companies Fund, as set out on page 24 of the Current Explanatory Memorandum, will be amended as set out below (with revisions marked up):-

"*In addition, since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also invest in participatory notes and other types of transferable securities, including equity and fixed income securities of issuers worldwide.*"

(L) Templeton Emerging Markets Balanced Fund

The second sentence of the third paragraph of the investment objective and policy of the Templeton Emerging Markets Balanced Fund, as set out on page 1 of the 2011 Second Addendum dated October 2011 to the Current Explanatory Memorandum and amended by the 2013 Third Addendum dated June 2013 to the Current Explanatory Memorandum, will be amended as set out below (with revisions marked up):-

"*These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.*"

(M) Templeton Emerging Markets Bond Fund

The third and fourth sentences of the second paragraph of the investment objective and policy of the Templeton Emerging Markets Bond Fund, as set out on page 27 of the Current Explanatory Memorandum, will be amended as set out below (with revisions marked up):-

"*The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.*"

(N) Templeton Euro High Yield Fund (to be renamed as "Franklin Euro High Yield Fund" with effect as of 31 March 2014)

The second sentence of the second paragraph of the investment objective and policy of the Templeton Euro High Yield Fund, as set out on page 28 of the Current Explanatory Memorandum, will be amended as set out below (with revisions marked up):-

"*The financial derivative instruments may include, inter alia, swaps such as credit default swaps or fixed income related total return swaps, forwards, futures contracts, as well as options on such contracts dealt in either on regulated markets or over-the-counter.*"

(O) Templeton Global Bond Fund

The fourth and fifth sentences of the second paragraph of the investment objective and policy of the Templeton Emerging Markets Bond Fund, as set out on page 32 of the Current Explanatory Memorandum, will be amended as set out below (with revisions marked up):-

"*The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.*"

(P) Templeton Global Equity Income Fund

The second and third sentences of the third paragraph of the investment objective and policy of the Templeton Global Equity Income Fund as set out on page 2 of the 2013 Third Addendum dated June 2013 to the Current Explanatory Memorandum, will be amended as set out below (with revisions marked up):-

"*These financial derivative instruments may be dealt on either regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or total return swaps on equity indices), forwards and cross forwards, futures contracts (including those on government securities), as well as options (including covered calls). Use of financial derivative instruments may result in negative returns in a specific yield curve/duration, currency or credit since, among other things, the price of financial derivatives instruments are dependent on the price of their underlying instruments and these prices may go up or down. The Fund may also purchase participatory notes, equity-linked notes or other structured products where the security is linked to or derives its value from another security or is linked to assets or currencies of any country.*"

(Q) Templeton Global High Yield Fund

The third and fourth sentences of the second paragraph of the investment objective and policy of the Templeton Global High Yield Fund, as set out on page 34 of the Current Explanatory Memorandum, will be amended as set out below (with revisions marked up):-

"*The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.*"

(R) Templeton Global Income Fund

The fifth and sixth sentences of the second paragraph of the investment objective and policy of the Templeton Global Income Fund, as set out on page 34 of the Current Explanatory Memorandum, will be amended as set out below (with revisions marked up):-

"*The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options.*"

(S) Templeton Global Total Return Fund

The third and fourth sentences of the second paragraph of the investment objective and policy of the Templeton Global Total Return Fund, as set out on pages 35 and 36 of the Current Explanatory Memorandum, will be amended as set out below (with revisions marked up):-

> "*The Fund may also utilise financial derivative instruments for <u>hedging, efficient portfolio management and/or</u> investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or <u>fixed income related</u> total return swaps), forward and cross forwards, futures contracts (including those on government securities), as well as options.*"

3. <u>Revisions to the restrictions on the Company's investment in transferable securities and liquid assets</u>

With effect from 17 April 2014, each of the references to "Community law" in paragraphs a)(vii) and a)(ix) of the section "INVESTMENT RESTRICTIONS – 1. Investment in transferable securities and liquid assets" on page 52 of the Current Explanatory Memorandum shall be replaced by a reference to "EU law".

With effect from 17 April 2014, the following amendments will be made to paragraph d)(vii) of the section "INVESTMENT RESTRICTIONS – 1. Investment in transferable securities and liquid assets" on page 54 of the Current Explanatory Memorandum (with revisions marked up):-

> "*d)(vii) where any Fund has invested in accordance with the principle of risk spreading in transferable securities and money market instruments issued or guaranteed by any EU Member State, its local authorities, or public international bodies of which one or more EU Member States are members ~~or~~<u>,</u> by any other State of the OECD, <u>by Singapore or any member state of the G20,</u> the Company may invest 100% of the assets of any Fund in such securities provided that such Fund must hold securities from at least six different issues and securities from one issue must not account for more than 30% of that Fund's <u>net</u> assets.*"

4. <u>Revisions to the restrictions on the Company's investment in other assets</u>

With effect from 17 April 2014, the following amendments will be made to paragraph c) of the section "INVESTMENT RESTRICTIONS – 2. Investment in other assets" on page 57 of the Current Explanatory Memorandum:-

> "*c) The Company may not enter into ~~transactions involving~~<u>direct</u> commodities <u>transactions</u> or commodity contracts, except that the Company may, in order to hedge risk~~s~~, enter into financial futures on such transactions within the limits laid down in clause 3. c) below.*"

5. <u>Revisions to the limits and restrictions on the Company's use of financial derivative instruments</u>

With effect from 17 April 2014, the section "INVESTMENT RESTRICTIONS – 3. Financial derivative instruments" on pages 57 to 63 of the Current Explanatory Memorandum shall be revised as follows:-

(A) the following paragraphs shall be inserted immediately after the fourth paragraph of the section:

> "*The Company on behalf of a relevant Fund may only choose swap counterparties that are first class financial institutions selected by the Board of Directors and that are subject to prudential supervision and belonging to the categories approved by the Commission de Surveillance du Secteur Financier ("CSSF") for the purposes of OTC derivative transactions and specialized in these types of transactions.*

As the case may be, collateral received by each Fund in relation to OTC derivative transactions may offset net exposure to the counterparty provided it meets a range of standards, including those for liquidity, valuation, and issuer credit quality. Collateral primarily consist of cash and highly rated sovereign bonds. Collateral value is reduced by a percentage (a "haircut") which accounts for short term fluctuations in the value of the collateral. Net exposures are calculated daily by the counterparty and subject to the terms of the agreements, including a minimum transfer amount, collateral levels may fluctuate between the Fund and the counterparty depending on the market movement of the exposure. Non-cash collateral received is not sold, reinvested or pledged. Cash collateral may be reinvested in a manner consistent with the provisions established in the Credit Support Annex ("CSA") of the International Swaps and Derivatives Association Master Agreement ("ISDA Master Agreement") executed with the relevant counterparty and with the risk diversification requirements detailed in the section on "Investment Restrictions" in (a) shares or units issued by short term money market undertakings for collective investment as defined in the Guidelines on a Common Definition of European Money Market Funds, (b) deposits with a credit institution having its registered office in an EU Member State or with a credit institution situated in a non-EU Member State provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in the EU Law, (c) high quality government bonds that are deemed eligible collateral according to the terms of the CSA of the ISDA Master Agreement, and (d) reverse repurchase agreement transactions provided the transactions are with credit institutions subject to the prudential supervision and the Company may recall at any time the full amount of cash on accrued basis. The Company has policies with respect to the reinvestment of collateral (specifically, that derivatives or other instruments that may contribute to leverage may not be used) such that it would not impact the global exposure calculation."; and

(B) the disclosure on currency hedging as provided in item c) of the section shall be revised by:

(I) replacing the words "*held by the Company*" in the second paragraph of that item with the words "*held by the relevant Fund*"; and

(II) deleting the fourth paragraph beginning with "*The Company may not*" in its entirety.

6. Revisions to the restrictions on the Company's use of techniques and instruments relating to transferable securities and money market instruments

With effect from 17 April 2014, the following amendments will be made to the section "INVESTMENT RESTRICTIONS – 4. Use of techniques and instruments relating to transferable securities and money market instruments" appearing on page 63 of the Current Explanatory Memorandum:-

(I) the first paragraph of the section shall be amended as follows (with revisions marked up):

"*To the maximum extent allowed by, and within the limits set forth in, the Law ~~relating to collective investment undertakings~~of 17 December 2010 as well as any present or future related Luxembourg laws or implementing regulations, circulars and the Luxembourg supervisory authority's positions (the "Regulations"), in particular the provisions of (i) article 11 of the Grand-Ducal regulation of February 8, 2008 relating to certain definitions of the ~~Law relating to collective investment undertakings~~Luxembourg Law of 20 December 2002 on undertakings for collective investment and of (ii) CSSF Circulars 08/356 and 13/559 relating to the rules applicable to undertakings for collective investments when they use certain techniques and instruments relating to transferable securities and money market instruments, each Fund may for the purpose of generating additional capital or income or for reducing costs or risks (A) enter, either as purchaser or seller, into optional as well as non optional repurchase transactions and (B) engage in securities lending transactions.*";

(II) the fifth paragraph of the section shall be deleted in its entirety and replaced with the following paragraph:

"*As the case may be, collateral received by each Fund in relation to any of these transactions may offset net exposure by the counterparty provided it meets a range of standards, including those for liquidity, valuation, and issuer credit quality. Collateral primarily consist of cash and highly rated sovereign fixed income securities. Collateral value is reduced by a percentage (a "haircut") which provides for short term fluctuations in the value of the collateral. Net exposures are calculated daily by the counterparty and subject to the terms of the agreements, including a minimum transfer amount, collateral levels may fluctuate between the Fund and the counterparty depending on the market movement of the exposure. Non-cash collateral received is not sold, reinvested or pledged. Cash collateral received by each Fund in relation to any of these transactions may be reinvested in a manner consistent with the investment objectives of such Fund and with the risk diversification requirements detailed in the section on "Investment Restrictions" in (a) shares or units issued by short term money market undertakings for collective investment as defined in the Guidelines on a Common Definition of European Money Market Funds, (b) deposits with a credit institution having its registered office in a Member State or with a credit institution situated in a non-Member State provided that it is subject to prudential rules considered by the CSSF as equivalent to those laid down in EU law, (c) high quality government bonds, and (d) reverse repurchase agreement transactions provided the transactions are with credit institutions subject to the prudential supervision and the Company may recall at any time the full amount of cash on accrued basis. The Company has policies with respect to the reinvestment of collateral (specifically, that derivatives or other instruments that may contribute to leverage may not be used) such that it would not impact the Global Exposure calculation.*"; and

(III) the following paragraph will be inserted as a new paragraph immediately following the end of the existing second paragraph:

"*The securities lending agent receives a fee of up to 10% of the gross revenue generated as a result of the lent securities for its services, the remainder of the revenue being received and retained by the relevant lending Fund.*"

7. <u>Addition of, and revisions to, risk disclosures</u>

(A) Securities Lending Risk and Repurchase Transactions Risk

With effect from 17 April 2014, the risk disclosure on "Use of Techniques and Instruments Risk" on page 49 of the Current Explanatory Memorandum shall be deleted in its entirety and replaced by the following new risk disclosures:

(I) the following risk disclosure on "Securities Lending risk" shall be added after the sub-section headed "Russian and Eastern European Markets risk" under the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on page 48 of the Current Explanatory Memorandum:-

"***Securities Lending risk***

The entering by the Company into securities lending transactions, as contemplated in the section "Investment Restrictions – 4. Use of techniques and instruments relating to transferable securities and money market instruments" involves certain risks and there can be no assurance that the objective sought to be obtained from such use will be achieved.

Investors must notably be aware that in case of default, bankruptcy or insolvency of the borrower of securities lent by a Fund, there is a risk of delay in recovery (that may restrict the ability of a Fund to meet delivery obligations under security sales or payment *obligations arising from sale requests) or even loss of rights in collateral received, which risks are mitigated by a careful creditworthiness analysis of borrowers to determine their degree of risk for said borrowers to become involved in insolvency/bankruptcy proceedings within the timeframe contemplated by the loan.*

A Fund may reinvest the cash collateral received from borrowers. There is a risk that the value or return of the reinvested cash collateral may decline below the amount owed to those borrowers, and those losses may exceed the amount earned by the Fund on lending the securities. This may result in a substantial loss to the Fund."; and

(II) the following risk disclosure on "Repurchase Transactions risk" shall be added after the sub-section headed "Real Estate Securities risk" under the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on page 47 of the Current Explanatory Memorandum:-

"***Repurchase Transactions risk***

The entering by the Company into repurchase transactions, as contemplated in the section "Investment Restrictions – 4. Use of techniques and instruments relating to transferable securities and money market instruments" involves certain risks and there can be no assurance that the objective sought to be obtained from such use will be achieved.

Investors must notably be aware that (1) in the event of the failure of the counterparty with which cash of a Fund has been placed there is the risk that collateral received may yield less than the cash placed out, whether because of inaccurate pricing of the collateral, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (2) (i) locking cash in transactions of excessive size or duration, (ii) delays in recovering cash placed out, or (iii) difficulty in realising collateral may restrict the ability of the Fund to meet redemption requests, security purchases or, more generally, reinvestment; and that (3) repurchase transactions will, as the case may be, further expose a Fund to risks similar to those associated with optional or forward derivative financial instruments, which risks are further described in other sections of this Explanatory Memorandum."

(B) Participatory Notes Risk

With effect from 17 April 2014, the following new risk disclosure shall be added after the sub-section headed "Non-Regulated Markets risk" under the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on page 46 of the Current Explanatory Memorandum:-

"***Participatory Notes risk***

Participatory notes, also known as P-Notes, are financial instruments that may be used by some Funds (such as the Templeton Asian Dividend Fund, Templeton Asian Smaller Companies Fund and Templeton Global Equity Income Fund) to obtain exposure to an equity investment, including common stocks and warrants, in a local market where direct ownership is not allowed. Investment in participatory notes may involve an OTC transaction with a third party. Therefore, Funds investing in participatory notes may be exposed not only to movements in the value of the underlying equity, but also to the risk of counterparty default, which may in the event of counterparty default result in a substantial loss to the Fund."

(C) Russian and Eastern European Markets Risk

With effect from 17 April 2014, the following amendments will be made to the fourth paragraph of the existing risk disclosure on "Russian and Eastern European Markets risk" on page 48 of the Current Explanatory Memorandum (with revisions marked up):-

"*However, securities traded on the ~~Russian Trading Stock~~Moscow Exchange ~~("RTS") or on the Moscow Interbank Currency Exchange ("~~MICEX~~")~~ RTS can be treated as investment in securities dealt in on a regulated market.*"

(D) Frontier Markets Risk

With effect from 17 April 2014, the following amendments will be made to the existing risk disclosure on "Frontier Markets risk" on page 43 of the Current Explanatory Memorandum:-

(I) the references to "*investment*" in the first and second sentences will be replaced by "*investments*";

(II) the word "*other*" shall be inserted immediately after the words "*less accessible than*" in the second sentence; and

(III) the following sentences shall be inserted immediately after the second sentence:

"*Frontier markets may also experience greater political and economic instability and may have less transparency, less ethical practices, and weaker corporate governance compared to other emerging markets and the relevant Fund/investors may be adversely impacted. Such markets are also more likely to have investment and repatriation restrictions, exchange controls and less developed custodial and settlement systems than other emerging markets. The countries that comprise frontier markets include the lesser developed countries located in Africa, Asia, the Middle East, Eastern Europe and Latin America. As a result, the relevant Fund/investors may be adversely impacted.*"

8. Revisions to risk management policy

With effect from 17 April 2014, the third to fifth paragraphs under the section "INVESTMENT RESTRICTIONS – 5. The Company will in addition comply with such further restrictions as may be required by the regulatory authorities in any country in which the Shares are authorized for sale." on pages 64 and 65 of the Current Explanatory Memorandum shall be revised to include the following marked-up changes:-

"*For Funds that consider the use of derivatives as core investment objective and not primarily for the purposes of hedging or efficient portfolio management, the Management Company will assess factors such as the number of derivatives and their complexity and qualify them as ~~"Sophisticated"~~ funds which will require application of an advanced risk measurement methodology and enhanced rules of conduct and organization. The assessment process is documented and kept available for inspection by the primary regulator of the Management Company.*

The Management Company has an organization-wide group called ~~Portfolio~~Performance Analysis and Investment Risk Management (PAIR) which consists of investment professionals across the globe with complementary risk and investment backgrounds to help manage investment risk for portfolios. By quantifying and decomposing detailed risk data and by applying a unified risk management process, the PAIR group increases the risk awareness of the portfolio managers and monitors risk at portfolio level. The PAIR group conducts periodic reviews of each fund and the frequency of these reviews will depend on factors such as the turnover in the portfolio, market conditions and the performance and volatility of the fund. During the review process, key elements and information on historical risk and performance statistics, historical performance attribution and predicted risk analysis are considered and discussed by investment professionals as appropriate.

For ~~Sophisticated~~ funds using an advanced risk measurement methodology, the PAIR group completes on a ~~quarterly~~monthly basis a comparison of ~~predicted tracking error variance with actual, historical tracking error experienced in the fund~~ the predicted risk of loss with actual figures and such analysis is reviewed by investment professionals. The *potential impact and risk of extreme market events on a fund's investment risk parameters will also be reviewed as part of the oversight process. In line with requirements of the Company's investment restrictions, counterparty risk will be monitored at both the issuer and the group level.*"

9. Addition of, and revisions to, taxation disclosures

With effect from 17 April 2014, the sub-section "ADDITIONAL INFORMATION - TAXATION" on pages 83 and 84 of the Current Explanatory Memorandum shall be revised to include the following marked-up changes:

"***TAXATION***

The Company

As the Company has been authorised by the Securities and Futures Commission in Hong Kong, profits of the Company arising from the sale or disposal of securities, interest received by or accruing to the Company and certain other profits of the Company (including those under foreign exchange contracts and certain futures contracts) are exempt from Hong Kong profits tax. It is not expected that any other significant profits arising from the activities of the Company will be subject to Hong Kong profits tax.

The information in the following paragraphs is based on the laws, regulations, decisions and practice currently in force in Luxembourg and is subject to changes therein, possibly with retrospective effect. This summary does not purport to be a comprehensive description of all Luxembourg tax laws and Luxembourg tax considerations that may be relevant to a decision to invest in, own, hold, or dispose of Shares and is not intended as tax advice to any particular investor or potential investor.

The Company is not liable to any Luxembourg tax on its profits or income and is not subject to Luxembourg's net wealth tax. The Company, however, is liable in Luxembourg to a tax of ~~up to~~ 0.05% per annum of its net asset value, such tax being payable quarterly on the basis of the value of the net assets of the Company at the end of the relevant calendar quarter. This tax is not applicable for the portion of the assets of a Fund invested in other undertakings for collective investment which have been already subject to such tax. In order to qualify under the current reduced tax rate of 0.01% (instead of the tax of 0.05% referred to above), the Franklin U.S. Dollar Liquid Reserve Fund and the Templeton Euro Liquid Reserve Fund will be invested in a manner that the weighted average remaining maturity of all securities and instruments comprised in the portfolios of the respective Funds does not exceed twelve months. Class I Shares may also qualify for the reduced tax rate of 0.01% if all the investors of the Share Class are institutional investors as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority within the meaning of article 174 of the Law of 17 December 2010.

No stamp duty or other tax will be payable in Luxembourg on the issue of the shares in the Company ~~except a once-and-for-all tax of Luxembourg Francs 50,000 which was paid on incorporation~~. A Euro 75 registration duty is to be paid upon incorporation and each time the Articles are amended. Under current law and practice, no capital gains tax is payable in Luxembourg on the realised or unrealised capital appreciation of the assets of the Company.

The Company is registered for Value Added Tax in the Grand-Duchy of Luxembourg and subject to account for Value Added Tax in accordance with applicable laws.

Investment income received or capital gains realised by the Company ~~from different sources~~ may be subject to ~~withholding~~ taxes in the countries of origin at varying rates~~; such~~

~~*withholding taxes normally are not recoverable*~~*. The Company may benefit in certain circumstances from double taxation treaties which Luxembourg has with other countries.*

Distributions made by the Company are not subject to withholding tax in Luxembourg.

Taxation of Shareholders

Except as mentioned below, shareholders will not be subject to any Hong Kong tax on distributions from the Company or on capital gains realised on the sale of any Shares in the Company. If the acquisition and realisation of Shares in the Company is or forms part of a trade, profession or business carried on in Hong Kong, gains realised by the relevant shareholder may attract Hong Kong profits tax. No Hong Kong stamp duty will be payable on the issue or transfer of shares in the Company. The foregoing is given on the basis of the Board of Directors' understanding of present legislation and practice in Hong Kong.

Subject to the provisions of the European Savings Directive, ~~*Shareholders*~~*investors are currently not subject to any capital gains, income, withholding, gift, estate, inheritance or other taxes in Luxembourg (except for shareholders domiciled, resident or having a permanent establishment in Luxembourg*~~*and except for certain former residents of Luxembourg if owning more than 10% of the share capital of the Company*~~*).*

Investors should consult their professional advisers as to the possible tax or other consequences of buying, holding, transferring or selling any of the Company's shares under the laws of their countries of citizenship, residence and domicile."

10. Annual General Meetings

With effect from 17 April 2014, the following new paragraph shall be inserted as the first paragraph of the sub-section headed "ADDITIONAL INFORMATION - Meetings" on page 83 of the Current Explanatory Memorandum:-

"*The annual general meeting of Shareholders is held at the registered office of the Company on 30 November of each year or, if such day is not a Luxembourg business day, on the Luxembourg business day immediately following the 30th day of November.*"

11. Change in name of Auditor

There is a change in name of the Company's auditor, therefore the name "PRICEWATERHOUSECOOPERS Sàrl" under the heading "AUDITOR" on page 89 of the Current Explanatory Memorandum shall be deleted in its entirety and replaced by "PRICEWATERHOUSECOOPERS, Société coopérative".

12. Change in address of Franklin Templeton Investment Management Limited

There is a change in address of Franklin Templeton Investment Management Limited, therefore the address of Franklin Templeton Investment Management Limited under the heading "INVESTMENT MANAGERS" on page 89 of the Current Explanatory Memorandum shall be deleted in its entirety and replaced by the following address:-

"*The Adelphi Building*
1-11 John Adam Street
London WC2N 6 HT
United Kingdom"

Franklin Templeton Investments
(Asia) Limited
17/F, Chater House
8 Connaught Road Central
Hong Kong
t +852 2877-7733
f +852 2877-5401
www.franklintempleton.com.hk

FRANKLIN TEMPLETON INVESTMENT FUNDS

2014 Addendum to the Explanatory Memorandum dated December 2010
Dated March 2014

Note:	This 2014 Addendum dated March 2014 shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Investment Funds (the "**Company**") dated December 2010, supplemented by 2011 Addendum dated June 2011, 2011 Second Addendum dated October 2011, 2012 Addendum dated November 2012, 2011-12 Addendum dated January 2013, 2013 Addenda dated April 2013, 2013 Second Addendum dated May 2013, 2013 Second Addendum (I) dated May 2013 and 2013 Third Addendum dated June 2013. The Management Company accepts full responsibility for the accuracy of the information contained in this Addendum as at the date of its publication and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement misleading.

Please note that the following changes apply to the Explanatory Memorandum of the Company dated December 2010, supplemented by 2011 Addendum dated June 2011, 2011 Second Addendum dated October 2011, 2012 Addendum dated November 2012, 2011-12 Addendum dated January 2013, 2013 Addenda dated April 2013, 2013 Second Addendum dated May 2013, 2013 Second Addendum (I) dated May 2013 and 2013 Third Addendum dated June 2013 (the "**Current Explanatory Memorandum**"):

1. Appointment of a Management Company

With effect from 1 January 2014, the Company has appointed its existing Registrar and Transfer, Corporate, Domiciliary and Administrative Agent, Franklin Templeton International Services S.à r.l., as its management company (the "Management Company") and Principal Distributor.

The Current Explanatory Memorandum shall be revised as follows:

(I) the following paragraphs on the Management Company shall be inserted at the beginning of the section headed "MANAGEMENT AND ADMINISTRATION" on page 86 of the Current Explanatory Memorandum:

"***MANAGEMENT COMPANY***

The Company has appointed Franklin Templeton International Services S.à r.l. as the Company's management company (the "Management Company") to be responsible on a day-to-day basis under the supervision of the Board of Directors, for providing administration, marketing, investment management and advice services in respect of all Funds. The Management Company has at all times delegated the portfolio management services to the Investment Managers.

The Management Company was incorporated on 17 May 1991 under the laws of the Grand Duchy of Luxembourg and its articles of incorporation are deposited with the Luxembourg Registre de Commerce et des Sociétés. The Management Company is approved as a management company regulated by chapter 15 of the Law of 17 December 2010 and will comply at all times with article 102 of the Law of 17 December 2010. The Management Company is part of Franklin Templeton Investments.

The Management Company will ensure compliance of the Company with applicable laws and constitutive documents and oversee the implementation of the Company's investment objectives, strategies and policies.

The Management Company will also act as registrar and transfer, corporate, domiciliary and administrative agent of the Company and will therefore be responsible for processing the purchase, selling and switching of Shares, the maintenance of accounting records and all other administrative services as required by Luxembourg law.";

(II) the third paragraph of the sub-section headed "INTRODUCTION – OFFER OF SHARES" on page 3 of the Current Explanatory Memorandum shall be deleted in its entirety and replaced by the following paragraph (with changes marked up):-

"*The ~~Investment Managers and the directors of the Company~~Management Company accepts full responsibility for the accuracy of the information contained in this Explanatory Memorandum as at the date of its publication and confirms, having made all reasonable enquiries, that to the best of ~~their~~its knowledge and belief there are no other facts the omission of which would make any statement misleading.*";

(III) The statement "The directors of the Company reserve the right to reject any application or ask for additional information and documentation as may be required to comply with any applicable laws and regulations." which appears in the second paragraph of the section "INTRODUCTION – Authorisation and Registration" on page 3 of the Current Explanatory Memorandum shall be revised to include the following marked-up changes:-

"*The ~~directors of the~~ Company and the Management Company reserve the right to reject any application or ask for additional information and documentation, such as source of wealth, as may be required to comply with any applicable laws and regulations.*"

(IV) the reference to "Fund" in the fifth sub-paragraph of the paragraph headed "Investment Co-Managers" in the sub-section "INVESTMENT OBJECTIVES AND POLICIES – Franklin World Perspectives Fund" on page 22 of the Current Explanatory Memorandum shall be replaced by a reference to "Management Company";

(V) the last paragraph of the sub-section headed "INVESTMENT CONSIDERATIONS – RISK CONSIDERATIONS" on page 50 of the Current Explanatory Memorandum shall be deleted in its entirety and replaced by the following paragraph (with changes marked up):-

"***Shareholders should understand that all investments involve risk and there can be no guarantee against loss resulting from an investment in any Fund(s), nor can there be any assurance that the Fund(s) investment objective(s) will be attained. ~~Neither~~None of the Company, the Management Company, the Investment Managers, nor any of their worldwide affiliated entities, guarantee the performance or any future return of the Company or any of its Funds.***";

(VI) the reference to "Registrar and Transfer, Corporate, Domiciliary and Administrative Agent of the Company" in paragraph i) of the section "INVESTMENT RESTRICTIONS – 1. Investment in transferable securities and liquid assets" on page 56 of the Current Explanatory Memorandum shall be replaced by a reference to "Management Company".

(VII) the first to fourth, and the seventh, paragraphs under the section "INVESTMENT RESTRICTIONS – 5. The Company will in addition comply with such further restrictions as may be required by the regulatory authorities in any country in which the Shares are authorized for sale." on pages 64 and 65 of the Current Explanatory Memorandum shall be revised by replacing the word "Company" wherever it appears with the word "Management Company";

(VIII) the fourth sentence of the third sub-paragraph of the paragraph headed "Payment by Cheque or Bank Draft" of the sub-section headed "PURCHASE AND REDEMPTION OF SHARES – PURCHASES" on page 67 of the Current Explanatory Memorandum shall be amended by replacing the words "Board of Directors of the Funds" with the words "Company and the Management Company";

(IX) the eighth sub-paragraph of the paragraph headed "Payment by Telegraphic Transfer" of the sub-section headed "PURCHASE AND REDEMPTION OF SHARES – PURCHASES" on page 68 of the Current Explanatory Memorandum shall be revised to include the following marked-up changes:-

"*None of the Company, the Management Company or the Investment Managers~~, the Registrar's agent~~ shall be responsible or liable to any applicant or Shareholder for any loss resulting from the non-receipt of any application form, by whichever method is sent (including non-receipt of facsimile application forms).*";

(X) the third paragraph of the sub-section headed "PURCHASE AND REDEMPTION OF SHARES – DEALINGS IN THE FUNDS" on page 70 of the Current Explanatory Memorandum shall be revised to include the following marked-up changes:-

"*None of the Company, the Management Company or the Investment Managers~~, the Registrar's agent~~ shall be responsible or liable to any applicant or Shareholder for any loss resulting from the non-receipt of any application form, redemption form or switching form, by whichever method is sent (including non-receipt of facsimile).*";

(XI) the first sentence of the paragraph headed "Annual Management Fees" in the sub-section headed "CHARGES AND EXPENSES – CLASS A SHARES" on page 73 of the Current Explanatory Memorandum shall be revised to include the following marked-up changes:-

"*The ~~Investment Managers~~Management Company receives from the Company a monthly investment management fee equivalent to a certain percentage (detailed above) per annum of ~~each fund's~~the applicable adjusted daily net asset~~s during the year~~ value of the Class A Shares issued in each fund. The Investment Managers will be remunerated by the Management Company out of the investment management fee received from the Company.*";

(XII) the first sentence of the paragraph headed "Annual Management Fees" in the sub-section headed "CHARGES AND EXPENSES – CLASS B SHARES" on page 74 of the Current Explanatory Memorandum shall be revised to include the following marked-up changes:-

"*The ~~Investment Managers~~Management Company receives from the Company a monthly investment management fee equivalent to a specified percentage (detailed above) per annum of the applicable adjusted daily net asset value of the Class B Shares issued in each fund. The Investment Managers will be remunerated by the Management Company out of the investment management fee received from the Company.*";

(XIII) the paragraph headed "Annual Management Fees" in the sub-section headed "CHARGES AND EXPENSES – CLASS I SHARES" on page 78 of the Current Explanatory Memorandum shall be revised to include the following marked-up changes:-

"*The ~~Investment Managers~~Management Company receives from the Company a monthly investment management fee equivalent to a certain percentage (detailed above) per annum of ~~each fund's~~the applicable adjusted daily net asset~~s during the year~~ value of the Class I Shares issued in each fund. The Investment Managers will be remunerated by the Management Company out of the investment management fee received from the Company.*";

(XIV) the first sentence of the first paragraph under the heading "Annual Management Fees" in the sub-section headed "CHARGES AND EXPENSES – CLASS N SHARES" on page 79 of the Current Explanatory Memorandum shall be revised to include the following marked-up changes:-

"*The ~~Investment Managers~~Management Company receives from the Company a monthly investment management fee equivalent to a certain percentage (detailed above) per annum of ~~each fund's~~the applicable adjusted daily net asset~~s during the year~~ value of the Class N Shares issued in each fund. The Investment Managers will be remunerated by the Management Company out of the investment management fee received from the Company.*";

(XV) the second and third paragraphs of the sub-section "CHARGES AND EXPENSES – OTHER FEES" on pages 79 and 80 of the Current Explanatory Memorandum shall be revised to include the following marked-up changes:-

"*Franklin Templeton International Services ~~S.A.~~S.à r.l.,~~ in its respective capacities of~~ for performing, as Management Company, ~~R~~registrar and ~~T~~transfer, ~~C~~corporate, ~~D~~domiciliary and ~~A~~administrative~~ Agent~~ functions for the Company, will receive as remuneration~~ a maximum annual fee of 0.2% of the net asset value of the Company plus an additional fixed amount of USD50 per Shareholder account at the relevant Class level over a one (1) year period. Starting from 1 January 2011, the remuneration will change to~~ from the Company a maximum annual fee of 0.2175% of the net asset value of the Company~~ plus~~, an additional fixed amount of USD30 per Shareholder account at the relevant Class level over ~~a~~each one (1) year period (for example, if an account is open for one month, the Company will pay Franklin Templeton International Services ~~S.A.~~S.à r.l. USD30/12 for that account for that month). Such ~~fees~~remuneration will be calculated and accrued daily and will be paid monthly in arrears~~ to Franklin Templeton International Services S.A. by the Company~~.*

The Management Company and/or the Investment Managers may, from time to time, pay a part of the~~ir~~ investment management fee to various sub-distributors, intermediaries, brokers, ~~and/or~~ dealers, professional investors and/or assimilated entities, which may or may not be part of Franklin Templeton Investments, as compensation for rendering shareholder services to their respective clients. The Management Company will also be paid a fixed amount per year to cover certain organisational expenses that were previously attributable to and paid directly by the Company.";

(XVI) the first sentence of the sub-section headed "ADDITIONAL INFORMATION – IDENTITY PROOF" on page 84 of the Current Explanatory Memorandum shall be amended by inserting the words ", the Management Company" immediately after the words "the Company";

(XVII) paragraphs (b) and (c) of the sub-section headed "ADDITIONAL INFORMATION – OTHER INFORMATION" on page 85 of the Current Explanatory Memorandum shall be deleted in their entirety and replaced by the following paragraphs:

"*(b) the agreements by which the Management Company and Principal Distributor, the Investment Managers, the Custodian, and the Hong Kong Representative have been appointed and (c) the risk management and control policy employed by the Management Company in relation to the Company's investment in financial derivative instruments,*";

(XVIII) the first paragraph of the sub-section headed "MANAGEMENT AND ADMINISTRATION – INVESTMENT MANAGERS" on page 86 of the Current Explanatory Memorandum shall be amended by inserting the words "*have been appointed by the Management Company to*" immediately before the words "*act as investment managers to the funds of the Company…*" in the first sentence of that paragraph;

(XIX) the sub-section headed "MANAGEMENT AND ADMINISTRATION – REGISTRAR AND TRANSFER, CORPORATE, DOMICILIARY AND ADMINISTRATIVE AGENT" on page 88 of the Current Explanatory Memorandum shall be deleted in its entirety;

(XX) the paragraph headed "REGISTRAR AND TRANSFER, CORPORATE, DOMICILIARY AND ADMINISTRATIVE AGENT" under the section "ADMINISTRATION" on page 89 of the Current Explanatory Memorandum shall be deleted in its entirety and replaced by the following paragraph:-

"***MANAGEMENT COMPANY / PRINCIPAL DISTRIBUTOR***

FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.À R.L.
8A, rue Albert Borschette
L-1246 Luxembourg
Grand Duchy of Luxembourg

Telephone: (352) 466 6671
Facsimile: (352) 466 676";

(XXI) the paragraph headed "PRINCIPAL DISTRIBUTOR" under the section "ADMINISTRATION" on page 89 of the Current Explanatory Memorandum shall be deleted in its entirety;

(XXII) each of the references to "Transfer Agent" in the following sentences of the Current Explanatory Memorandum shall be deleted and replaced by a reference to "Management Company":

(i) first sentence of the paragraph headed "Share Conversion" under the sub-section "CHARGES AND EXPENSES – CLASS B SHARES" on page 73 of the Current Explanatory Memorandum;

(ii) second sentence of the paragraph headed "Shares Issued Upon Reinvestment of Dividends" under the sub-section "CHARGES AND EXPENSES – CLASS B SHARES" on page 76 of the Current Explanatory Memorandum; and

(iii) first sentences of the first and third paragraphs of the sub-section headed "ADDITIONAL INFORMATION – PERSONAL DATA" on page 85 of the Current Explanatory Memorandum (as amended by the 2013 Second Addendum (I) dated May 2013 to the Current Explanatory Memorandum); and

(XXIII) the following changes to the Current Explanatory Memorandum, which were introduced in the paragraph headed "Risk Management" of the 2011 Addendum dated June 2011 to the Current Explanatory Memorandum, shall be deleted in their entirety:

"***Risk Management***

The words "and the Conducting Officers" shall be inserted after the words "Alerts to the portfolio manager(s)" in the second-last sentence in the sixth paragraph under the heading "3. Financial derivative instruments" on page 57 of the Current Explanatory Memorandum.

"Conducting Officers" shall be defined as "the persons appointed by the Board of Directors in order to control and oversee the operation of the Company or the Funds in compliance with the Explanatory Memorandum and the Luxembourg Law of December 20, 2002 relating to undertakings for collective investment, as may be amended from time to time." ".

2. Restrictions on ownership of Shares by "Prohibited Persons"

The following new paragraphs shall be inserted immediately after paragraph 8 of the sub-section "PURCHASE AND REDEMPTION OF SHARES – PURCHASES – Payment by Telegraphic Transfer" on page 68 of the Current Explanatory Memorandum and ending with "… establish that person's nationality and country of residence.":-

“The Company may also restrict or prevent the ownership of Shares by any person, firm or corporate body if in the opinion of the Company such holding may be detrimental to the Company or its shareholders, may result in a breach of any applicable law or regulations or may expose the Company or its shareholders to liabilities or any other disadvantages that it or they would not have otherwise incurred or been exposed to. Such persons, firms or corporate bodies are herein referred to as "Prohibited Persons".

The actions that the Company may take in order to restrict or prevent the ownership of Shares by Prohibited Persons are described in full in the Articles and include (in summary):

1) declining to issue and/or register transfers of Shares;

2) requiring the furnishing of representations and warranties and/or information, supported by affidavit;

3) redeeming all or part of the Shares held by a relevant Shareholder; and

4) declining to accept the vote of any Prohibited Person at any meeting of shareholders of the Company.”

3. <u>New Funds</u>

With effect from 31 March 2014, information about the following Funds will be included in the Current Explanatory Memorandum.

(A) Franklin Global High Income Bond Fund

Fund name	**Franklin Global High Income Bond Fund**
Investment Objective and Policy	**<u>Investment Objectives</u>** The Fund’s principal investment objective is to earn a consistent, high level of current income with prudent investment management. As a secondary objective, the Fund seeks capital appreciation*, consistent with its principal objective.†

* As a general matter, capital appreciation for the Fund is generally affected by factors such as the interest rates prevailing in various countries, credit fundamentals for a particular sector, market and economic conditions relevant to an issuer’s operations (such as economic growth) and the financial condition of the issuer (such as credit ratings or balance sheet fundamentals). Changes in these factors may result in an increase/decrease in the value of fixed income instruments held by the Fund and lead to capital appreciation/depreciation.

† The Fund primarily focuses on earning a consistent, high level of current income. This may diminish its ability to achieve sustainable capital growth. Investors should be aware that capital appreciation is a secondary objective.

Investment Objective and Policy	**<u>Investment Policy</u>** The Fund invests principally[‡] in a diversified portfolio of higher yielding debt securities (including investment grade, non-investment grade and/or unrated securities of corporate and/or sovereign issuers) globally, including those in emerging markets. For the purpose of this Fund, debt securities shall include all varieties of fixed and floating-rate income securities, bonds, mortgage- and other asset-backed securities, convertible securities, collateralised loan obligations ("CLOs") and structured notes (including credit-linked notes). The Fund may invest up to 100% of its assets in low-rated, non-investment grade and/or unrated debt securities of corporate and/or sovereign issuers worldwide. The Fund may also utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be dealt on either regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or fixed income related total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative returns in a specific yield curve/duration, currency or credit since, among other things, the price of financial derivative instruments are dependent on the price of their underlying instruments and these prices may go up or down. The Fund may also invest in other asset classes (such as equity securities (including preferred stock, common stock, warrants and other equity-linked securities), real estate investment trusts ("REITs"), money market instruments, units of UCITS and other UCIs and securities in default) on a temporary and/or on an ancillary basis[§] and may enter into repurchase agreements**.
Investor's Profile[††]	The Fund may appeal to investors looking to: - high level of income and prospects of capital appreciation by accessing a portfolio of higher yielding debt securities from issuers worldwide; and - invest for the medium to long term with high tolerance for risk.

[‡] It generally means that at least two-thirds of the Fund's net assets (without taking into account ancillary liquid assets) shall be invested into the relevant securities. In exceptional market circumstances and on a temporary basis only, 100% of the Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading.

[§] "Ancillary basis" generally means, in respect of each investment type, up to 10% of the Fund's net assets.

[**] Limited to 5% of the Fund's net assets

[††] The information contained in the "Investor's Profile" section is provided for reference only.

- Before making any investment decisions, investors should consider their own specific circumstances, including, without limitation, their own risk tolerance level, financial circumstances and investment objectives etc.
- If in doubt, investors should consult their stockbrokers, bank managers, solicitors, accountants, representative banks or other financial advisers.

Risks of Investing in the Fund	The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section “Risk Considerations” as set out on pages 38 to 50 of the Current Explanatory Memorandum for a full description of these risks. • Convertible Securities risk • Counterparty risk • Credit and Sovereign Debt risk • Credit-Linked Securities risk • Defaulted Debt Securities risk • Derivative risk • Emerging Markets risk • Equity risk • Eurozone risk • Foreign Currency risk • Interest Rate Securities risk • Liquidity risk • Low-Rated or Non-Investment Grade Securities risk • Market risk • Mortgage- and Asset-Backed Securities risk • Repurchase Transactions risk (set out in the sub-section “Use of Techniques and Instruments Risk”) • Restructuring Companies risk • Structured Notes risk • Swap Agreements risk • Warrants risk • Dividend Policy risk
Management Company	Franklin Templeton International Services S.à r.l.
Investment Manager(s)	Franklin Advisers, Inc.
Share Classes	A (acc) HKD, A (acc) USD, A (Mdis) HKD, A (Mdis) USD and I (acc) USD
Annual Management Fee	Class A : 0.80% Class I : 0.60%
Annual Maintenance Charge	Class A : Up to 0.40% Class I : N/A
Aggregate of the above charges	Class A : Up to 1.20% Class I : 0.60%
Sales Charge	Class A : Up to 5% Class I : N/A

Financial period to be covered by the first available financial report of the Fund	Date of fund establishment to 30 June 2013

The establishment expenses for the Fund are estimated to be approximately US$8,000 to US$10,000 and are borne by the Company.

The Fund may invest in financial derivative instruments for investment purposes beyond hedging purposes. The name of the Fund, "Franklin Global High Income Bond Fund" shall be inserted in the list of funds that may invest in financial derivative instruments for investment purposes beyond hedging and/or efficient portfolio management purposes, on pages 8-9 of the Current Explanatory Memorandum.

The Fund does not intend to invest extensively in financial derivative instruments for investment purposes. Any change to the purposes for which and the extent to which financial derivative instruments will be used by the Fund will be subject to the Securities and Futures Commission's prior approval and by giving at least one month's prior written notice to the investors, where appropriate.

In addition, the Fund does not intend to invest more than 10% of its net asset value in securities issued and/or guaranteed by any single sovereign issuer (including its government and a public or local authority of that country) with a credit rating below investment grade.

The Fund does not intend to engage in securities lending or invest in reverse repurchase agreements.

(B) Franklin Global Listed Infrastructure Fund

Fund name	**Franklin Global Listed Infrastructure Fund**
Investment Objective and Policy	**<u>Investment Objectives</u>** The Fund's investment objective is to maximize total investment return consisting of income and capital appreciation. **<u>Investment Policy</u>** The Investment Manager seeks to achieve its investment objective by investing in listed equity securities of infrastructure-related companies and partnerships whose principal business is the ownership, management, construction, operation, utilisation or financing of infrastructure assets and which are located around the world, including emerging markets. The Fund seeks to invest in companies and partnerships across a wide range of infrastructure-related sectors and countries. In addition, the Fund may invest up to 10% of its net assets in exchange-traded funds. The Fund may distribute income gross of expenses.

Investor's Profile‡‡	The Fund may appeal to investors looking to: - interest income and capital appreciation by investing in companies across a wide range of infrastructure-related sectors and countries; and - invest for the medium to long term.
Risks of Investing in the Fund	The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" as set out on pages 38 to 50 of the Current Explanatory Memorandum for a full description of these risks. • Counterparty risk • Emerging Markets risk • Equity risk • Foreign Currency risk • Infrastructure Securities risk • Liquidity risk • Market risk • Single Sector risk • Small and Mid-Sized Companies risk • Distribution risk • Dividend Policy risk
Management Company	Franklin Templeton International Services S.à r.l.
Investment Manager(s)	Franklin Templeton Institutional, LLC
Share Classes	A (acc) USD, A (Qdis) USD and I (acc) USD
Annual Management Fee	Class A : 1% Class I : 0.70%
Annual Maintenance Charge	Class A : Up to 0.50% Class I : N/A
Aggregate of the above charges	Class A : Up to 1.50% Class I : 0.70%
Sales Charge	Class A : Up to 5% Class I : N/A

‡‡ The information contained in the "Investor's Profile" section is provided for reference only.

- Before making any investment decisions, investors should consider their own specific circumstances, including, without limitation, their own risk tolerance level, financial circumstances and investment objectives etc.
- If in doubt, investors should consult their stockbrokers, bank managers, solicitors, accountants, representative banks or other financial advisers.

Financial period to be covered by the first available financial report of the Fund	Date of fund establishment to 30 June 2013

The establishment expenses for the Fund are estimated to be approximately US$8,000 to US$10,000 and are borne by the Company.

The Fund does not intend to invest extensively in financial derivative instruments for investment purposes. Any change to the purposes for which and the extent to which financial derivative instruments will be used by the Fund will be subject to the Securities and Futures Commission's prior approval and by giving at least one month's prior written notice to the investors, where appropriate.

In addition, the Fund does not intend to invest more than 10% of its net asset value in securities issued and/or guaranteed by any single sovereign issuer (including its government and a public or local authority of that country) with a credit rating below investment grade.

4. <u>Addition of Risk Disclosures</u>

(A) Dilution and Swing Pricing Risk

With effect from 14 October 2013, the following new risk disclosure shall be added after the sub-section headed "Derivative risk" under the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on page 42 of the Current Explanatory Memorandum:-

"***Dilution and Swing Pricing risk***

The actual cost of purchasing or selling the underlying investments of a Fund may be different from the Fund's valuation of these investments. The difference may arise due to transaction costs (such as dealing charges and taxes) and/or any spread between the buying and selling prices of the underlying investments.

These dilution costs can have an adverse effect on the overall value of a Fund and thus the Net Asset Value per Share may be adjusted in order to avoid disadvantaging existing Shareholders. The size of the adjustment impact is determined by factors such as the volume of transactions, the purchase or sale prices of the underlying investments and the valuation method adopted to calculate the value of the underlying investments of the Fund."

(B) Structured Notes Risk

With effect from 31 March 2014, the following new risk disclosure shall be added after the sub-section headed "Small and Mid-Sized Companies risk" under the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on page 48 of the Current Explanatory Memorandum:-

"***Structured Notes risk***

Some Funds, such as the Franklin Global High Income Bond Fund, may invest in structured notes (including credit-linked notes). Structured notes such as credit-linked notes, equity-linked notes and similar notes involve a counterparty structuring a note whose value is intended to move in line with the underlying security specified in the note. Unlike financial derivative instruments, cash is transferred from the buyer to the seller of the note. Investment in these instruments may cause a loss if the value of the underlying security decreases. There is also a risk that the note issuer will default. Additional risks result from the fact that the documentation of such notes programmes tends to be highly customized. The *liquidity of a structured note can be less than that for the underlying security, a regular bond or debt instrument and this may adversely affect the Fund.*"

(C) Infrastructure Securities Risk

With effect from 31 March 2014, the following new risk disclosure shall be added after the sub-section headed "Growth Stocks risk" under the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on page 44 of the Current Explanatory Memorandum:-

"***Infrastructure Securities risk***

Some Funds, such as the Franklin Global Listed Infrastructure Fund, may invest in securities of infrastructure companies, meaning companies that are primarily in the business of infrastructure-related activities, including the design, construction, operation or maintenance of seaports, airports, railways, roadways, pipelines, energy generation facilities (coal, oil, nuclear, hydro or solar powered), electricity transmission, water treatment plants, or related activities to these businesses. Such companies may experience volatility due to challenges such as getting the necessary permits, obtaining environmental clearances, meeting regulatory standards, requirements or guidelines, or being impacted by the level of economic activity, weather, natural disasters, governmental actions, civil disturbances, or acts of terrorism. Funds that are concentrated in this one sector may experience greater volatility compared to funds that follow a more diversified investment policy. As a result, the performance of such Funds may be adversely affected."

(D) Risk warning on investment objectives

With effect from 31 March 2014, the following statement will be inserted immediately before the first sentence of the first paragraph of the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on page 38 of the Current Explanatory Memorandum:-

"*There can be no assurance that a Fund's primary or secondary investment objective(s) will be attained. In the case of the Franklin Global High Income Bond Fund, for example, there is no guarantee that a consistent, high level of current income (primary objective) or that an increase in the value of its investments over the medium to long term (secondary objective) will be achieved. In seeking to achieve the Fund's primary objective, there will be times when the Fund may be exposed to the risk of loss of capital. Failure to achieve investment objective(s) can adversely affect and/or result in a substantial loss to a Fund.*"

5. <u>Provisions on Swing Pricing</u>

With effect from 14 October 2013, the following new sub-section headed "Swing Pricing Adjustment" shall be added immediately after the sub-section headed "Meetings" under the section "Additional Information" on page 83 of the Current Explanatory Memorandum:-

"***SWING PRICING ADJUSTMENT***

A Fund may suffer reduction of the Net Asset Value per Share due to investors purchasing, redeeming and/or switching in and out of the Fund at a price that does not reflect the dealing and other costs associated with the Fund's portfolio trades undertaken by the Investment Manager to accommodate such purchasing, redeeming and/or switching activity. Such reduction in the Net Asset Value per Share as a result of the dealing costs associated with the Fund's portfolio trades is known as "dilution".

In order to counter this dilution impact and to protect Shareholders' interests, a swing pricing mechanism may be adopted by the Company as part of its valuation policy. If on any Valuation Day, the aggregate net investor(s) transactions in Shares of a Fund exceed a pre-

determined threshold, as determined as a percentage of the net assets of that Fund from time to time by the Board of Directors, the Net Asset Value per Share may be adjusted upwards or downwards to reflect the costs attributable to net inflows and net outflows respectively. The net inflows and net outflows will be determined by the Company based on the latest available information at the time of calculation of the Net Asset Value.

Typically, such adjustment will increase the Net Asset Value per Share when there are net inflows into the Fund and decrease the Net Asset Value per Share when there are net outflows. The Net Asset Value per Share of each share class in a Fund will be calculated separately but any adjustment will, in percentage terms, affect the Net Asset Value per Share of each share class in a Fund identically.

As this adjustment is related to the inflows and outflows of money from the Fund, it is not possible to accurately predict whether dilution will occur at any future point in time. Consequently it is also not possible to accurately predict how frequently the Company will need to make such adjustments.

The swing pricing mechanism may be applied across all Funds of the Company. The extent of the price adjustment will be reset by the Company on a periodic basis to reflect an approximation of current dealing and other costs. Such adjustment may vary from Fund to Fund and will not exceed 2% of the original Net Asset Value per Share."

6. <u>Changes in Investment Managers and appointment of Sub-Managers</u>

With effect from 2 December 2013, the Current Explanatory Memorandum shall be revised as follows:-

(A) Templeton Euroland Fund

The reference to "Templeton Euroland Fund" shall be deleted from the list of Funds managed by Franklin Templeton Investment Management Limited as set out on page 87 of the Current Explanatory Memorandum and included in the list of funds managed by Templeton Global Advisors Limited as set out on page 87 of the Current Explanatory Memorandum.

(B) Templeton European Fund

The reference to "Templeton European Fund" shall be deleted from the list of Funds managed by Franklin Templeton Investment Management Limited as set out on page 87 of the Current Explanatory Memorandum and included in the list of funds managed by Templeton Global Advisors Limited as set out on page 87 of the Current Explanatory Memorandum.

(C) Templeton Global Fund

The reference to "Templeton Global Fund" shall be deleted from the list of Funds managed by Franklin Templeton Investment Management Limited as set out on page 87 of the Current Explanatory Memorandum and included in the list of funds managed by Templeton Global Advisors Limited as set out on page 87 of the Current Explanatory Memorandum.

The list of Funds managed by Franklin Templeton Investment Management Limited as set out on page 87 of the Current Explanatory Memorandum shall also be amended by:

(I) adding the word "and" immediately after the reference to "Templeton Global Balanced Fund*;"; and

(II) replacing "; and" which appears immediately after the reference to "Templeton Global Equity Income Fund" with ".".

(D) Franklin Templeton Global Growth and Value Fund

(I) The list of Funds managed by Franklin Advisers, Inc as set out on page 86 of the Current Explanatory Memorandum shall be amended by:

- deleting the symbol "***" appearing next to the name of Franklin Templeton Global Growth and Value Fund; and

- deleting the third footnote under the list, which begins with "***".

(II) The list of Funds managed by Franklin Templeton Investment Management Limited as set out on page 87 of the Current Explanatory Memorandum shall be amended by:

- deleting the reference to "Franklin Templeton Global Growth and Value Fund", and the symbol "**" appearing next to the name of Franklin Templeton Global Growth and Value Fund; and

- deleting the second footnote under the list, which begins with "**".

(III) The list of Funds managed by Franklin Templeton Institutional, LLC as set out on page 87 of the Current Explanatory Memorandum shall be amended by deleting the footnote under the list which begins with "*" in its entirety and replacing it with the following footnote:

"**Franklin Templeton Institutional, LLC has been appointed as a Sub-Manager of this Fund, together with Templeton Global Advisors Limited.*";

(IV) The list of Funds managed by Templeton Global Advisors Limited as set out on page 87 of the Current Explanatory Memorandum shall be amended by:

- adding a reference to "Franklin Templeton Global Growth and Value Fund", and the symbol "**" immediately after the name of Franklin Templeton Global Growth and Value Fund; and

- adding the following footnote as the second footnote:

  "***Templeton Global Advisors Limited has been appointed as a Sub-Manager of this Fund, together with Franklin Templeton Institutional, LLC.*"; and

(V) The following disclosure shall be inserted immediately following the last paragraph of the investment objective and policy of the Franklin Templeton Global Growth and Value Fund as set out on page 18 of the Current Explanatory Memorandum:-

"***Sub-Managers***

The Fund aims to achieve its investment objectives detailed above through the careful selection of two or more sub-managers (the "Sub-Managers") by the Investment Manager. Such Sub-Managers may or may not be part of Franklin Templeton Investments. The Investment Manager may also take part in managing the assets of the Fund in addition to selecting and allocating to Sub-Managers.

The Investment Manager will be responsible for the selection and appointment of two or more Sub-Managers in respect of the Fund to delegate all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund. The Investment Manager shall allocate the assets of the Fund between the Sub-Managers in such proportions as it shall, at its discretion, determine suitable to achieve the Fund's objective.

The Investment Manager has appointed Franklin Templeton Institutional, LLC and Templeton Global Advisors Limited as the Sub-Managers of the Fund. The Investment Manager will monitor the performance of the Sub-Managers in respect of the Fund in order to assess the need, if any, to *make changes/replacements. The Investment Manager may appoint or replace the Sub-Managers in respect of the Fund at any time by giving (subject to prior approval from the Securities and Futures Commission of Hong Kong) at least one month's prior notice to the shareholders of the Fund.*

The Investment Manager is responsible for the selection of the Sub-Managers, the monitoring of the performance of the Sub-Managers and the monitoring of the risk management process implemented at the level of each Sub-Manager. The Sub-Managers may seek advice from other investment advisory companies affiliated to Franklin Templeton Investments. Such investment advisory companies (if any) will not have discretionary investment power over the assets of the Fund.

The Sub-Managers will be remunerated by the Investment Manager out of the investment management fee received from the Management Company."

7. <u>Change in address of Templeton Global Advisors Limited</u>

There is a change in address of Templeton Global Advisors Limited, therefore the address of Templeton Global Advisors Limited under the heading "INVESTMENT MANAGERS" on page 89 of the Current Explanatory Memorandum shall be deleted in its entirety and replaced by the following address:-

"*P.O. Box N-7759*
Lyford Cay
Nassau
Bahamas"

FRANKLIN TEMPLETON INVESTMENT FUNDS

2013 Third Addendum to the Explanatory Memorandum dated December 2010
Dated June 2013

Note:	This 2013 Third Addendum dated June 2013 shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Investment Funds (the "**Company**") dated December 2010, as supplemented by 2011 Addendum dated June 2011, 2011 Second Addendum dated October 2011, 2012 Addendum dated November 2012, 2011-12 Addendum dated January 2013, 2013 Addendum dated April 2013, 2013 Second Addendum dated May 2013 and 2013 Second Addendum (I) dated May 2013. The Investment Managers and the Directors of the Company accept full responsibility for the accuracy of the information contained in this Addendum 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.

Unless otherwise as specifically stated below, please note that the following changes apply to the Explanatory Memorandum of the Company dated December 2010, as supplemented by the 2011 Addendum dated June 2011, the 2011 Second Addendum dated October 2011, 2012 Addendum dated November 2012, 2011-12 Addendum dated January 2013, 2013 Addendum dated April 2013, 2013 Second Addendum dated May 2013 and 2013 Second Addendum (I) dated May 2013 (the "**Current Explanatory Memorandum**") with immediate effect:-

1. Revisions to the limits and restrictions on the Company's use of financial derivative instruments

(1) With effect from 1 August 2013, the paragraphs beginning with "*When using the financial derivative instruments described in the preceding paragraphs within this section,……* " and ending with "*… - The aggregate acquisition cost (in terms of premium paid) chargeable to a Fund in respect of options on securities and of all options acquired for purposes other than hedging shall not exceed 15% of the net asset value of such Fund.*" (as included in the last paragraph of point "b) Stock Index Options" on page 60 of the Current Explanatory Memorandum) as provided under the section "INVESTMENT RESTRICTIONS – 3. Financial derivative instruments" on pages 58 to 60 of the Current Explanatory Memorandum shall be deleted.

(2) With effect from 1 August 2013, the paragraphs beginning with "*d) Interest Rate Transactions …*" and ending with "*… The global exposure arising for any Fund from the above transactions may not, at any time, exceed this Fund's net assets.*" (as included in the last paragraph of point "g) Transactions in OTC Options" on page 63 of the Current Explanatory Memorandum) as provided under the section "INVESTMENT RESTRICTIONS – 3. Financial derivative instruments" on pages 61 to 63 of the Current Explanatory Memorandum shall be deleted.

(3) With effect from 1 August 2013, the following statements shall be inserted at the end of the paragraph beginning with "*Funds that do not employ the VaR approach…*" provided on page 58 of the Current Explanatory Memorandum:-

> "*Commitment approach is an approach for measuring risk or global exposure that factors in the market risk of the investments held in a UCITS sub-fund, including risk associated with any financial derivatives instruments held by converting the financial derivatives into equivalent positions in the underlying assets of those derivatives (sometimes referred to as "notional exposure"), after netting and hedging arrangements where the market value of underlying security positions may be offset by other commitments related to the same underlying positions. Global exposure using the commitment approach is expressed as an absolute percentage of total net assets.*"

2. A Sub-Fund's ability to hold shares issued by one or more other Sub-Funds of the Company

With effect from 1 August 2013, the following new paragraph g) shall be added to the section "INVESTMENT RESTRICTIONS – 1. Investment in transferable securities and liquid assets" on page 56 of the Current Explanatory Memorandum and the paragraphs following the new paragraph g) shall be renumbered accordingly:-

> *"g) If and to the extent allowed by the Articles and applicable laws and regulations, a Fund may subscribe, acquire and/or hold shares to be issued or issued by one or more other Funds without the Fund being subject to the requirements of the law of 10 August 1915 on commercial companies (as amended) with respect to the subscription, acquisition and/or the holding by a company of its own shares, under the conditions however that:*
>
> *(i) The target Fund does not, in turn, invest in the Fund invested in this target Fund; and*
>
> *(ii) No more than 10% of the assets that the target Fund whose acquisition is contemplated may be invested in units of UCITS and/or other UCIs; and*
>
> *(iii) Voting rights, if any, attaching to the shares of the target Fund are suspended for as long as they are held by the Fund concerned and without prejudice to the appropriate processing in the accounts and the periodic reports; and*
>
> *(iv) In any event, for as long as theses shares are held by the Fund, their value will not be taken into consideration for the calculation of the net assets of the Fund for the purposes of verifying the minimum threshold of the net assets imposed by the Law of 17 December 2012; and*
>
> *(v) There is no duplication of management/entry or sale charges between those at the level of the Fund having invested in the target Fund, and this target Fund.".*

3. Change of Investment Objective of Templeton Global (Euro) Fund

With effect from 1 August 2013, the 1st paragraph of the investment objective and policy of the Templeton Global (Euro) Fund provided on page 31 of the Current Explanatory Memorandum shall be revised and restated as follows:-

> "*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. The Fund invests primarily in common stocks.*"

4. Change of Investment policy of Templeton Global Equity Income Fund

(1) With effect from 1 August 2013, the investment policy of the Templeton Global Equity Income Fund shall be revised by inserting the following new provisions between the 2nd and 3rd paragraphs of the investment objective and policy of the Templeton Global Equity Income Fund provided on page 33 of the Current Explanatory Memorandum:-

> "*The Fund may further utilize financial derivative instruments for hedging and/or efficient portfolio management*. These financial derivative instruments may be dealt on either regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative returns in a specific yield curve/duration, currency or credit since, among other things, the price of financial derivatives instruments are dependent on the price of*

*their underlying instruments and these prices may go up or down. The Fund may distribute income gross of expenses**.*"

* *The Fund does not intend to invest extensively or primarily in financial derivative instruments for investment purposes.*

** *Please refer to point 6 of the 2013 Second Addendum to the HKEM dated May 2013 in respect of the enhanced disclosure on the dividend distribution policy.* "

(2) With effect from 1 August 2013 and as a result of the abovementioned change, the name of the Templeton Global Equity Income Fund shall be added to the list of funds contained on pages 8 and 9 of the Current Explanatory Memorandum and inserted after the name "Templeton Global Bond Fund" which appears on page 9 of the Current Explanatory Memorandum.

5. Change of Investment Policy of Templeton Emerging Markets Balanced Fund

With effect from 1 August 2013, the wording "*purchase mortgage- and asset-backed securities and*" shall be added immediately before the wording "*invest in securities or structured products*…" which appears in the 4th sentence of the 3rd paragraph of the investment objective and policy of the Templeton Emerging Markets Balanced Fund as set out in the 2011 Second Addendum dated October 2011 to the Current Explanatory Memorandum.

6. Revisions to the section "Dividends and Accounts – Dividends"

With effect from 1 August 2013, the following sentence shall be added to the end of the 3rd paragraph ending with "…..*the benefit of the relevant fund*." under the section "Dividends and Accounts – Dividends" provided on page 81 of the Current Explanatory Memorandum:-

"*The Board of Directors may decide that any dividend below USD50 (or currency equivalent) will be reinvested in further Shares of the same share class instead of being paid directly to the investors."*

7. Appointment of new Co-Investment Managers for Franklin Templeton Global Growth and Value Fund

With effect from 1 August 2013, Franklin Advisers, Inc. and Franklin Templeton Investment Management Limited will be appointed as the Co-Investment Managers of the Franklin Templeton Global Growth and Value Fund and will co-manage the Franklin Templeton Global Growth and Value Fund with Franklin Templeton Institutional, LLC. Accordingly, the following consequential revisions shall be made to the Current Explanatory Memorandum:-

(1) Franklin Templeton Global Growth and Value Fund shall be added to the list of the Funds managed by Franklin Advisers, Inc. as set out on page 86 of the Current Explanatory Memorandum by inserting the following provisions immediately after the name "Franklin World Perspectives Fund":-

"*Franklin Templeton Global Growth and Value Fund****

****Franklin Advisers, Inc. has been appointed as Co-Investment Manager of this Fund, together with Franklin Templeton Institutional, LLC and Franklin Templeton Investment Management Limited."*;

(2) Franklin Templeton Global Growth and Value Fund shall be added to the list of the Funds managed by Franklin Templeton Investment Management Limited as set out on page 87 of the Current Explanatory Memorandum by inserting the following provisions after the name "Templeton Global Fund":-

"*Franklin Templeton Global Growth and Value Fund***

****Franklin Templeton Investment Management Limited has been appointed as Co-Investment Manager of this Fund, together with Franklin Advisers, Inc. and Franklin Templeton Institutional, LLC."*; and

(3) The symbol "*" shall be added immediately after the name "Franklin Templeton Global Growth and Value Fund" and the following footnote shall be inserted when the list of the Funds managed by Franklin Templeton Institutional, LLC is referred to on page 87 of the Current Explanatory Memorandum:-

"**Franklin Templeton Institutional, LLC has been appointed as Co-Investment Manager of this Fund, together with Franklin Advisers, Inc. and Franklin Templeton Investment Management Limited.".*

8. <u>Addition of suspension circumstances for calculation of net asset value of Shares</u>

With effect from 1 August 2013, the following provisions shall be added to the end of the 1st paragraph under the section "Additional Information – Suspension and Termination" on page 83 of the Current Explanatory Memorandum:-

"(f) any period when the net asset value of Shares of any fund may not be determined accurately; or

(g) during any period when in the opinion of the Board of Directors there exists unusual circumstances where it would be impractical or unfair towards the investors to continue dealing in the Shares of any fund or circumstances where a failure to do so might result in the investors or a fund incurring any liability to taxation or suffering other pecuniary disadvantage or other detriment which the investors or a fund might not otherwise have suffered; or

(h) if the Company or a fund is being or may be wound-up, on or following the date on which such decision is taken by the Board of Directors or notice is given to Shareholders of a general meeting at which a resolution to wind-up the Company or a fund is to be proposed; or

(i) in the case of a merger, if the Board of Directors deems this to be justified for the protection of the Shareholders; or

(j) in the case of a suspension of the calculation of the net asset value of one or several underlying investment funds in which a fund has invested a substantial portion of assets."

9. <u>Change of leverage calculation method</u>

(1) With effect from 1 August 2013, the disclosures on the leverage calculation method adopted by the Company as provided in the last sentence of the 2nd paragraph under Part III(b)(iv) of the 2011-12 Addendum dated January 2013 to the Current Explanatory Memorandum shall be revised to read as follows:-

"*The leverage calculation method used is the sum of notionals*.*

**The level of leverage is measured as the sum of notionals of all financial derivative contracts entered into by the relevant Sub-Fund expressed as a percentage of the Sub-Fund's net asset value. This methodology does not:*

- *make a distinction between financial derivative instruments that are used for investment or hedging purposes.*
- *allow the netting of derivative positions.*
- *take into account the derivative underlying assets' volatility or make a distinction between short-dated & long-dated assets.*
- *consider the delta for option contracts, so there is no adjustment for the likelihood that any option contract will be exercised.*"

(2) With effect from 1 August 2013, the expected level of leverage as set out in the 1st paragraph under Part III(b)(iv) of the 2011-12 Addendum dated January 2013 to the Current Explanatory Memorandum shall be revised and replaced with the following:-

"• *20% for Templeton Global High Yield Fund;*

• *30% for Templeton Global Income Fund;*

• *40% for Templeton Asian Bond Fund and Templeton Emerging Markets Bond Fund;*

• *80% for Templeton Global Total Return Fund; and*

• *90% for Templeton Global Bond Fund."*

10. Templeton Frontier Markets Fund ("Soft-closure Fund")

In order to protect the interest of existing investors, please note that with effect from 28 June 2013 Hong Kong time (or such other date that the Hong Kong Representative may subsequently communicate) and until further notice, transaction application for subscriptions and switching in the Soft-closure Fund will not be accepted by the Hong Kong Representative. This arrangement will not affect existing investors of the Soft-closure Fund and the right of redemption or switching out of the Soft-closure Fund remains unchanged.

11. Appointment of Templeton Asset Management Ltd as a new Co-Investment Managers for (i) Franklin Asian Flex Cap Fund; and (ii) Franklin India Fund.

With effect from 1 August 2013, Templeton Asset Management Ltd shall be appointed as Co-Investment Managers for Franklin Asian Flex Cap Fund and Franklin India Fund and will co-manage Franklin Asian Flex Cap Fund and Franklin India Fund with Franklin Advisers, Inc.. Accordingly, the following consequential revisions shall be made to the Current Explanatory Memorandum:-

(1) The symbol "**" shall be added immediately after the name "Franklin Asian Flex Cap Fund" and "Franklin India Fund" when the list of the Funds managed by Franklin Advisers, Inc. is referred to on page 86 of the Current Explanatory Memorandum; and

(2) The wording "Franklin Asian Flex Cap Fund*" and "Franklin India Fund*" shall be added to the list of the Funds managed by Templeton Asset Management Ltd as set out on page 87 of the Current Explanatory Memorandum.

12. Change of Investment Policy of Franklin Global Convertible Securities Fund

In the 7th sentence of the 2nd paragraph of the investment objective and policy of the Franklin Global Convertible Securities Fund as set out in the 2013 Addendum dated April 2013 to the Current Explanatory Memorandum, the reference to "*credit-linked securities*" which appears shall be replaced by "*equity-linked securities*"; and the wordings "*, swaps (including credit default swaps and total return swaps), futures, forwards, and options*" shall be deleted.

13. Addition of different classes of shares

With effect from 28 June 2013, the following share classes will be offered by the Company:-

(1) Franklin Biotechnology Discovery Fund

The share class "A (acc) HKD" will be offered for Franklin Biotechnology Discovery Fund and this will be shown in the table on page 6 of the Current Explanatory Memorandum under the column headed "Alternative Currency Class of Shares".

(2) Franklin Technology Fund

The share class "A (acc) HKD" will be offered for Franklin Technology Fund and this will be shown in the table on page 6 of the Current Explanatory Memorandum under the column headed "Alternative Currency Class of Shares".

(3) Templeton Emerging Markets Bond Fund

The share class "A (acc) USD" will be offered for Templeton Emerging Markets Bond Fund and this will be shown in the table on page 6 of the Current Explanatory Memorandum under the column headed "A (acc) Shares".

FRANKLIN TEMPLETON INVESTMENT FUNDS

2013 Second Addendum (I) to the Explanatory Memorandum dated December 2010
Dated May 2013

Note:	This 2013 Second Addendum (I) dated May 2013 shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Investment Funds (the "**Company**") dated December 2010, as supplemented by 2011 Addendum dated June 2011, 2011 Second Addendum dated October 2011, 2012 Addendum dated November 2012, 2011-12 Addendum dated January 2013, 2013 Addendum dated April 2013 and 2013 Second Addendum dated May 2013. The Investment Managers and the Directors of the Company accept full responsibility for the accuracy of the information contained in this Addendum 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.

Please note that the following changes apply to the Explanatory Memorandum of the Company dated December 2010, as supplemented by the 2011 Addendum dated June 2011, the 2011 Second Addendum dated October 2011, 2012 Addendum dated November 2012, 2011-12 Addendum dated January 2013, 2013 Addendum dated April 2013 and 2013 Second Addendum dated May 2013 with effect from 16 May 2013:-

Personal Data

The paragraph referred to under the heading "Personal Data" in the 2013 Second Addendum dated May 2013 shall be superseded and replaced in its entirety with the following:

"All personal data of Investors ("Data") contained in the application form and all and any further personal data collected in the course of the business relationship with the Company and/or the Transfer Agent may be, subject to applicable local laws and regulations, collected, recorded, stored, adapted, transferred or otherwise processed and used ("processed") by the Company, the Transfer Agent and other companies of Franklin Templeton Investments, including Franklin Resources, Inc. and/or its subsidiaries and associates, which may be established outside Luxembourg and/or the European Union, including the US and India, the Custodian and any other third parties which provide services to them. Such data shall be processed for the purposes of account administration, anti-money laundering and counter-terrorist financing identification, tax identification, where appropriate, under the European Savings Directive or for the purpose of compliance with Foreign Account Tax Compliance Act ("FATCA") as well as, to the extent permissible and under the conditions set forth in Luxembourg laws and regulations and any other local applicable laws and regulations, the development of business relationships. As explained in the above provisions, all personal data of Hong Kong shareholders will be processed in accordance with the Personal Data (Privacy) Ordinance in Hong Kong.

To this end, data may be transferred to companies appointed by the Company or its agent to support the Company related activities. Investors have a right of access or rectification of the personal data in cases where such data is incorrect or incomplete.

The Company and/or the Transfer Agent, for the purpose of FATCA compliance, may be required to disclose personal data relating to US Persons and/or non-participant Foreign Financial Institutions (as defined in FATCA) to the Internal Revenue Service in the US.".

Franklin Templeton Investments (Asia) Limited
17/F Chater House, 8 Connaught Road Central, Hong Kong
Tel: 852 2877 7733 Fax: 852 2877 5401 Email: fti-hk@templeton.com Website: www.franklintempleton.com.hk

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2013 Second Addendum to the Explanatory Memorandum dated December 2010
Dated May 2013

Note:	This 2013 Second Addendum dated May 2013 shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Investment Funds (the "**Company**") dated December 2010, as supplemented by 2011 Addendum dated June 2011, 2011 Second Addendum dated October 2011, 2012 Addendum dated November 2012, 2011-12 Addendum dated January 2013 and 2013 Addendum dated April 2013. The Investment Managers and the Directors of the Company accept full responsibility for the accuracy of the information contained in this Addendum 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.

Please note that the following changes apply to the Explanatory Memorandum of the Company dated December 2010, as supplemented by the 2011 Addendum dated June 2011, the 2011 Second Addendum dated October 2011, 2012 Addendum dated November 2012, 2011-12 Addendum dated January 2013 and 2013 Addendum dated April 2013 (the "**Current Explanatory Memorandum**") with effect from 7 May 2013:-

1. **Risk Consideration**

The following new risk consideration shall be added to the section "INVESTMENT CONSIDERATIONS – Risk Considerations" in the Current Explanatory Memorandum:-

"Legal and regulatory risk

The Funds must comply with various legal requirements, including requirements imposed by the securities laws and companies laws in various jurisdictions, including the Grand Duchy of Luxembourg.

The interpretation and application of legislative acts can be often contradictory and this may impact the enforceability of the various agreements and guarantees entered into by the Funds. Legislation could be imposed retrospectively or may be issued in the form of internal regulations not generally available to the public. The interpretation and application of laws and regulations can be often contradictory and uncertain particularly in respect of matters relating to taxation.

Courts may not adhere to the requirements of the law and the relevant contract and it cannot be guaranteed that any recourse or judgment obtained in a foreign court will be enforced in certain jurisdictions where the assets relating to securities held by the Funds are located."

2. **"US Person" and Canadian residents**

The following changes shall be made to the section "INTRODUCTION – Authorization and Registration" provided on pages 2 and 3 of the Current Explanatory Memorandum:-

(a) The statement "No application may be made by any resident, corporations or partnership of the United States or Canada." which appears in the 2nd paragraph shall be revised and replaced with the following:-

"*US Persons are not eligible to invest in the Company. Prospective investors shall be required to declare that they are not a US Person and are not applying for Shares on behalf of any US Person. In the absence of written notice to the Company to the contrary, if a* *prospective investor provides a non-US address on the application form for investment in the Company, this will be deemed to be a representation and warranty from such investor that he/she/it is not a US Person and that such investor will continue to be a non-US Person unless and until the Company is otherwise notified of a change in the investor's US Person status.*";

(b) The definition of "US Person" provided in the 3rd paragraph shall be revised to include the following marked-up changes:-

"*The term "US Person" shall mean any person that is a United States person within the meaning of Regulation S under the United States Securities Act of 1933 <u>or as defined by the U.S. Commodity Futures Trading Commission for this purpose</u>, as the definition of such term may be changed from time to time by legislation, rules, regulations or judicial or administrative agency interpretations.*"; and

(c) The following provisions shall be added after the last paragraph of the section:-

"*The Company is not registered in any provincial or territorial jurisdiction in Canada and Shares of the Company have not been qualified for sale in any Canadian jurisdiction under applicable securities laws. The Shares made available under this offer may not be directly or indirectly offered or sold in any provincial or territorial jurisdiction in Canada or to or for the benefit of residents thereof. Prospective investors may be required to declare that they are not a Canadian resident and are not applying for Shares on behalf of any Canadian residents. If an investor becomes a Canadian resident after purchasing Shares of the Company, the investor will not be able to purchase any additional Shares of the Company.*".

3. <u>Personal Data</u>

The paragraph set out under the section "ADDITIONAL INFORMATION – PERSONAL DATA" on page 85 of the Current Explanatory Memorandum shall be replaced in its entirety with the following:-

"All personal data of Investors ("Data") contained in the application form and all and any further personal data collected in the course of the business relationship with the Company and/or the Transfer Agent may be collected, recorded, stored, adapted, transferred or otherwise processed and used ("processed") by the Company, the Transfer Agent and other companies of Franklin Templeton Investments, including Franklin Resources, Inc. and/or its subsidiaries and associates, which may be established outside Luxembourg and/or the European Union, including the US and India, the Custodian and any other third parties which provide services to them. Such data shall be processed for the purposes of account administration, anti-money laundering and counter-terrorist financing identification, tax identification, where appropriate, under the European Savings Directive or for the purpose of compliance with Foreign Account Tax Compliance Act ("FATCA") as well as the development of business relationships.

To this end, data may be transferred to companies appointed by the Company or its agent to support the Company related activities.

Investors have a right of access or rectification of the personal data in cases where such data is incorrect or incomplete.

The Company and/or the Transfer Agent, for the purpose of FATCA compliance, may be required to disclose personal data relating to US Persons and/or non-participant Foreign Financial Institutions (as defined in FATCA) to the Internal Revenue Service in the US.".

4. <u>Clarification of Management Fees</u>

Under the section "CHARGES AND EXPENSES on page 72 of the Current Explanatory Memorandum, the statement "*The Investment Managers will not obtain a rebate on any fees or* *charges levied by any underlying scheme, in which the Company may invest, or its management company*." shall be inserted as the last paragraph under each section when the "Annual Management Fees" for Class A Shares; Class B Shares; Class C Shares and Class N Shares are respectively mentioned.

5. Change of Address

There is a change of address for the Registrar and Transfer, Corporate, Domiciliary and Administrative Agent and corresponding address for directors of the Company, therefore, the reference to "26, boulevard Royal, L-2449 Luxembourg, Grand Duchy of Luxembourg" in the Current Explanatory Memorandum has been changed to "*8A, rue Albert Borschette, L-1246 Luxembourg, Grand Duchy of Luxembourg*".

6. Enhanced disclosure on (1) investment in securities issued by or guaranteed by any single sovereign issuer and (2) dividend distribution policy

The following paragraph is added after the last paragraph of **Risk Management** on page 65 of the Current Explanatory Memorandum:-

"Investment in securities issued by or guaranteed by any single sovereign issuer and dividend distribution policy

The Company will not invest more than 10% of its net asset value in securities issued by or guaranteed by any single sovereign issuer (including its government and a public or local authority of that country) with a credit rating below investment grade. Subject to any legal and regulatory requirements, the Company may at its discretion pay dividend out of the capital or out of gross income of the Company while charging / paying all or part of the Company's fees and expenses to / out of the capital of the Company, resulting in an increase in distributable income for the payment of dividends by the Company and therefore, the Company may effectively pay dividend out of capital. Investors should note that:-

a) payment of dividends out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment;

b) any distributions involving payment of dividends out of the Company's capital or payment of dividends effectively out of the Company's capital (as the case may be) may result in an immediate reduction of the net asset value per share;

c) the compositions of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are made available by the Investment Manager(s)/Hong Kong Representative on request and also on the Hong Kong Representative's website; and

d) the Company may amend the policy with respect to such distribution policy subject to the prior approval of the Securities & Futures Commission of Hong Kong and by giving not less than one month's prior notice to investors."

7. Franklin European Small Mid-Cap Growth Fund ("Soft-closure Fund")

In order to protect the interest of existing investors, please note that with effect from 3 June 2013 Hong Kong time (or such other date that the Hong Kong Representative may subsequently communicate) and until further notice, transaction application for subscriptions and switching in the Soft-closure Fund will not be accepted by the Hong Kong Representative. This arrangement will not affect existing investors of the Soft-closure Fund and the right of redemption or switching out of the Soft-closure Fund remains unchanged.

FRANKLIN TEMPLETON INVESTMENTS

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2013 Addendum to the Explanatory Memorandum dated December 2010
Dated April 2013

Note: This 2013 Addendum dated April 2013 shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Investment Funds (the "**Company**") dated December 2010, as supplemented by 2011 Addendum dated June 2011, 2011 Second Addendum dated October 2011, 2012 Addendum dated November 2012 and 2011-12 Addendum dated January 2013. The Investment Managers and the Directors of the Company accept full responsibility for the accuracy of the information contained in this Addendum 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.

Please note that the following changes apply to the Explanatory Memorandum of the Company dated December 2010, as supplemented by 2011 Addendum dated June 2011, 2011 Second Addendum dated October 2011, 2012 Addendum dated November 2012 and 2011-12 Addendum dated January 2013 (the "**Current Explanatory Memorandum**"):

1. New Fund

With effect from 29 April 2013, information about the following fund will be included in the Current Explanatory Memorandum.

Fund name	**Franklin Global Convertible Securities Fund**
Investment Objective and Policy	The Fund's investment objective is to maximize total return, consistent with prudent investment management, by seeking to optimize capital appreciation and high current income under varying market conditions. The Fund will seek to achieve its investment objectives by investing primarily* in convertible securities (including low-rated (including unrated), investment grade securities, non-investment grade securities and/or securities in default) of corporate issuers globally. The Fund may also invest in other securities, such as common or preferred stocks and non-convertible debt securities (including low-rated (including unrated), investment grade securities, non-investment grade securities and/or securities in default). A convertible security is generally a debt security or preferred stock that may be converted within a specified period of time into common stock of the same or a different issuer. By investing in convertible securities, the Fund seeks the opportunity to participate in the capital appreciation of underlying stocks, while at the same time relying on the fixed income aspect of the convertible securities to provide current income and reduced price volatility. The Fund may also utilize certain financial derivative instruments for investment

* It generally means that at least two-thirds of the Fund's net assets (without taking into account ancillary liquid assets) shall be invested into the relevant securities. In exceptional market circumstances and on a temporary basis only, 100% of any Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading.

Investment Objective and Policy (cont'd)	or currency hedging purposes. These financial derivative instruments may be dealt in either on regulated markets or over-the-counter, and may include, inter alia, forwards and cross forwards as well as options. The Fund may, through the use of financial derivative instruments, hold covered short positions provided that the long positions held by the Fund are sufficiently liquid to cover, at any time, its obligations resulting from its short positions. The Fund may also invest in securities or structured products (such as credit-linked securities, swaps (including credit default swaps and total return swaps), futures, forwards, and options) where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.
Investor's Profile**	The Fund may appeal to investors looking to: - capital appreciation and current income by investing in convertible securities of corporate issuers around the world; and - invest for the medium to long term.
Risks of Investing in the Fund	The risks listed below are the main risks of the Fund. Investors should be aware that other risks may also be relevant to this Fund from time to time. Please refer to the Section "Risk Considerations" for a full description of these risks. - Credit risk - Convertible securities risk - Defaulted Debt Securities risk - Low-rated securities risk - Interest rate risk - Equity market risk - Foreign currency risk - Liquidity risk - Derivatives risk - Counterparty risk
Investment Manager(s)	Franklin Advisers, Inc.
Share Classes	A (Acc) EUR-H1, A(Acc) EUR, A (Acc) HKD, A (Acc) USD and I (Acc) USD
Annual Management Fee	0.75%
Annual Maintenance Charge	Up to 0.5%
Aggregate of the above charges	Up to 1.25%

** - The information contained in the "Investor's Profile" section is provided for reference only.
- Before making any investment decisions, investors should consider their own specific circumstances, including, without limitation, their own risk tolerance level, financial circumstances and investment objectives etc.
- If in doubt, investors should consult their stockbrokers, bank managers, solicitors, accountants, representative banks or other financial advisers.

Sales Charge	Up to 5%
Financial period to be covered by the first available financial report of the Fund	24 February 2012 to 30 June 2012

The establishment expenses for Franklin Global Convertible Securities Fund are estimated to be approximately US$8,000 to US$10,000 and are borne by the Company.

The Investment Manager will not obtain a rebate on any fees or charges levied by any underlying scheme, in which the Fund may invest, or its management company.

Franklin Global Convertible Securities Fund may invest in financial derivative instruments for investment purposes beyond hedging and/or efficient portfolio management purposes. The name of the new fund, "Franklin Global Convertible Securities Fund" shall be inserted in the list of funds that may invest in financial derivative instruments for investment purposes beyond hedging and/or efficient portfolio management purposes, on pages 8-9 of the Current Explanatory Memorandum.

The Fund does not intend to invest extensively in financial derivative instruments for investment purposes. In addition, the Fund will not invest more than 10% of its net asset value in securities issued by or guaranteed by any single sovereign issuer (including its government and a public or local authority of that country) with a credit rating below investment grade.

Subject to any legal and regulatory requirements, the Fund may at its discretion pay dividend out of the capital of the Fund. Investors should note that:-

a) payment of dividends out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment;

b) any distributions involving payment of dividends out of the Fund's capital or payment of dividends effectively out of the Fund's capital (as the case may be) may result in an immediate reduction of the net asset value per share;

c) the compositions of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are made available by the Investment Manager/Hong Kong Representative on request and also on the Hong Kong Representative's website; and

d) the Fund may amend the policy with respect to such distribution policy subject to the SFC's prior approval and by giving not less than one month's prior notice to investors.

2. Risk Consideration

The following new investment risk shall be added after the sub-section "Class Hedging risk" under the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on page 39 of the Current Explanatory Memorandum:-

> ***"Convertible securities risk:*** *The Fund may invest in convertible securities, which may be low-rated and which may act like a bond (and be sensitive to interest rate changes) when the underlying equity value is depressed or like a stock (and move in a similar pattern to the stock the security is convertible into) when the underlying equity value approaches or exceeds the initial par value of the convertible security. The values of convertible securities may be affected by the price movement of the underlying securities and the investment in convertible securities may be subject to risk of default, risk related to interest rate changes, and liquidity risk. Convertible bonds may also have call provisions and other features which may give rise to the risk of a call. The value and performance of the Fund may also be affected as a result."*

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2013 Addendum to the Explanatory Memorandum dated December 2010
Dated April 2013

Note:	This 2013 Addendum dated April 2013 shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Investment Funds (the "**Company**") dated December 2010, supplemented by 2011 Addendum dated June 2011, 2011 Second Addendum dated October 2011, 2012 Addendum dated November 2012 and 2011-12 Addendum dated January 2013. The Investment Managers and the Directors of the Company accept full responsibility for the accuracy of the information contained in this Addendum 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.

Please note that the following changes apply to the Explanatory Memorandum of the Company dated December 2010, supplemented by 2011 Addendum dated June 2011, 2011 Second Addendum dated October 2011, 2012 Addendum dated November 2012 and 2011-12 Addendum dated January 2013 (the "Current Explanatory Memorandum"):

1. New Fund

With effect from 29 April 2013, information about the following fund will be included in the Current Explanatory Memorandum.

Fund name	**Templeton Asian Dividend Fund**
Investment Objective and Policy	**Investment Objectives** The Fund's investment objective is to provide a combination of current income and long-term capital appreciation. **Investment Policy** The Fund seeks to achieve its investment objective by investing principally[*] in equity securities of companies across the market capitalisation spectrum which are (i) incorporated or listed in the Asia region, and/or (ii) listed or incorporated elsewhere in the world but have their principal business activities in the Asia region. The Asia Region includes, but is not limited to, the following countries: Bangladesh, Cambodia, Hong Kong, India, Indonesia, Korea, Malaysia, People's Republic of China[†], Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam.

[*] It generally means that at least two-thirds of the Fund's net assets (without taking into account ancillary liquid assets) shall be invested into the relevant securities. In exceptional market circumstances and on a temporary basis only, 100% of the Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading.

[†] As long as the Fund is authorized by the SFC, the Fund may not invest more than 10% of its net asset value, in aggregate, in A-Shares and B-Shares listed in any of the stock exchanges in China. At least one month's notice will be given to shareholders and the relevant disclosures in the Current Explanatory Memorandum will be updated in respect of any changes to the relevant investment restrictions.

Investment Objective and Policy (cont'd)	The Fund applies the traditional Templeton investment method but seeks to generate a higher income yield by emphasising stocks which the Investment Manager believes offer attractive dividend yields[#] at the time of purchase and/or the prospect for attractive dividend yields in the future. The stock selection approach is bottom-up, long-term value-oriented with strong emphasis on diligence and discipline. The Fund may also utilise financial derivative instruments for hedging and/or investment purposes. These financial derivative instruments may be dealt on either regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative returns in a specific yield curve/duration, currency or credit since, among other things, the price of financial derivative instruments are dependent on the price of their underlying instruments and these prices may go up or down. In addition, since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also, on an ancillary basis, invest in other types of transferable securities, including equity and fixed income securities of issuers worldwide (investment grade, non-investment grade and unrated) and other instruments (including convertible securities, money market instruments and liquid assets as more specifically set out in the section "Investment Restrictions" on pages 50 to 57 of the Current Explanatory Memorandum) that are consistent with the investment objective of the Fund. The Fund may distribute income gross of expenses.
Investor's Profile[**]	The Fund may appeal to investors looking to: - current income and capital appreciation by investing in securities of companies in Asia, including Emerging Markets - invest for the medium to long term

[#] "Attractive dividend yields" means a yield higher than the yield generally available in the equity market(s) of the specific geographical sector(s) in which the Fund invests. The companies that the Fund invests in are assessed to have growth potential and/or higher level of yields and/or distribute dividends more frequently as compared to their peer companies in the same sector or region and as a result, may be regarded as offering "attractive dividend yields".

** - The information contained in the "Investor's Profile" section is provided for reference only.
- Before making any investment decisions, investors should consider their own specific circumstances, including, without limitation, their own risk tolerance level, financial circumstances and investment objectives etc.
- If in doubt, investors should consult their stockbrokers, bank managers, solicitors, accountants, representative banks or other financial advisers.

Risks of Investing in the Fund	The risks listed below are the main risks of the Fund. Given the Investment Objective and Policy of the Fund and the scope of investment may cover other types of transferable securities and other instruments that are consistent with the objective of the Fund, investors should be aware of such other applicable risks that are also be relevant to the Fund. Please refer to the Section "Risk Considerations" as set out on pages 38 to 50 of the Current Explanatory Memorandum for a full description of these risks. - Class Hedging risk - Counterparty risk - Emerging Markets risk - Equity risk - Foreign Currency risk - Frontier Markets risk - Liquidity risk - Market risk - Regional Market risk - Value Stocks risk - Distribution risk - Dividend Policy risk - Dividend-paying Equity risk
Investment Manager(s)	Templeton Asset Management Ltd.
Share Classes	Class A (acc) USD, Class A (Mdis) USD, Class A (acc) EUR, Class A (Mdis) SGD H1 and Class I (acc) USD
Annual Management Fee	1.35%
Annual Maintenance Charge	Up to 0.50%
Aggregate of the above charges	Up to 1.85%
Sales Charge	Up to 5%
Financial period to be covered by the first available financial report of the Fund	Date of fund establishment to 30 June 2013

The establishment expenses for Templeton Asian Dividend Fund are estimated to be approximately US$8,000 to US$10,000 and are borne by the Company.

The Investment Manager will not obtain a rebate on any fees or charges levied by any underlying scheme, in which the Fund may invest, or its management company.

Templeton Asian Dividend Fund may invest in financial derivative instruments for investment purposes beyond hedging purposes. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes. The name of the new fund, "Templeton Asian Dividend Fund" shall be inserted in the list of funds that may invest in financial derivative instruments for investment purposes beyond hedging and/or efficient portfolio management purposes, on pages 8-9 of the Current Explanatory Memorandum.

Any change to the purposes for which and the extent to which financial derivative instruments will be used by the Fund will be subject to the SFC's prior approval and by giving at least one month's prior written notice to the investors, where appropriate.

In addition, the Fund will not invest more than 10% of its net asset value in securities issued by or guaranteed by any single sovereign issuer (including its government and a public or local authority of that country) with a credit rating below investment grade. Subject to any legal and regulatory requirements, the Fund may at its discretion pay dividend out of the capital or out of gross income of the Fund while charging / paying all or part of the Fund's fees and expenses to / out of the capital of the Fund, resulting in an increase in distributable income for the payment of dividends by the Fund and therefore, the Fund may effectively pay dividend out of capital. Investors should note that:-

a) payment of dividends out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment;

b) any distributions involving payment of dividends out of the Fund's capital or payment of dividends effectively out of the Fund's capital (as the case may be) may result in an immediate reduction of the net asset value per share;

c) the compositions of the dividends (i.e. the relative amounts paid out of (i) net distributable income and (ii) capital) for the last 12 months are made available by the Investment Manager/Hong Kong Representative on request and also on the Hong Kong Representative's website; and

d) the Fund may amend the policy with respect to such distribution policy subject to the SFC's prior approval and by giving not less than one month's prior notice to investors.

2. <u>Addition of risk disclosures</u>

The following changes will be made to the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on pages 42, 47 and 50 of the Current Explanatory Memorandum:-

(i) "Regional Market risk"

- The following new investment risk shall be added after the section "Real Estate Securities risk":

  "***Regional Market risk***

  Some Funds may invest in a single region, and as a result are subject to higher concentration risk and potentially greater volatility compared to Funds following a more diversified policy."

(ii) “Value Stocks risk”

- The following new investment risk shall be added after the section “Use of Techniques and Instruments Risk”:

  “***Value Stocks risk***

  Some Funds may select stocks using a bottom-up, long-term, value-oriented approach. To the extent that markets fail to recognise their expected value, investment may underperform other stock selection approaches.”

(iii) “Distribution risk”

- The following new investment risk shall be added after the section “Derivative risk”:-

  “Distribution risk

  Distribution of dividends, if any, is not guaranteed. Only shareholders whose names are entered on the relevant record date shall be entitled to the distribution declared in respect of the corresponding quarterly, interim or annual accounting period, as the case may be. The net asset value of the Fund will be reduced by the amount of dividend paid.”

(iv) “Dividend-paying Equity risk”

- The following new investment risk shall be added after the section “Distribution risk”:-

  “Dividend-paying Equity risk

  There can be no guarantee that the companies that the Fund invests in and which have historically paid dividends will continue to pay dividends or to pay dividends at the current rates in the future. The reduction or discontinuation of dividend payments may have a negative impact on the value of the Fund’s holdings and consequently, the Fund/investors may be adversely impacted.”

(v) “Dividend Policy risk”

- The following new investment risk shall added after the section “Dividend-paying Equity risk”:-

  “Dividend Policy risk

  The Fund’s dividend policy allows for payment of dividends out of capital. Where this is done, it amounts to a return or withdrawal of part of an investor’s original investment or from any capital gains attributable to that original investment. Any distributions involving payment of dividends out of the Fund’s capital or payment of dividends effectively out of the Fund’s capital (as the case may be) may result in an immediate reduction of the net asset value per share.”

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2011-12 Addendum to the Explanatory Memorandum dated December 2010
Dated January 2013

Note: This 2011-12 Addendum dated January 2013 shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Investment Funds (the "**Company**") dated December 2010, as supplemented by 2011 Addendum dated June 2011, 2011 Second Addendum dated October 2011 and 2012 Addendum dated November 2012. The Investment Managers and the Directors of the Company accept full responsibility for the accuracy of the information contained in this Addendum 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.

Please note that the following changes apply to the Explanatory Memorandum of the Company dated December 2010, as supplemented by the 2011 Addendum dated June 2011, the 2011 Second Addendum dated October 2011 and 2012 Addendum dated November 2012 (the "**Current Explanatory Memorandum**") with the respective effective dates stated below:-

Part I- Revisions to Investment Objectives & Policies, Change of Investment Manager and Revisions to Investment Restrictions

1. Franklin Gold and Precious Metals Fund

With effect from 12 August 2011, Franklin Gold and Precious Metals Fund has been deleted from the list of funds on page 8 of the Current Explanatory Memorandum that may invest in financial derivative instruments for investment purposes beyond hedging and/or efficient portfolio management purposes.

2. Templeton Frontier Markets Fund

With effect from 29 July 2011, (i) the words "in financial derivative instruments for investment purpose" appearing in the third paragraph of the investment objective and policy of Templeton Frontier Markets Fund on page 30 of the Current Explanatory Memorandum have been replaced with the words "in financial derivative instruments for hedging and efficient portfolio management"; and (ii) Templeton Frontier Markets Fund has been deleted from the list of funds on page 8 of the Current Explanatory Memorandum that may invest in financial derivative instruments for investment purposes beyond hedging and/or efficient portfolio management purposes.

3. Change of Investment Manager of Templeton Global (Euro) Fund

With effect from 1 October 2011, Franklin Templeton Investment Management Limited has replaced Franklin Templeton Investments Corp. as the Investment Manager of Templeton Global (Euro) Fund. Accordingly, the reference to Templeton Global (Euro) Fund has been deleted from the list of Funds managed by Franklin Templeton Investments Corp., and inserted into the list of Funds managed by Franklin Templeton Investment Management Limited appearing on page 87 of the Current Explanatory Memorandum.

Franklin Templeton Investments (Asia) Limited
17/F Chater House, 8 Connaught Road Central, Hong Kong
Tel: 852 2877 7733 Fax: 852 2877 5401 Email: fti-hk@templeton.com Website: www.franklintempleton.com.hk

4. Amendment of Investment Restrictions of the Company

With effect from 26 September 2011, paragraphs a) (i) to (iv) of the section "1. Investment in transferable securities and liquid assets" on page 50 of the Current Explanatory Memorandum have been replaced by the following and the numbering and cross-references as a result of this amendment shall be updated accordingly throughout the Current Explanatory Memorandum:

"a) The Company will invest in:

(i) transferable securities and money market instruments admitted to or dealt in on a regulated market within the meaning of Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004 on markets in financial instruments; and/or

(ii) transferable securities and money market instruments dealt in on another market in an EU Member State which is regulated, operates regularly and is recognized and open to the public;

(iii) transferable securities and money market instruments admitted to official listing on a stock exchange in a non EU Member State or dealt in on another market in a non EU Member State, which is regulated, operates regularly and is recognized and open to the public;"

<u>Part II- Revisions to Investment Objectives & Policies</u>

With effect from 22 June 2012, the following changes apply to the Current Explanatory Memorandum:-

1. Franklin Mutual Beacon Fund

The 2nd sentence of the 2nd paragraph of the investment objective and policy of Franklin Mutual Beacon Fund on page 14 of the Current Explanatory Memorandum shall be replaced with the following:-

"No more than 20% of the Fund's net assets will generally be invested in securities of non-US issuers."

2. Franklin U.S. Government Fund

The 1st paragraph of the investment objective and policy of Franklin U.S. Government Fund on page 20 of the Current Explanatory Memorandum shall be replaced with the following:-

"The Fund's investment objective is income and safety of principal. The Fund seeks to achieve its objective primarily through a policy of investing in debt obligations issued or guaranteed by the United States of America government and its agencies, including purchasing mortgage- and asset-backed securities."

3. Templeton Emerging Markets Bond Fund

The 6th sentence of the 2nd paragraph of the investment objective and policy of Templeton Emerging Markets Bond Fund on page 27 of the Current Explanatory Memorandum shall be replaced with the following:-.

"……The Fund may also, in accordance with the investment restrictions, purchase mortgage- and asset-backed securities and invest in securities or structured products where the security is linked to or derives its value from another security or is linked to assets or currencies of any developing or Emerging Market Country."

4. Templeton Global Total Return Fund

The investment objective and policy of Templeton Global Total Return Fund on pages 35-36 of the Current Explanatory Memorandum shall be revised as follows:-

a) the 1st sentence of the 2nd paragraph
"The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and/or floating-rate debt securities and debt obligations issued by government and government-related issuers or corporate entities worldwide. The fixed and/or floating-rate debt securities and debt obligations in which the Fund may invest include investment grade and non-investment grade securities."

b) the 8th sentence of the 2nd paragraph
"The Fund may hold up to 10% of its net assets in securities in default."

c) the 3rd paragraph
"The Fund may use futures contracts on US Treasury securities to help manage risks relating to interest rates and other market factors, to increase liquidity, and to quickly and efficiently cause new cash to be invested in the securities markets or, if cash is needed to meet shareholder redemption requests, to remove Fund's assets from exposure to the market. On an ancillary basis, the Fund may gain exposure to debt market indexes by investing in index based financial derivatives and credit default swaps."

Part III – Investment in financial derivative instruments

Amongst the sub-funds of the Company which may invest in financial derivative instruments ("FDIs") for investment purposes beyond hedging and/or efficient portfolio management purposes as set out on pages 8 and 9 of the Current Explanatory Memorandum, FDIs may be used extensively for investment purpose in respect of the sub-funds listed in item (a) below. Accordingly, the following information will be inserted immediately before the paragraph beginning with "Except for the above sub-funds, …" appearing on page 9 of the Current Explanatory Memorandum:-

" (a) FDIs may be used extensively for investment purpose in respect of the following sub-funds:-

- Templeton Asian Bond Fund
- Templeton Emerging Markets Bond Fund
- Templeton Global Bond Fund
- Templeton Global Income Fund
- Templeton Global High Yield Fund
- Templeton Global Total Return Fund

(collectively, the "Sub-Funds")

(b) (i) The Sub-Funds may invest extensively in financial derivative instruments for hedging purposes as well as investment purposes to manage the risks of the portfolio and gain exposure to certain asset classes, currencies, or position on the yield curve (long maturities vs. short maturities), or to exchange fixed rate obligations with floating rate obligations. The financial derivative instruments in which the Sub-Funds may invest include swaps (such as interest rate swaps, credit default swaps or total return swaps), futures contracts, and foreign currency forward contracts, including cross currency forwards where one currency is hedged into another through an intermediate third currency or where one currency is used as a proxy for hedging another currency (e.g. using the Canadian dollar as a proxy for the U.S. dollar).

(ii) The Sub-Funds' investments in financial derivative instruments are subject to a higher degree of risk, including counterparty risk, derivative risk, liquidity risk, swap agreements risk and volatility risk which are more fully described in the section "Risk Considerations". With a small sum of money to purchase a derivative, the derivative risk may relate to material market exposure, exposing the Sub-Funds to the potential or significant losses. The Sub-Funds do set aside cash or assets to meet future obligations related to derivatives.

(iii) The Sub-Funds use relative Value-at Risk (VaR) approach to calculate the global exposure of the Sub-Funds. VaR is a measure of the maximum potential loss that could arise over a given time interval under normal market conditions, and at a given confidence level. The Sub-Funds use 1 Month VaR at a 99% confidence level. The global exposure relating to financial derivative instruments is calculated taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements and the time available to liquidate the positions. The Company shall ensure that the global exposure of each of the Sub-Funds relating to financial derivative instruments does not exceed the total net assets of that Sub-Fund. Each Sub-Fund's overall risk exposure shall consequently not exceed 200% of its total net assets.

(iv) The expected level of leverage for each of the Sub-Funds (as a percentage of the net asset value of the Sub-Funds) is as follows:-

- 130% for Templeton Asian Bond Fund, Templeton Emerging Markets Bond Fund, Templeton Global Income Fund and Templeton Global High Yield Fund;

- 180% for Templeton Global Bond Fund; and

- 200% for Templeton Global Total Return Fund.

The expected level of leverage is an estimate only and may be subject to higher leverage levels when cross currency positions or negative positions, which may be held to hedge against market risk or eliminate or reduce undesired investment risk in the portfolio, are a larger portion of the portfolios. The leverage calculation method used is the commitment approach which is a methodology used to calculate a sub-fund's global exposure.

(c) Other than the Sub-Funds, the sub-funds of the Company which may invest in FDIs for investment purposes do not currently intend to invest extensively in FDIs for investment purposes.

(d) Notwithstanding the enhanced disclosures in this Part III, the current extent to which the sub-funds of the Company may invest in FDIs for investment purposes, hedging purposes and/or efficient portfolio management purposes remains unchanged."

<u>Part IV – Other Changes</u>

(a) With effect from 31 January 2013, the section "INVESTMENT RESTRICTIONS – 1. Investment in transferable securities and liquid assets" shall be amended to add a new paragraph l) on page 56 of the Current Explanatory Memorandum, which shall read as follows:-

> *"As long as the Company is authorized by the SFC, each Fund of the Company may invest not more than 10% of its net asset value in A-Shares and B-Shares listed in any of the stock exchanges in China."*

At least one month's notice will be given to shareholders and the relevant disclosures in the Explanatory Memorandum will be updated in respect of any changes to the above investment restrictions.

(b) The following changes will be made to the section "INVESTMENT CONSIDERATIONS – Risk Considerations" on pages 42 and 44 of the Current Explanatory Memorandum:-

(i) "Eurozone Risk"

- The following new investment risk shall be added after the section "Equity Risk":

  "***Eurozone Risk***

  Some Funds may invest in the Eurozone. Mounting sovereign debt burdens (e.g. any sovereigns within the Eurozone, which default on their debts, may be forced to restructure their debts and faced difficulties in obtaining credit or refinancing) and slowing economic growth among European countries, combined with uncertainties in European financial markets, including feared or actual failures in the banking system and the possible break-up of the Eurozone and Euro currency, may adversely affect interest rates and the prices of both fixed income and equity securities across Europe and potentially other markets as well. These events may increase volatility, liquidity and currency risks associated with investments in Europe. The aforesaid economic and financial difficulties in Europe may spread across Europe and as a result, a single or several European countries may exit the Eurozone or a sovereign within the Eurozone may default on its debts. In any event of the break-up of the Eurozone or Euro currency, the relevant Funds may be exposed to additional operational or performance risks.

  While the European governments, the European Central Bank, and other authorities are taking measures (e.g. undertaking economic reforms and imposing austerity measures on citizens) to address the current fiscal conditions, these measures may not have the desired effect and therefore the future stability and growth of Europe is uncertain. The performance and value of the relevant Funds may be adversely affected should there be any adverse credit events (e.g. downgrade of the sovereign credit rating or default or bankruptcy of any Eurozone countries."

(ii) "Interest Rate Securities Risk"

- The following statement shall be added immediately after the 1st sentence of this section:

  "Interest rates changes tend to be driven by prevailing economic, political and regulatory conditions as well as issuer-specific factors, impacting longer term securities more than short-term securities."

(c) The last sentence of the 1st paragraph of the section "DIVIDENDS AND ACCOUNTS – Dividends" on page 81 of the Current Explanatory Memorandum shall be replaced with the following:-

"Investors should note that:

(a) subject to any legal and regulatory requirements, the Company may at its discretion pay dividend out of the capital of the Company;

(b) payment of dividends out of capital amounts to a return or withdrawal of part of an investor's original investment or from any capital gains attributable to that original investment;

(c) any distributions involving payment of dividends out of the Company's capital or payment of dividends effectively out of the Company's capital (as the case may be) may result in an immediate reduction of the net asset value per share; and

(d) the Company may amend the policy with respect to the matters mentioned in (a) above subject to the SFC's prior approval and by giving not less than one month's prior notice to investors."

FRANKLIN TEMPLETON INVESTMENTS

FRANKLIN TEMPLETON INVESTMENT FUNDS

2012 Addendum to the Explanatory Memorandum dated December 2010
Dated November 2012

Note:	This 2012 Addendum dated November 2012 shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Investment Funds (the "**Company**") dated December 2010, as supplemented by 2011 Addendum dated June 2011 and 2011 Second Addendum dated October 2011. The Investment Managers and the Directors of the Company accept full responsibility for the accuracy of the information contained in this Addendum 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.

Please note that the following changes apply to the Explanatory Memorandum of the Company dated December 2010, as supplemented by the 2011 Addendum dated June 2011 and the 2011 Second Addendum dated October 2011 (the "**Current Explanatory Memorandum**") with the respective effective dates stated below:-

I. <u>Addition of alternative currency classes of shares</u>

With effect from 30 December 2011, the following share classes are offered by the Company:-

1. Franklin India Fund

The share class "A (Acc) HKD" is offered for Franklin India Fund and this will be shown in the table on page 6 of the Current Explanatory Memorandum in the column headed "Alternative Currency Class of Shares".

2. Franklin U.S. Equity Fund

The share class "A (Acc) HKD" is offered for Franklin U.S. Equity Fund and this will be shown in the table on page 6 of the Current Explanatory Memorandum in the column headed "Alternative Currency Class of Shares".

3. Franklin U.S. Opportunities Fund

The share class "A (Acc) HKD" is offered for Franklin U.S. Opportunities Fund and this will be shown in the table on page 6 of the Current Explanatory Memorandum in the column headed "Alternative Currency Class of Shares".

4. Templeton China Fund

The share class "A (Acc) HKD" is offered for Templeton China Fund and this will be shown in the table on page 6 of the Current Explanatory Memorandum in the column headed "Alternative Currency Class of Shares".

5. Templeton Emerging Markets Fund

The share class "A (Acc) HKD" is offered for Templeton Emerging Markets Fund and this will be shown in the table on page 6 of the Current Explanatory Memorandum in the column headed "Alternative Currency Class of Shares".

Franklin Templeton Investments (Asia) Limited
17/F Chater House, 8 Connaught Road Central, Hong Kong
Tel: 852 2877 7733 Fax: 852 2877 5401 Email: fti-hk@templeton.com Website: www.franklintempleton.com.hk

6. Templeton Emerging Markets Bond Fund

The share class "A (Mdis) HKD" is offered for Templeton Emerging Markets Bond Fund and this will be shown in the table on page 6 of the Current Explanatory Memorandum in the column headed "Alternative Currency Class of Shares".

7. Templeton Global Bond Fund

The share classes "A (Mdis) SGD-H1", "A (Mdis) EURO-H1" and "A (Mdis) GBP-H1" are offered for Templeton Global Bond Fund and this will be shown in the table on page 6 of the Current Explanatory Memorandum in the column headed "Alternative Currency Class of Shares".

8. Templeton Global Fund

The share class "A (Acc) HKD" is offered for Templeton Global Fund and this will be shown in the table on page 6 of the Current Explanatory Memorandum in the column headed "Alternative Currency Class of Shares".

9. Templeton Global Total Return Fund

The share classes "A (Mdis) SGD-H1", "A (Mdis) EURO-H1" and "A (Mdis) GBP-H1" are offered for Templeton Global Total Return Fund and this will be shown in the table on page 6 of the Current Explanatory Memorandum in the column headed "Alternative Currency Class of Shares".

II. De-authorization of Franklin Templeton Japan Fund

With effect from 5 November 2012, the authorization of the Franklin Templeton Japan Fund with the Securities and Futures Commission of Hong Kong will be withdrawn and all references to the Franklin Templeton Japan Fund throughout the Current Explanatory Memorandum will be removed immediately thereafter.

FRANKLIN TEMPLETON INVESTMENTS

FRANKLIN TEMPLETON INVESTMENT FUNDS

2011 Second Addendum to the Explanatory Memorandum dated December 2010
Dated October 2011

Note:	This 2011 Second Addendum dated October 2011 shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Investment Funds (the "**Company**") dated December 2010, supplemented by an addendum dated June 2011. The Investment Managers and the Directors of the Company accept full responsibility for the accuracy of the information contained in this Addendum 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.

Please note that the following changes apply to the Explanatory Memorandum of the Company dated December 2010, supplemented by an addendum dated June 2011 (the "**Current Explanatory Memorandum**"):

1. New Fund

With effect from 17 October 2011, information about the following fund will be included in the Current Explanatory Memorandum.

Fund name	**Templeton Emerging Markets Balanced Fund**
Investment Objective and Policy	The Fund's investment objective is to maximize, consistent with prudent investment management, a combination of capital appreciation and interest income. The Fund seeks to achieve its objective by investing principally (at least two-thirds of its net assets) in a diversified portfolio of equity securities, fixed and floating rate debt securities, including low-rated(1) debt securities, and debt obligations issued by government, government-related issuers and corporate entities which are located, incorporated or have their principal business activities in developing or emerging market countries(2). The Fund may also utilize financial derivative instruments for investment purposes(3). These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/ duration, currency or credit. The Fund may also, in accordance with the investment restrictions, invest in securities or structured products(4) where the security is linked to or derives its value from another security or is linked to assets or currencies of any developing or emerging market country. In addition, the Fund may purchase preferred stock, common stock and other equity linked securities, warrants, and debt securities exchangeable or convertible into common stock and denominated in any currency. The Fund may purchase fixed income securities, debt obligations and equity securities denominated in any currency. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs and up to 10% of its total net assets in securities in default. The Fund may also invest in securities issued by government, government related issuers or corporate entities located outside of developing or emerging market countries but which derive a significant proportion of their revenues or profits from, have a significant portion of their assets in or are impacted by economic/ financial dynamics in developing or emerging market countries. (5)

Investment Objective and Policy (cont'd)	The Fund will typically invest at least 25% of its assets in emerging market equity securities and at least 25% of its assets in debt securities[6] but the proportion of its assets allocated to each may vary over time depending on the Investment Managers' view of the relative attractiveness of each asset class. The base currency of the Fund is US dollar. (1) And non-rated (2) Such countries include but are not limited to Brazil, Chile, Colombia, Mexico, Peru, Czech Republic, Egypt, Hungary, Morocco, Poland, Russia, South Africa, Turkey, China, India, Indonesia, Korea, Malaysia, Philippines, Taiwan and Thailand. (3) Financial derivative instruments may be used for the purposes of obtaining greater liquidity, locking in higher yields, or to implement currency and interest rate views to obtain economic exposure as an alternative to transacting in the physical markets. The fund does not intend to invest extensively in financial derivative instruments. (4) Such as P-notes or equity-linked notes (5) The Fund may invest up to one-third of its assets in the instruments referred to in the third and fourth paragraphs above. (6) Also in emerging markets. The Fund's minimum total investment in emerging market securities is subject to the second paragraph above.
Investor's Profile	The Fund is suitable for investors seeking a combination of capital appreciation and interest income by investing in emerging markets and planning to hold their investments for medium to long term.
Risks of Investing in the Fund	Investments in emerging market countries are subject to a higher degree of risk as more fully described in the section "Risk Considerations" of the current Explanatory Memorandum.
Investment Manager(s)	Co-managed by Franklin Advisers, Inc. & Templeton Asset Management Ltd.
Share Classes	A (acc) USD and A (Qdis) USD
Annual Management Fee	1.3%
Annual Maintenance Charge	Up to 0.5%
Aggregate of the above charges	Up to 1.80%
Sales Charge	Up to 5%
Financial period to be covered by the first available financial report of the Fund	29 April 2011 to 30 June 2011

The establishment expenses for Templeton Emerging Markets Balanced Fund are borne by the Company.

Templeton Emerging Markets Balanced Fund may invest in financial derivative instruments for investment purposes beyond hedging and/or efficient portfolio management purposes. The name of the new fund, “Templeton Emerging Markets Balanced Fund” shall be inserted in the list of funds that may invest in financial derivative instruments for investment purposes beyond hedging and/or efficient portfolio management purposes, on pages 8-9 of the Current Explanatory Memorandum.

FRANKLIN TEMPLETON INVESTMENTS

FRANKLIN TEMPLETON INVESTMENT FUNDS

2011 Addendum to the Explanatory Memorandum dated December 2010
Dated June 2011

Note: This 2011 Addendum dated June 2011 shall be read and construed in conjunction with the Explanatory Memorandum of Franklin Templeton Investment Funds (the "**Company**") dated December 2010. The Investment Managers and the Directors of the Company accept full responsibility for the accuracy of the information contained in this Addendum 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 following changes apply to the Explanatory Memorandum of the Company dated December 2010 (the "**Current Explanatory Memorandum**"):

Change of Investment Objectives & Policies

(I) Franklin World Perspectives Fund

With effect from 25th April 2011, the second paragraph of the investment objective and policy of Franklin World Perspectives Fund as shown on page 21 of the Current Explanatory Memorandum shall be replaced with the following paragraph:

> "The Fund seeks to achieve this objective by investing in equity and equity related transferable securities across the world. The Investment Manager and the Investment Co-Managers, located in various countries around the globe, develop local portfolios of securities with the intention to outperform the relevant market of each region. The Fund's exposure to various regions and markets may vary from time to time according to the Investment Manager's opinion as to the prevailing conditions and prospects for these markets. The Fund may also invest in financial derivative instruments which may include, inter alia, swaps such as credit default swaps or total return swaps, forwards, futures contracts, as well as options on such contracts dealt in either on Regulated Markets or over-the-counter."

(II) Templeton Emerging Markets Bond Fund

The words "including non- investment grade debt securities" shall be deleted as a footnote in the investment objective and policy of Templeton Emerging Markets Bond Fund on page 27 of the Current Explanatory Memorandum, and shall be inserted in brackets after the words "debt securities" in the first sentence of the second paragraph of the investment objective and policy of the fund.

(III) Templeton Global Bond Fund

The words "including non- investment grade securities" shall be deleted as a footnote in the investment objective and policy of Templeton Global Bond Fund on page 33 of the Current Explanatory Memorandum, and shall be inserted in brackets after the words "debt securities" in the first and second sentences of the second paragraph of the investment objective and policy of the fund on page 32 of the Current Explanatory Memorandum.

Franklin Templeton Investments (Asia) Limited
17/F Chater House, 8 Connaught Road Central, Hong Kong
Tel: 852 2877 7733 Fax: 852 2877 5401 Email: fti-hk@templeton.com Website: www.franklintempleton.com.hk

(IV) Templeton Global High Yield Fund

The words "including non- investment grade securities" shall be deleted as a footnote in the investment objective and policy of Templeton Global High Yield Fund on page 34 of the Current Explanatory Memorandum, and shall be inserted in brackets after the words "debt securities" in the first sentence of the second paragraph of the investment objective and policy of the fund.

Change of Co-Investment Manager of Templeton Global Income Fund

With effect from 25th April 2011, Templeton Global Advisors Limited ("**TGAL**") shall replace Templeton Asset Management Limited as a co-Investment Manager of Templeton Global Income Fund, with the following consequential revisions to be made to the Current Explanatory Memorandum:

(I) TGAL shall be included in the list of investment managers named in the fourth paragraph of page 2 and the first paragraph of page 86 of the Current Explanatory Memorandum.

(II) Pages 86-87 of the Current Explanatory Memorandum shall be revised in the following manner to show that Templeton Global Income Fund is co-managed only by Franklin Advisers, Inc. and TGAL:

- The name "Templeton Global Advisors Limited" shall replace "Templeton Asset Management Limited" in the footnote at the bottom of page 86;
- Templeton Global Income Fund and the footnote corresponding to it shall be deleted from the list of Funds managed by Templeton Asset Management Ltd. on page 87; and
- The following shall be inserted at the bottom of page 87:

  "**Templeton Global Advisors Limited manages the following Fund:**

  Templeton Global Income Fund*;

  * *Franklin Advisers, Inc. has been appointed as Co-Investment Manager of this Fund, together with Templeton Global Advisors Limited".*

(III) The following shall be inserted under the heading "INVESTMENT MANAGERS" on page 89 of the Current Explanatory Memorandum:

"TEMPLETON GLOBAL ADVISORS LIMITED
Ocean Centre, Montagu Foreshore
East Bay Street, Nassau, Bahamas
New Providence, The Bahamas"

Securities Lending

With effect from 25th April 2011, a Fund may utilise up to 100% of its assets for securities lending transactions, and this shall be reflected in the first sentence of the second paragraph under the heading "4. Use of techniques and instruments relating to transferable securities and money market instruments" on page 63 of the Current Explanatory Memorandum.

Enquiries and the Handling of Complaints

The sentence "Investors who wish to make an enquiry or complaint may contact the Hong Kong Representative as provided below or write to the Hong Kong Representative at its address provided in the section "Administration". The Hong Kong Representative may address any enquiry or complaint verbally or in writing, depending on the nature of such enquiry or complaint, and shall respond as appropriate as soon as reasonably practicable." shall be inserted at the end of the second paragraph under the heading "OTHER INFORMATION" on page 5 of the Current Explanatory Memorandum.

Risk Considerations

(I) The section "RISK CONSIDERATIONS" in the Current Explanatory Memorandum shall be amended to add a risk disclosure in respect of sovereign debt, which shall read as follows:

> **"Sovereign Debt risk**
>
> Sovereign debts ("Sovereign Debts") are debt obligations issued or guaranteed by governments or government-related entities.
>
> Investment in Sovereign Debts issued or guaranteed by governments or their agencies and instrumentalities ("governmental entities") involves a high degree of risk. The governmental entity that controls the repayment of Sovereign Debt may not be able or willing to repay the principal and/or interest when due in accordance with the terms of such debt due to specific factors, including, but not limited to (i) their foreign reserves, (ii) the available amount of their foreign exchange as at the date of repayment, (iii) their failure to implement political reforms, and (iv) their policy relating to the International Monetary Fund.
>
> Sovereign Debt holders may also be affected by additional constraints relating to sovereign issuers which may include: (i) the unilateral rescheduling of such debt by the issuer and (ii) the limited legal recourses available against the issuer (in case of failure or delay in repayment).
>
> Funds investing in Sovereign Debts issued by governments or government-related entities from countries referred as Emerging or Frontier Markets bear additional risks linked to the specificities of such countries (e.g. currency fluctuations, political and economic uncertainties, repatriation restrictions, etc)."

(II) The word "incorporating" shall replace the word "incorporated" in the first sentence of "Credit-linked Securities risk" on page 40 of the Current Explanatory Memorandum. (This change shall apply only to the English version of the Current Explanatory Memorandum.)

Risk Management

The words "and the Conducting Officers" shall be inserted after the words "Alerts to the portfolio manager(s)" in the second-last sentence in the sixth paragraph under the heading "3. Financial derivative instruments" on page 57 of the Current Explanatory Memorandum.

"Conducting Officers" shall be defined as "the persons appointed by the Board of Directors in order to control and oversee the operation of the Company or the Funds in compliance with the Explanatory Memorandum and the Luxembourg Law of December 20, 2002 relating to undertakings for collective investment, as may be amended from time to time."

Class I Shares

The following sentence shall be inserted as a second sentence in the fourth paragraph under the heading "Availability" on page 76 of the Current Explanatory Memorandum:-

> "If it is identified at any time that a Holder of Class I Shares does not qualify as an Institutional Investor, the Hong Kong Representative or the Company will instruct the Investor to switch its Class I Shares into an eligible Share Class. If a switch is not executed, the Company will, at its discretion, redeem the Shares."

Share Classes No Longer Offered

The following share classes shall no longer be offered, and this shall be reflected in the table on page 6 of the Current Explanatory Memorandum:

- Franklin European Small-Mid Cap Growth Fund Class B (acc) USD;
- Templeton European Fund Class N (acc) USD;
- Templeton Global Equity Income Fund Class I (acc) USD; and
- Templeton Global Equity Income Fund Class N (acc) USD.

Clarification of Custodian Fees

The words "depending on the nature of the investments of the Funds" appearing in the first sentence of the first paragraph under the heading "OTHER FEES" on page 79 of the Current Explanatory Memorandum shall be replaced with the following:

> "with possible higher custodian annual fees for those Funds of the Company the investment objectives and policies of which provide for investments in equity securities of issuers in developing countries, as reflected in more details in the Funds' relevant total expense ratio and in the Company financial reports."

Clarification of Minimum Dealing Amounts

(I) The sentence "Certain intermediaries may impose higher minimum dealing amounts." shall be inserted as follows:

(A) As the last sentence of the paragraph under the heading "MINIMUM INVESTMENT" and "Minimum Investments" on pages 4 and 66 of the Current Explanatory Memorandum respectively.

(B) After the third sentence of the first paragraph of the section "SWITCHING BETWEEN FUNDS" on page 69 of the Current Explanatory Memorandum.

(C) After the words "Hong Kong Dollars" in the first paragraph of the section "REGULAR SAVINGS PLAN" on page 70 of the Current Explanatory Memorandum.

(II) The sentence "Certain intermediaries may impose higher minimum holding amounts." shall be inserted as follows:

(A) As the last sentence of the fourth paragraph under the heading "REDEMPTIONS" on page 69 of the Current Explanatory Memorandum.

(B) After the fourth sentence of the second paragraph of the section "REGULAR SAVINGS PLAN", on page 71 of the Current Explanatory Memorandum.

(III) The sentence "Only qualifying institutional investors can switch their Shares into Class I Shares" shall be inserted as a standalone paragraph at the end of the section "SWITCHING BETWEEN FUNDS" on page 69 of the Current Explanatory Memorandum.

Administration

The email address of the Hong Kong Representative shall be changed to "fti-hk@templeton.com" in the section "ADMINISTRATION" on page 89 of the Current Explanatory Memorandum.

Disclaimer

The sentence "The information in the website has not been reviewed by the Securities and Futures Commission." shall be inserted as a footnote to the website address of the Hong Kong Representative where it appears on pages 5, 71, 82 and 89 of the Current Explanatory Memorandum.

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IMPORTANT:

This Explanatory Memorandum has been written and authorised for distribution in the Hong Kong Special Administrative Region only. It does not constitute a distribution of information or an offer in any other jurisdiction. If you are in any doubt about the contents of this Explanatory Memorandum, you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

INTRODUCTION

FRANKLIN TEMPLETON INVESTMENTS

Franklin Templeton Investments has been investing globally for over 63 years and provides investment management and advisory services to a wide variety of mutual funds, institutes and private clients worldwide. Companies within Franklin Templeton Investments are subsidiaries of Franklin Resources, Inc. a US company listed on the New York Stock Exchange and a constituent of the S&P 500 Index.

Franklin Resources, Inc. (operating worldwide as Franklin Templeton Investments) is one of the largest independent publicly quoted investment managers in the world.

FRANKLIN TEMPLETON INVESTMENT FUNDS

Franklin Templeton Investment Funds, first established in November 1990, provide an opportunity for investors to access all areas of Franklin Templeton Investments' expertise through a single investment vehicle, by taking advantage of the many attractive benefits of investing in an "umbrella fund". There is a wide choice of separate funds for investors to select within the umbrella fund.

Franklin Templeton Investment Funds ("the Company" or "the Funds"), is an open-ended Luxembourg domiciled investment company incorporated under the laws of the Grand-Duchy of Luxembourg as a société anonyme and qualifies as a société d'investissement à capital variable ("SICAV"). Each sub-fund of the Company is managed by Franklin Templeton Investments' highly regarded investment team, which has brought superior investment experience to individuals, corporations and charitable organisations around the world. Franklin Advisers, Inc., Franklin Mutual Advisers, LLC, Franklin Templeton Institutional LLC, Franklin Templeton Investments Corp., Franklin Templeton Investments Japan Limited, Franklin Templeton Investment Management Limited and Templeton Asset Management Ltd. act as investment managers ("the Investment Managers") to the sub-funds and provide day-to-day management in respect of the investment and re-investment of the assets of the Funds.

AUTHORISATION AND REGISTRATION

The Company has been authorised by the Securities & Futures Commission under the Hong Kong Securities and Futures Ordinance. The Securities and Futures Commission does not, however, take any responsibility for the financial soundness of the Company or the accuracy of any statement or opinion expressed in this Explanatory Memorandum, and authorisation does not imply that investment in the Company is recommended or endorsed by the Securities and Futures Commission. Authorisation also does not guarantee the commercial merits of the Company or its performance. It does not mean the product is suitable for all investors nor is it an endorsement of its suitability for any particular investor or class of investors.

The Company is not registered in the United States of America under the Investment Company

Act of 1940. Shares in the Company have not been registered under the United States Securities Act of 1933 and may not be directly or indirectly offered or sold in the United States of America or any of its territories or possessions or areas subject to its jurisdiction or to or for the benefit of nationals or residents thereof unless pursuant to an exemption from registration requirements available under the US law, any applicable statute, rule or interpretation. No application may be made by any resident, corporation or partnership of the United States or Canada. The directors of the Company reserve the right to reject any application or ask for additional information and documentation as may be required to comply with any applicable laws and regulations. Failure to provide documentation may result in delay in investment or the withholding of redemption proceeds.

The term "US Person" shall mean any person that is a United States person within the meaning of Regulation S under the United States Securities Act of 1933, as the definition of such term may be changed from time to time by legislation, rules, regulations or judicial or administrative agency interpretations.

OFFER OF SHARES

Shares issued after the date of this Explanatory Memorandum are offered only on the basis of the information contained herein, the most recent half-yearly report and/or the latest audited annual accounts of the Company. Neither the delivery of this Explanatory Memorandum nor the offering, issue or sale of shares in one or more of the Funds of the Company ("Shares") shall under any circumstances constitute a representation that the information in this Explanatory Memorandum is correct as of any time subsequent to the date of this Explanatory Memorandum or such other relevant document.

Investors should recognise that:-

(a) the price of Shares in each Fund and the income from them may go down as well as up;

(b) the right of holders of Shares in any Fund to require the redemption or conversion of such Shares may, from time to time, be suspended in the circumstances and manner described herein; and

(c) the Company is not subject to the provisions of the Banking Ordinance or supervision by the Hong Kong Monetary Authority. Investment in Shares of any fund is different in nature to placing monies on deposit with a licensed bank or a deposit-taking company and the Company is under no obligation to redeem Shares in any Fund at the price at which they were issued.

The Investment Managers and the directors of the Company accept full responsibility for the accuracy of the information contained in this Explanatory Memorandum 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.

Franklin Templeton Investments (Asia) Limited
Hong Kong

December 2010

SUMMARY

CHOICE OF FUNDS

The Funds offer investors a wide choice of separate funds, each with a different investment objective and level of risk, ranging from income to capital growth.

PURCHASES

Instructions to purchase the Funds should be given by 4:00 p.m. Hong Kong time on any Business Day in Hong Kong to ensure same day processing.

MINIMUM INVESTMENT

The minimum initial investment in each Fund is USD1,000 and USD5,000,000 for Class I Shares (except for Class I Shares of the Franklin U.S. Government Fund which has a minimum initial investment of USD1,000,000). The minimum value of subsequent investments is USD500 (except for Class I Shares which are not subject to any minimum subsequent investments). There is also a Regular Savings Plan available (except for investment in Class I Shares for which no Regular Savings Plan is available) where monthly savings of USD100 (HKD1,000) or more per fund may be added, if paid by bankers' order (or autopay for HK Dollars).

HOW TO INVEST

First Application: Application forms with your cheque or payment details and a copy of your Hong Kong Identity Card should be returned to the Hong Kong Representative : Franklin Templeton Investments (Asia) Limited at 17/F, Chater House, 8 Connaught Road Central, Hong Kong, or to your bank or investment adviser.

Additional Investment: Simply complete and return an application form together with your payment.

Regular Savings Plan: You may also make regular investments of USD100 (HKD1,000) or more per fund by monthly automatic transfer from your bank account to your Franklin Templeton Funds account. Simply complete a separate Franklin Templeton Regular Savings Plan application form.

HOW TO MAKE PAYMENTS

Cheques or Bankers Drafts in Hong Kong or US dollars should be made payable to "Franklin

Templeton Investment Funds". Payments may also be made by telegraphic transfer direct to the bank account of the Funds.

HOW TO SWITCH AMONG FRANKLIN TEMPLETON INVESTMENT FUNDS

Simply complete a Switching Form to switch between the Funds, which can **usually** be dealt with any Business Day in Hong Kong. There is a small charge for switching between Funds.

HOW TO REDEEM FRANKIN TEMPLETON INVESTMENT FUNDS

Redemption requests may be dealt with on any Business Day in Hong Kong. Simply complete and return a Redemption Form with the appropriate redemption and payment details. Instructions to redeem the Funds should be given on or before 4:00 p.m. Hong Kong time on any Business Day in Hong Kong to ensure same day processing.

STATEMENTS

A statement to confirm full details of purchases, redemptions or switches will usually be issued and sent to you within two (2) Business Days in Hong Kong after the Dealing Date. Further statements are also issued regularly to confirm transaction details on a cumulative year-to-date basis per fund.

OTHER INFORMATION

Price and Account Balances: The latest Fund prices and your account balances are available from the Company by telephone. Prices of the Funds are also published daily on our website at www.franklintempleton.com.hk, as well as in the South China Morning Post and Hong Kong Economic Times.

Investors Service & Information: Franklin Templeton Investments (Asia) Limited as Hong Kong Representative of the Funds is available to provide assistance to investors from 9 a.m. to 6 p.m. Mondays to Fridays except public holidays in Hong Kong.

IMPORTANT NUMBERS

Investors Service & Information:	Hong Kong (852) 2877 7733
Fund Dealing Fax Number:	Hong Kong (852) 2877 7350
Investors Hotline:	Hong Kong (852) 2829 0600
Internet address:	http: //www.franklintempleton.com.hk

The Funds are distributed by a wide variety of investment and financial advisers, banks and other professional advisers. We recommend that investors should seek advice prior to making an investment in the Funds.

FRANKLIN TEMPLETON INVESTMENT FUNDS

Franklin Templeton Investment Funds have a wide choice of separate portfolios (each a "Fund"), each of which relates to a separate portfolio of securities with specific investment objectives and policies.

Shares are offered in the following funds and Classes:

Fund Name	Denom -ination	A (Mdis) Shares	A (Qdis) Shares	A (Ydis) Shares	A (acc) Shares	B (Mdis) Shares	B (Qdis) Shares	B (acc) Shares	N (Mdis) Shares	N (acc) Shares	I (acc) Shares	Alternative Currency Class of Shares
Franklin Asian Flex Cap Fund	USD				√			√				
Franklin Biotechnology Discovery Fund	USD				√			√				
Franklin European Small-Mid Cap Growth Fund	EURO				√							A (acc) USD & B (acc) USD
Franklin Global Real Estate Fund* (previously named Franklin Global Real Estate (USD) Fund)	USD		√		√		√					
Franklin Gold and Precious Metals Fund	USD				√							A (acc) HKD
Franklin High Yield Fund	USD	√				√				√		
Franklin Income Fund	USD	√				√				√		
Franklin India Fund	USD				√			√		√	√	
Franklin MENA Fund	USD				√			√		√	√	A(acc) EURO
Franklin Mutual Beacon Fund	USD				√			√		√	√	A(acc) EURO
Franklin Mutual European Fund	EURO				√						√	A (acc) USD, B (acc) USD & N (acc) USD
Franklin Mutual Global Discovery Fund	USD				√			√		√	√	
Franklin Natural Resources Fund	USD				√						√	A(acc) EURO
Franklin Technology Fund	USD				√			√				
Franklin Templeton Global Growth and Value Fund	USD				√			√				
Franklin Templeton Japan Fund	YEN				√							A (acc) USD & I (acc) USD
Franklin U.S, Dollar Liquid Reserve Fund (previously named Templeton U.S. Dollar Liquid Reserve Fund)	USD	√				√						
Franklin U.S. Equity Fund	USD				√			√		√		
Franklin U.S. Government Fund	USD	√				√			√	√	√	A (acc) HKD & A (Mdis) HKD
Franklin U.S. Opportunities Fund	USD				√			√				
Franklin U.S. Small –Mid Cap Growth Fund	USD				√					√		
Franklin World Perspectives Fund	USD				√						√	A (acc) EURO
Templeton Asian Bond Fund	USD	√			√	√				√	√	A (Mdis) EURO
Templeton Asian Growth Fund	USD			√	√			√		√	√	A (acc) EURO & A (acc) HKD
Templeton Asian Smaller Companies Fund	USD				√			√			√	A (acc) EURO
Templeton BRIC Fund	USD				√			√		√	√	A (acc) EURO & A (acc) HKD
Templeton China Fund	USD				√							
Templeton Eastern Europe Fund	EURO				√					√	√	A (acc) USD & B (acc) USD
Templeton Emerging Markets Fund	USD			√	√			√		√	√	
Templeton Emerging Markets Bond Fund	USD	√	√			√	√				√	A (Qdis)EURO
Templeton Emerging Markets Smaller Companies Fund	USD				√						√	A (acc) EURO
Templeton Euro Government Bond Fund	EURO			√								
Templeton Euro High Yield Fund (previously named Franklin High Yield (Euro) Fund)	EURO	√		√								
Templeton Euro Liquid Reserve Fund	EURO			√								
Templeton Euroland Fund	EURO				√							
Templeton European Fund	EURO				√							A (Ydis) USD, A (acc) USD & N (acc) USD
Templeton Frontier Markets Fund	USD				√			√			√	A (acc) EURO
Templeton Global Fund	USD			√	√			√		√		
Templeton Global (Euro) Fund	EURO			√								
Templeton Global Balanced Fund	USD		√		√			√				
Templeton Global Bond Fund	USD	√			√	√				√	√	A (Mdis) EURO, A (acc) EURO-H1**, A (acc) HKD, A (Mdis) HKD & A (Mdis) AUD-H1**
Templeton Global Equity Income Fund	USD		√		√		√			√	√	A (acc) EURO
Templeton Global High Yield Fund	USD	√			√							A (Mdis) EURO
Templeton Global Income Fund	USD		√		√		√			√	√	A (acc) EURO, A (acc) HKD & A (Qdis) HKD
Templeton Global Smaller Companies Fund	USD			√	√					√		
Templeton Global Total Return Fund	USD	√			√	√		√		√	√	A (acc) EURO, A (Mdis) EURO, A (acc) EURO-H1**, A (acc) HKD, A (Mdis) HKD & A (Mdis) AUD-H1**
Templeton Korea Fund	USD				√						√	
Templeton Latin America Fund	USD			√	√			√		√	√	
Templeton Thailand Fund	USD				√							

* *This Fund is authorised by the Securities & Futures Commission under the Code on Unit Trusts and Mutual Funds but not the Code on Real Estate Investment Trusts and such authorization does not imply official approval or recommendation.*

** *"H1" refers to net-asset-value ("NAV") hedged share classes, which provide investors with hedged share classes that have their NAV in a currency different from the base currency of the relevant Fund.*

Shares in different classes differ in the types of charges which apply to them. Further details of these classes of Shares and the charges relating to them are set out in the section "Charges and Expenses".

Before investing in a specific Share Class of any Fund, investors should ensure that such Class best suits their needs and should consider the local tax implications subject to their personal circumstances and local tax laws. Investors are recommended to contact a tax advisor or their financial advisor for further information.

INVESTMENT OBJECTIVES AND POLICIES

The Company aims to provide investors with a choice of funds investing in a wide range of transferable securities and other eligible assets on a worldwide basis and offering a variety of investment objectives including capital growth and income. The overall objective of the Company is to seek to minimise investment risk exposure through diversification and to provide investors with the benefit of a portfolio managed by entities of Franklin Templeton Investments according to its successful time-tested investment selection methods.

A Fund shall be solely liable for its own assets and liabilities.

Each Fund may invest in "when-issued" securities, lend its portfolio securities and borrow money, all within the limits of the Company's investment restrictions.

Further, subject to the limits set forth in the investment restrictions, the Company may, with respect to each fund, invest in the financial derivatives instruments listed in the section "Investment Restrictions" for the purpose of efficient portfolio management or hedging.

In addition, the Company may also seek to protect and enhance the asset value of its different funds through hedging strategies consistent with the Funds' investment objectives by utilizing, for example, currency options, forward contracts and futures contracts.

Each fund may, on an ancillary basis, hold liquid assets when the Investment Manager believes they offer more attractive opportunities or as a temporary defensive measure in response to adverse market, economic, political, or other conditions, or to meet liquidity, redemption, and short-term investing needs. In exceptional market circumstances and on a temporary basis only, 100% of any Fund's net assets may be invested in liquid assets, with due regard to the principle of risk spreading. Such assets may be kept in the form of cash deposits or in short-term money market instruments. For more details about investment risks, please refer to "Investment Considerations".

It is the current intention of the Company that the following sub-funds may invest in financial derivative instruments for investment purposes beyond hedging and/or efficient portfolio management purposes as disclosed in the investment objectives and policies of the relevant sub-funds set out below:-

- Franklin Gold and Precious Metals Fund
- Franklin MENA Fund
- Franklin High Yield Fund
- Franklin Mutual Beacon Fund
- Franklin Mutual European Fund
- Franklin Mutual Global Discovery Fund
- Franklin World Perspectives Fund
- Templeton Asian Bond Fund
- Templeton Emerging Markets Bond Fund
- Templeton Euro High Yield Fund
- Templeton Frontier Markets Fund

- Templeton Global Bond Fund
- Templeton Global Income Fund
- Templeton Global High Yield Fund
- Templeton Global Total Return Fund

Except for the above sub-funds, the Company may invest in financial derivative instruments for hedging and/or efficient portfolio management purposes. Investors will be given prior written notification of not less than 1 month and this Explanatory Memorandum will be updated should the Board of Directors of the Company intend to invest in financial derivative instruments for investment purposes beyond hedging and/or efficient portfolio management purposes.

The directors of the Company have the power to determine the corporate and investment policy for the investments relating to each fund and the course of conduct of the management and business of the Company, provided however that the Company will comply with the investment restrictions shown below. All funds have an investment policy that is flexible and adaptable, thus allowing them in appropriate circumstances, to use other types of securities should it be necessary. The specific investment objectives and policies of the different funds are as follows:

FRANKLIN ASIAN FLEX CAP FUND

The Fund's investment objective is capital appreciation.

The Fund invests principally in equity securities including common stock, preferred stock and convertible securities, as well as in warrants, participatory notes, and depository receipts of (i) companies registered in the Asia Region (excluding Japan), (ii) companies which perform a predominant part of their business in the Asia Region (excluding Japan), and (iii) holding companies which hold a predominant part of their participations in companies referred to in (i) and (ii), all of them across the entire market capitalisation spectrum from small to large-cap companies. The Asia Region (excluding Japan) includes but is not limited to the following countries/locations: Hong Kong, India, Indonesia, Korea, Malaysia, People's Republic of China, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan and Thailand. In addition, the Fund may invest in all other types of transferable securities, including equity and fixed income securities of issuers worldwide.

Investment in Emerging Market countries are subject to a higher degree of risk, as described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in equity securities of companies located in Asia and planning to hold their investments for medium to long term.

FRANKLIN BIOTECHNOLOGY DISCOVERY FUND

The Fund's investment objective is capital appreciation.

The Fund invests principally in equity securities of biotechnology companies and discovery research firms located in the US and other countries and to a lesser extent in debt securities of any type of issuers worldwide.

For the Fund's investment purposes, a biotechnology company is one that has at least 50% of its earnings derived from biotechnology activities, or at least 50% of its assets devoted to such activities based on the company's most recent fiscal year. Biotechnology activities are research, development, manufacture, and distribution of various biotechnological or biomedical products, services and processes. This may include companies involved with genomics, genetic engineering, and gene therapy. It also includes companies involved in the application and development of biotechnology in areas such as health care, pharmaceuticals, and agriculture.

To the extent that the Fund invests in debt securities, it generally buys securities that are rated investment grade or unrated securities that it determines to be of comparable quality. Investment grade debt securities are rated in the top four ratings categories by independent rating organisations such as Standard & Poor's Corporation or Moody's Investors Service, Inc.

The Fund anticipates that under normal conditions, it will invest more of its assets in US securities than in those of any other single country although the Fund may have more than 50% of its total assets in non-US securities.

The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline, or other adverse conditions.

The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in equity securities and seeking a growth investment in the biotechnology sector in the US and around the world. The Fund is suitable for investors planning to hold their investments for medium to long term.

FRANKLIN EUROPEAN SMALL-MID CAP GROWTH FUND

The Fund's investment objective is capital appreciation.

The Fund seeks to achieve its investment objective by investing principally in equity and/or equity related securities (including warrants and convertible securities) of small and mid-cap European companies. In selecting equity investments, the Investment Manager employs an active, bottom-up fundamental research process to search for individual securities believed to possess superior risk-return characteristics.

The Fund principally invests its net assets in the securities of issuers incorporated or having their principal business activities in European countries and which have a market capitalisation above Euro 100 million and below Euro 8 billion or the equivalent in local currencies at the time of purchase.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of transferable securities, which do not fulfill the requirements set out above.

The base currency of the Fund is Euro.

The Fund is suitable for investors seeking capital appreciation by investing in equity securities and seeking a growth investment concentrated in small or mid-cap companies of any European countries and planning to hold their investments for medium to long term.

FRANKLIN GLOBAL REAL ESTATE FUND (previously named Franklin Global Real Estate (USD) Fund)

The Fund's investment objective is to maximise total investment return consisting of income and capital appreciation.

The Investment Manager seeks to achieve its investment objective by investing in real estate investment trusts ("Real Estate Investment Trusts" or "REITs") and other companies whose principal business is financing, dealing, holding, developing and managing real estate and which are located around the world. "REITs" are companies the shares of which are listed on a stock exchange, which invest a significant portion of their assets directly in real estate and which profit from a special and favourable tax regime. These investments of the Fund shall qualify as transferable securities. The Fund seeks to invest in companies across a wide range of real estate sectors and countries.

Investment in REITs are subject to specific risks as described in the section "Risk Considerations".

The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking interest income and capital appreciation and seeking to invest in companies across a wide range of real estate sectors and countries and planning to hold their investments for medium to long term.

FRANKLIN GOLD AND PRECIOUS METALS FUND

The Fund's principal investment objective is capital appreciation. Its secondary objective is income.

Under normal market conditions, the Fund invests principally (at least two-thirds of) its net assets in securities issued by gold and precious metals operation companies. Gold and precious metals operation companies include companies that mine, process, or deal in gold or other precious metals, such as silver, platinum and palladium, including mining finance and exploration companies as well as operating companies with long-, medium-, or short-life mines.

The Fund principally invests (at least two-thirds of its net assets) in equity and/or equity-related securities such as common stocks, preferred stocks, warrants and convertible securities issued by gold and precious metals operation companies located anywhere in the world and across the entire market capitalization spectrum, including small-cap and medium-cap companies, as well as in American, Global and European Depositary Receipts.

Investments in the Gold and Precious Metals Sector are subject to specific risks. Investments in Emerging Markets countries are subject to a higher degree of risk. These risks are described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing primarily in securities of gold and precious metals operation companies located anywhere in the world, and for investors planning to hold their investment for the medium to long term.

FRANKLIN HIGH YIELD FUND

The Fund's principal investment objective is to earn a high level of current income. As a secondary objective, the Fund seeks capital appreciation, but only when consistent with its principal objective.

The Fund seeks to achieve these objectives by investing principally, either directly or through the use of financial derivative instruments, in fixed-income debt securities of US or non-US issuers. The financial derivative instruments may include, inter alia, swaps such as credit default swaps or total return swaps, forwards, futures contracts, as well as options on such contracts dealt in either on regulated markets or over-the-counter. The Fund normally invests in fixed-income debt securities with investment grade or lower grade ratings, if issued by US issuers, or, if issued by non-US issuers or unrated, their equivalent. The Investment Manager attempts to avoid excessive risk by performing independent credit analyses of issuers and by diversifying the Fund's investments among different issuers.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also, temporarily and/or on an ancillary basis, seek investment opportunities in any other types of securities such as government securities, preferred stock, common stock and other equity linked securities, warrants and securities and bonds convertible into common stock. The Fund may invest up to 10% of its assets in credit-linked securities, which the Investment Manager may use as a means to invest more rapidly and efficiently in certain segments of the high yield, bank loan and investment grade debt markets. The Fund may also invest up to 10% of its total assets in securities in default.

Investments in non-investment grade securities and in securities in default are subject to a higher degree of risk as described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking to earn a high level of income, and to a lesser extent, some capital appreciation and seeking investment primarily in high-yielding fixed income securities of US and non US issuers. It is suitable for investors planning to hold their investments for medium to long term.

FRANKLIN INCOME FUND

The Fund's investment objective is to maximise income while maintaining prospects for capital appreciation.

The Fund invests in a diversified portfolio of transferable securities consisting of equity securities and long and short-term debt securities. Equity securities generally entitle the holder to participate in a company's general operating results. These include common stocks, preferred stocks and convertible securities. Debt securities represent an obligation of the issuer to repay a loan of money to it, and generally provide for the payment of interest. These include bonds, notes and debentures.

In its search for growth opportunities, the Fund invests in common stocks of companies from a variety of industries such as utilities, oil, gas, real estate and consumer goods. The Fund seeks income by selecting investments such as corporate, foreign and US Treasury bonds, as well as stocks with attractive dividend yields. The Fund may invest in debt securities that are rated below investment grade. Investment grade debt securities are rated in the top four ratings categories by independent rating organizations such as Standard & Poor's Corporation ("S&P") and Moody's Investors Service, Inc. ("Moody's"). The Fund generally invests in securities rated at least CAA by Moody's or CCC by S&P or unrated securities that the Investment Manager determines are of comparable quality. Generally, lower rated securities offer higher yields than more highly rated securities to compensate investors for the higher risk. Further information is contained in the section "Risk Considerations".

The Fund may invest up to 25% of its net invested assets in non-US securities. It ordinarily buys non-U.S. securities that are traded in the US or American Depository Receipts, which are certificates typically issued by a bank or trust company that give their holders the right to receive securities issued by a US or a non-US company.

The Investment Manager searches for undervalued or out-of-favour securities it believes offer opportunities for income today and significant growth tomorrow. It performs independent analysis of the securities being considered for the Fund's portfolio, rather than relying principally on the ratings assigned by rating agencies. In its analysis, the Investment Manager considers a variety of factors, including:

- the experience and managerial strength of the company;
- responsiveness to changes in interests and business conditions;
- debt maturity schedules and borrowing requirements;
- the company's changing financial condition and market recognition of the change; and
- a security's relative value based on such factors as anticipated cash flow, interest or dividend coverage, asset coverage, and earnings prospects.

The Investment Manager may take a temporary defensive position when it believes the markets or the economy are experiencing excessive volatility, a prolonged general decline or when other adverse conditions may exist. Under these circumstances, the Fund may be unable to pursue its investment objective. The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking a high level of income and prospects of some capital appreciation and seeking to access a portfolio of both equity and fixed income securities via a single fund. It is suitable for investors planning to hold their investments for medium to long term.

FRANKLIN INDIA FUND

The Fund's investment objective is capital appreciation.

The Fund invests principally in equity securities including common stock, preferred stock and convertible securities, as well as in warrants, participatory notes, and depository receipts of (i) companies registered in India, (ii) companies which perform a predominant part of their business in India, and (iii) holding companies which hold a predominant part of their participations in companies referred to in (i) and (ii), all of them across the entire market capitalisation spectrum from small-to large-cap companies.

In addition, the Fund may seek investment opportunities in fixed income securities issued by any of the above-mentioned entities as well as money market instruments.

Investment in Emerging Market countries are subject to a higher degree of risk, as described in the section “Risk Considerations”. The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in equity securities of companies located in India and planning to hold their investments for medium to long term.

FRANKLIN MENA FUND

The Fund’s principal investment objective is to provide long-term capital appreciation.

The Fund invests primarily in transferable securities such as equity securities and fixed income securities of companies (i) incorporated in the Middle East and North Africa countries (“MENA countries”) including, but not limited to Kingdom of Saudi Arabia, United Arab Emirates, Kuwait, Qatar, Bahrain, Oman, Egypt, Jordan and Morocco, and/or (ii) which have their principal business activities in MENA countries across the market capitalisation spectrum as well as in financial derivative instruments. These financial derivative instruments may include, inter alia, forwards and financial futures contracts, or options on such contracts, equity linked notes dealt in either on regulated markets or over-the-counter.

In addition, since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may invest in other types of transferable securities, including equity and fixed income securities of issuers worldwide. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

Investments in Emerging Market countries and financial derivative instruments and in securities in default are subject to a higher degree of risk, as described in the section “Risk Considerations”.

The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in equity securities of companies in the Middle East and North African region and planning to hold their investments for medium to long term.

FRANKLIN MUTUAL BEACON FUND

The Fund’s primary investment objective is capital appreciation. A secondary objective is income.

The Fund pursues its objectives principally through investments in common stock, preferred stock, and debt securities convertible or expected to be convertible into common or preferred stock. No more than 30% of the Fund’s net assets are invested in securities of non-US issuers. The opinions of the Investment Manager are based upon analysis and research, taking into account, among other factors, the relationship of book value (after taking into account accounting differences among countries) to market value, cash flow, multiple of earnings of comparable securities, creditworthiness of issuers, as well as the value of collateral securing a debt obligation, with the objective of purchasing equity and debt securities at below their intrinsic value.

The Fund may also seek to invest in the securities of companies involved in mergers, consolidations, liquidations and reorganizations or as to which there exist tender or exchange offers, and may participate in such transactions. To a lesser extent, the Fund may also purchase debt securities, both secured and unsecured, of companies involved in reorganisation or financial restructuring.

The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.

The Fund may invest in financial derivative instruments, which may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps, synthetic equity swaps or total return swaps. The Fund may, through the use of financial derivative instruments, hold covered short positions provided that the long positions held by the Fund are sufficiently liquid to cover, at any time, its obligations resulting from its short positions.

Investments in low-rated and non-investment grade securities and financial derivative instruments are subject to a higher degree of risk as described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation and to a lesser extent income by investing in undervalued companies based primarily in the US. It is suitable for investors planning to hold their investments for medium to long term.

FRANKLIN MUTUAL EUROPEAN FUND

The Fund's principal investment objective is capital appreciation, which may occasionally be short-term. Its secondary objective is income.

The Fund principally invests in equity securities and debt securities convertible or expected to be convertible into common or preferred stock of companies incorporated or having their principal activities in European countries that the investment manager believes are available at prices less than their actual value based on certain recognised or objective criteria (intrinsic value). These include common stocks, preferred stocks and convertible securities. The Fund invests predominantly its total net invested assets (being the Fund's assets less any cash or cash equivalents) in the securities of issuers organised under the laws of or whose principal business operations are located in European countries. For purposes of the Fund's investments, European countries means all of the countries that are members of the European Union, Eastern and Western Europe and those regions of Russia and the former Soviet Union that are considered part of Europe. The Fund currently intends to invest principally in securities of issuers in Western Europe. The Fund normally invests in securities from at least five different countries, although, from time to time, it may invest all of its assets in a single country. The Fund may invest up to 10% of its total net invested assets in securities of non-European issuers.

The Fund may also seek to invest in the securities of companies involved in mergers, consolidations, liquidations and reorganizations or as to which there exist tender or exchange offers, and may participate in such transactions. To a lesser extent, the Fund may also purchase debt securities, both secured and unsecured, of companies involved in reorganization or financial restructuring.

The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.

The Fund may invest in financial derivative instruments, which may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps, synthetic equity swaps or total return swaps. The Fund may, through the use of financial derivative instruments, hold covered short positions provided that the long positions held by the Fund be sufficiently liquid to cover, at any time, its obligations resulting from its short positions.

Investments in low-rated and non-investment grade securities and financial derivative instruments are subject to a higher degree of risk as described in the section "Risk Considerations". The base currency of the Fund is Euro.

The Fund is suitable for investors seeking capital appreciation, which may occasionally be short term and to a lesser extent, income and seeking investment in undervalued companies of any European country. It is suitable for investors planning to hold their investments for medium to long term.

FRANKLIN MUTUAL GLOBAL DISCOVERY FUND

The Fund's investment objective is capital appreciation.

The Fund pursues its objective principally through investments in common stock, preferred stock and debt securities convertible or expected to be convertible into common or preferred stock of companies of any nation as well as in sovereign debts and participations in foreign government debts that the Investment Manager believes are available at market prices less than their value based on certain recognised or objective criteria (intrinsic value). The Fund primarily invests in mid- and large-cap companies with a market capitalisation around or greater than 1.5 billion US dollars.

The Fund may also seek to invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations or as to which there exist tender or exchange offers, and may participate in such transactions. To a lesser extent, the Fund may also purchase debt securities, both secured and unsecured, of companies involved in reorganisation or financial restructuring.

The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility, a prolonged general decline or other adverse conditions.

The Fund may invest in financial derivative instruments, which may include, but are not limited to, futures, options, contracts for difference, forward contracts on financial instruments and options on such contracts, swaps such as credit default swaps, synthetic equity swaps or total return swaps. The Fund may, through the use of financial derivative instruments, hold covered short positions provided that the long positions held by the Fund be sufficiently liquid to cover, at any time, its obligations resulting from its short positions.

Investments in low-rated and non-investment grade securities and financial derivative instruments are subject to a higher degree of risk as described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in undervalued companies worldwide and planning to hold their investments for medium to long term.

FRANKLIN NATURAL RESOURCES FUND

The Fund's investment objective is capital appreciation and current income.

The Fund invests primarily in equity and debt securities as well as depositary receipts of (i) companies which perform a substantial part of their business in the natural resources sector, and (ii) companies which hold a substantial part of their participations in companies referred to in (i), including small and mid-size companies. For the Fund's investment purpose, the natural resources sector includes companies that own, produce, refine, process, transport and market natural resources and companies that provide related services. This sector may include, for example, the following industries: integrated oil, oil and gas exploration and production, energy services and technology, alternative energy sources and environmental services, forest products, farming products, paper products and chemical. On an ancillary basis, the Fund may also invest in equity or debt securities of any type of US or non-US issuer. The Fund expects to invest its assets more in US securities than in securities of any other single country (including Emerging Market countries).

Investments in Emerging Market countries, in the Natural Resources Sector and in Small-Sized Companies are subject to a higher degree of risk as more fully described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking high total return in US dollar by investing in equity and debt securities in natural resources sector and planning to hold their investments for medium to long term.

FRANKLIN TECHNOLOGY FUND

The Fund's investment objective is capital appreciation.

The Fund invests at least two thirds of its total invested assets in equity securities of US and non US companies expected to benefit from the development, advancement, and use of technology and communication services and equipment. These may include, for example, companies in the following industries:

- communication and computing related outsourcing services;
- technology services, including computer software, data services, and internet services;

- electronic technology, including computers, computer products, and electronic components;
- telecommunications, including networking, wireless, and wire-line services and equipment;
- media and information services, including the distribution of information and content providers;
- semiconductors and semiconductor equipment; and precision instruments.

The Fund invests in securities of US and non US large, well-established companies, as well as small to medium-sized companies, including those in Emerging Markets, that the Investment Manager believes provide good emerging growth opportunities.

The Fund may also invest in equity or debt securities of any type of foreign or US issuer as well as in American, European or Global Depositary Receipts.

The Fund uses a growth approach that employs intensive, bottom-up, fundamental research of companies. The Investment Manager also takes into consideration broad-based trends when considering the selection of investments. In general, the Investment Manager looks for companies it believes display, or will display, some of the following characteristics, among others: quality management; robust growth prospects; strong market positioning; high, or rising profit margins; and good return on capital investment.

Investment in the Telecommunication and Technology sector and in Emerging Markets are subject to a higher degree of risk as described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in equity securities and seeking a growth investment in the technology sector in the US and around the world. It is suitable for investors planning to hold their investments for medium to long term.

FRANKLIN TEMPLETON GLOBAL GROWTH AND VALUE FUND

The Fund's investment objective is capital appreciation.

The Fund invests in equity securities and debt securities convertible or expected to be convertible into common or preferred stocks of companies of any market capitalisation located anywhere in the world, including Emerging Markets. At least half of the Fund's assets without taking into account ancillary liquid assets shall be made in equity securities or similar instruments. The Fund may also invest in American, European and Global Depositary Receipts. The Fund invests in both "value" and "growth" stocks and the allocation of assets to each is monitored and rebalanced regularly.

Investments in Emerging Market countries are subject to a higher degree of risk, as described in the section "Risk Considerations". The base currency of this Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in a portfolio combining both growth and value equities from around the world. It is suitable for investors planning to hold their investments for medium to long term.

FRANKLIN TEMPLETON JAPAN FUND

The Fund's investment objective is capital appreciation, which it seeks to achieve through a policy of investing primarily in equity securities of issuers incorporated or having their principal business activities in Japan.

In addition, the Fund may also seek investment opportunities in other types of securities such as preferred stock, securities convertible into common stocks, and corporate and government debt obligations which are Japanese Yen and non-Japanese Yen denominated.

The base currency of the Fund is Japanese Yen.

The Fund is suitable for investors seeking capital appreciation by investing in a growth-style investment concentrated in Japanese equity securities and planning to hold their investments for medium to long term.

FRANKLIN U.S. DOLLAR LIQUID RESERVE FUND (previously named Templeton U.S. Dollar Liquid Reserve Fund)

The Fund's investment objective is to provide Shareholders with the opportunity to invest in a portfolio of high quality securities primarily US dollar denominated, or hedged back into US dollar to avoid any currency exposure.

The Fund consists principally of transferable securities and money market instruments issued or guaranteed by the governments of any nation worldwide and eligible securities of corporate issuers of any nation. The portfolio is invested in a manner that the average remaining maturity of all securities and instruments comprised in the portfolio of the Fund does not exceed twelve months. For the purpose of calculating the residual maturity of each single security or instrument, the financial instruments attached thereto shall be taken into account. For the securities or instruments whose terms of issue provide for an adjustment of their interest rate by reference to market conditions, the residual maturity until the date on which the rate is adjusted shall be considered.

The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking safety of principal and current income and seeking investments in high-quality securities, primarily US dollar denominated or hedged back to the US dollar and planning to hold their investments for short term.

FRANKLIN U.S. EQUITY FUND

The Fund's primary investment objective is capital appreciation.

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 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, as well as macroeconomic and sector level considerations. 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. On an ancillary basis, the Fund may employ hedging techniques and hold cash reserves from time to time.

The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation through a blend style investment in a well-diversified US equity fund and planning to hold their investments for medium to long term.

FRANKLIN U.S. GOVERNMENT FUND

The Fund's investment objective is income and safety of principal, which it seeks to achieve primarily through a policy of investing in debt obligations issued or guaranteed by the United States of America government and its agencies.

The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking a degree of safety of initial investments as well as income and seeking investment primarily in debt securities of the US government and its agencies.

FRANKLIN U.S. OPPORTUNITIES FUND

The Fund's investment objective is capital appreciation.

The Fund invests principally in equity securities of US companies demonstrating accelerating growth, increasing profitability, or above-average growth or growth potential as compared with the overall economy. Equity securities generally entitle the holder to participate in a company's general operating results. They include common stocks, convertible securities and warrants on securities.

The Fund principally invests in small, medium, and large capitalisation companies with strong growth potential across a wide range of sectors. In selecting equity investments, the Investment Manager utilises fundamental, bottom-up research focusing on companies believed to possess sustainable growth characteristics and which meet growth, quality and valuation criteria. The Investment Manager focuses on sectors that have exceptional growth potential and fast growing, innovative companies within these sectors. In addition, solid management and sound financial records are factors the Investment Manager also considers. Although the Investment Manager searches for investments across a large number of sectors, the Fund, from time to time, may have significant positions in particular sectors, such as technology (including electronic technology, technology services, biotechnology and health care technology).

The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in equity securities, seeking a growth investment in sectors showing above average growth or growth potential as compared with the overall economy and seeking an investment concentrated in equities of US issuers. It is suitable for investors planning to hold their investments for medium to long term.

FRANKLIN U.S. SMALL-MID CAP GROWTH FUND

The Fund's investment objective is capital appreciation.

The Fund principally invests its total assets in the equity securities of US small and medium capitalisation companies. In selecting equity investments, the Investment Manager utilises fundamental, bottom-up research focusing on companies believed to possess sustainable growth characteristics and which meet growth, quality and valuation criteria. For this Fund, small cap companies are companies within the market capitalisation range of companies in the Russell 2500™ Index, at the time of purchase, and mid cap companies are companies within the market capitalisation range of companies in the Russell Midcap® Index, at the time of purchase. In addition, the Fund may invest in equity securities of larger companies.

The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in US small-mid cap growth companies and planning to hold their investments for medium to long term.

FRANKLIN WORLD PERSPECTIVES FUND

The Fund's investment objective is capital appreciation.

The Fund seeks to achieve this objective by investing in equity and equity related transferable securities across the world and in financial derivative instruments on these equity and equity related transferable securities. The financial derivative instruments may include, inter alia, swaps such as credit default swaps or total return swaps, forwards, futures contracts, as well as options on such contracts dealt in either on regulated markets or over-the-counter. The Investment Manager and the Investment Co-Managers, located in various countries around the globe, develop local portfolios of securities with the intention to outperform the relevant market of each region. The Fund's exposure to various regions and markets may vary from time to time according to the Investment Manager's opinion as to the prevailing conditions and prospects for these markets.

In choosing equity investments, the Investment Manager focuses on the market price of a company's securities relative to its evaluation of the company's long-term earnings, asset value and cash flow potential.

The Fund invests in equity securities in developed, Emerging and Frontier Markets across the entire market capitalisation spectrum, and in companies listed on the stock markets in regions / countries that may include but are not limited to Africa, Australia, North America: United States, Canada; Latin America: Brazil; Europe; Asia: Japan, Korea, China, India; and the Middle East, with the benefit of local knowledge and growth oriented investment style. The Frontier Markets countries are smaller, less developed and less accessible Emerging Markets countries, but with "investable" equity markets and include those defined as Frontier Markets by International Finance Corporation as well as included in Frontier Markets related indices, for example Bahrain, Bulgaria, Kazakhstan, Nigeria, Pakistan, Vietnam etc. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs.

Investment in Emerging Market countries and financial derivative instruments are subject to a higher degree of risk, as described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in securities across sectors or market capitalization ranges capable of outperforming the markets through economic cycles in all investible markets globally. It is suitable for investors planning to hold their investments for medium to long term.

Investment Co-Managers

The Fund aims to achieve its investment objectives detailed above through the careful selection of two or more investment co-managers (the "Investment Co-Managers") by the Investment Manager. Such Investment Co-Managers may or may not be part of Franklin Templeton Investments. The Investment Manager may also from time to time take part in managing the assets of the Fund.

The Investment Manager will be responsible for the selection and appointment of two or more Investment Co-Managers in respect of the Fund to delegate all or part of the day-to-day conduct of its investment management responsibilities and investment advisory services in respect of some or all of the assets of the Fund. The Investment Manager shall allocate the assets of the Fund between the Investment Co-Managers in such proportions as it shall, at its discretion, determine suitable to achieve the Fund's objective.

The Investment Manager will monitor the performance of the Investment Co-Managers in respect of the Fund in order to assess the need, if any, to make changes/replacements. The Investment Manager may appoint or replace Investment Co-Managers in respect of the Fund at any time in accordance with any applicable regulations or notice periods.

The Investment Manager is responsible for the selection of the Investment Co-Managers, the monitoring of the performance of the Investment Co-Managers and the monitoring of the risk management process implemented at the level of each Investment Co-Managers. The Investment Co-Managers, as set out in the list of Investment Co-Managers maintained by the Hong Kong Representative, may be replaced without prior notice to the shareholders. The list of the Investment Co-Managers having acted for the Fund during the period under review is disclosed in the semi-annual and annual reports of the Company. The list of Investment Co-Managers effectively managing the Fund shall be made available upon request and free of charge at the registered office of the Hong Kong Representative. The Investment Co-Managers may seek advice from other investment advisory companies affiliated to Franklin Templeton Investments.

The Investment Co-Managers will be remunerated by the Investment Manager out of the investment management fee received from the Fund.

TEMPLETON ASIAN BOND FUND

The Fund's principal investment objective is to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation and currency gains.

The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and floating rate debt securities and debt obligations issued by government and government-related issuers, and/or corporate entities located throughout Asia. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may also utilise financial derivative instruments for investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also, in accordance with the investment restrictions, invest in securities or structured products where the security is linked to or derives its value from another security or is linked to assets or currencies of any Asian country. The Fund may also purchase mortgage and asset- backed securities and convertible bonds. The Fund may invest in investment grade and non-investment grade debt securities issued by Asian issuers including securities in default. The Fund may purchase fixed income securities and debt obligations denominated in any currency, and it may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation. The Fund may also participate in mortgage dollar roll transactions.

The Fund may invest up to 33% of its total assets, either directly or through the use of financial derivative instruments, in fixed and floating rate debt securities and debt obligations issued by government and government-related issuers or corporate entities located outside of Asia which are impacted by economic or financial dynamics in Asia.

Investments in Emerging Market countries, financial derivative instruments, in non-investment grade debt securities, in securities in default and in mortgage- and asset- backed securities are subject to a higher degree of risk, as more fully described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking total investment return consisting of interest income, capital appreciation and currency gains by investing primarily in debt securities of issuers located throughout Asia and planning to hold their investments for medium to long term.

TEMPLETON ASIAN GROWTH FUND

The Fund's investment objective is capital appreciation, which it seeks to achieve through investing primarily in equity securities listed in Asia. The Fund applies the traditional Templeton investment method. The stock selection approach is bottom-up, long-term value-oriented with strong emphasis on diligence and discipline.

The Fund may also invest in equity securities, which are listed on recognised exchanges in capital markets of the Asia Region (excluding Australia, New Zealand and Japan). The Asia Region includes but is not limited to the following countries: Hong Kong, India, Indonesia, Korea, Malaysia, People's Republic of China, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan and Thailand. Under normal market conditions, the Fund invests primarily in common stocks.

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 transferable securities, including fixed income securities.

Investments in Emerging Market countries are subject to a higher degree of risk, as described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in securities of companies in Asia, including Emerging Markets and planning to hold their investments for medium to long term.

TEMPLETON ASIAN SMALLER COMPANIES FUND

The Fund's principal investment objective is to provide long-term capital appreciation.

The Fund invests primarily in transferable equity securities as well as depository receipts of small cap companies (i) which are incorporated in the Asia region, and/or (ii) which have their principal business activities in the Asia region. The Asia Region includes but is not limited to the following countries: Bangladesh, Cambodia, Hong Kong, India, Indonesia, Korea, Malaysia, People's Republic of China, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan, Thailand and Vietnam. Furthermore, for the purpose of the Fund's investment objective, Asian small cap companies are those having a market capitalisation at the time of the purchase of less than USD 2 billion.

In addition, since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also invest in other types of transferable securities, including equity and fixed income securities of issuers worldwide.

Investments in Emerging Market countries and small size companies are subject to a higher degree of risk, as described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing primarily in equity securities of small cap companies located in the Asia Region and planning to hold their investments for medium to long term.

TEMPLETON BRIC FUND

The Fund's investment objective is capital appreciation.

The Fund invests primarily in equity securities of companies (i) organised under the laws of or with their principal office in Brazil, Russia, India and China (including Hong-Kong and Taiwan) ("BRIC") or (ii) which derive the principal portion of their revenues or profits from BRIC economies or have the principal portion of their assets in BRIC economies.

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 transferable securities, including debt and fixed income securities and in money market instruments.

Investment in Emerging Market countries are subject to a higher degree of risk, as described in the section “Risk Considerations”. The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in securities of companies in Brazil, Russia, India and China, including Hong Kong and Taiwan and planning to hold their investments for medium to long term.

TEMPLETON CHINA FUND

The Fund’s investment objective is capital appreciation, which it seeks to achieve through a policy of investing primarily in equity securities of companies: (i) organised under the laws of or with their principal offices in the People’s Republic of China (“China”), Hong Kong or Taiwan or (ii) which derive the principal portion of their revenue from goods or services sold or produced, or have the principal portion of their assets in China, Hong Kong or Taiwan.

The Fund may also invest in equity securities of companies (i) for which the principal market for the trading of securities is China, Hong Kong or Taiwan or (ii) that are linked to assets or currencies in China, Hong Kong or Taiwan.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of securities such as preferred stock, securities convertible into common stock, and corporate and government debt obligations which are US dollar and non-US dollar denominated.

Investments in Emerging Market countries are subject to a higher degree of risk, as described in the section “Risk Considerations”. The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in equity securities of China and planning to hold their investments for medium to long term.

TEMPLETON EASTERN EUROPE FUND

The Fund’s investment objective is capital appreciation, which it seeks to achieve by investing primarily in listed securities of issuers organised under the laws of, or with their principal activities within the countries of Eastern Europe, as well as the New Independent States, e.g. the countries in Europe and Asia that were formerly part of or under the influence of the Soviet Union in the past (the “Region”).

The Fund may also invest in securities issued by the governments of the above-mentioned countries and privatisation certificates of companies located, or with their principal activities, within the Region. Eastern Europe includes the following countries: Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Cyprus, the Czech Republic, Greece, Hungary, the Former Yugoslav Republic of Macedonia, Malta, Montenegro, Poland, Romania, Russia, Serbia, the Slovak Republic, Slovenia, and Turkey. The New Independent States that were formerly part of the Soviet Union, apart from Russia itself, include: Armenia, Azerbaijan, Belarus, Estonia, Georgia, Kazakhstan, Kyrgyzstan, Latvia, Lithuania, Moldova, Tajikistan, Turkmenistan, Ukraine, and Uzbekistan. The Investment Manager anticipates that the Fund invests primarily in companies (i) of which, if listed, the principal equity securities market is in the Region; or (ii) that derive at least 50% of their revenues or profits from goods produced or sold, investments made, or services performed, in the Region; or (iii) that have at least 50% of their assets situated in the Region. The Fund primarily invests in equity securities of publicly traded companies. Preference is given to the countries with functioning stock markets where foreign investment is permitted and appropriate custodial arrangements exist.

Investments in Emerging Market countries are subject to a higher degree of risk, as described in the section "Risk Considerations". The base currency of the Fund is Euro.

The Fund is suitable for investors seeking capital appreciation by investing in the Eastern European region, including Emerging Markets and planning to hold their investments for medium to long term.

TEMPLETON EMERGING MARKETS FUND

The Fund's investment objective is capital appreciation, which it seeks to achieve through a policy of investing primarily in equity securities, and as an ancillary matter in debt obligations, issued by corporations incorporated or having their principal business activities in, and governments of, developing or emerging nations.

The Fund may also invest in those companies, which derive a significant proportion of their revenues or profits from emerging economies or have a significant portion of their assets in emerging economies. The Fund may also invest in equity and debt securities of issuers that are linked to assets or currencies of emerging nations. The Fund invests primarily in common stocks.

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 corporate and government debt obligations, which are US dollar and non-US dollar denominated.

Investments in Emerging Market countries are subject to a higher degree of risk, as described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in Emerging Markets and planning to hold their investments for medium to long term.

TEMPLETON EMERGING MARKETS BOND FUND

The Fund's investment objective is to maximize, consistent with prudent investment management, total investment return, consisting of a combination of interest income, capital appreciation and currency gains.

The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and floating rate debt securities* and debt obligations issued by government and government-related issuers or corporate entities located in developing or emerging market countries. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may also utilise financial derivative instruments for investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also, in accordance with the investment restrictions, invest in securities or structured products where the security is linked to or derives its value from another security or is linked to assets or currencies of any developing or emerging market country. In addition, the Fund may purchase preferred stock, common stock and other equity linked securities, warrants, and debt securities exchangeable or convertible into common stock and denominated in any currency. The Fund may hold up to 10% of its total net assets in securities in default. The Fund may purchase fixed income securities, debt obligations and equity securities denominated in any currency.

The Fund may invest up to 33% of its total assets, either directly or through the use of financial derivative instruments, in fixed and floating rate debt securities and debt obligations issued by government and government- related issuers or corporate entities located outside of developing or Emerging Market countries which are impacted by economic or financial dynamics in developing or emerging market countries.

Investments in Emerging Market countries, financial derivative instruments, non- investment grade debt securities and securities in default are subject to a higher degree of risk, as more fully described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking potentially above-average levels of income and capital appreciation by investing in Emerging Markets fixed income securities and planning to hold their investments for medium to long term.

** including non- investment grade debt securities*

TEMPLETON EMERGING MARKETS SMALLER COMPANIES FUND

The Fund's investment objective is long-term capital appreciation, which it seeks to achieve through a policy of investing primarily in equity securities as well as depository receipts of (i) small cap companies registered in the Emerging Markets, (ii) small cap companies which perform a substantial part of their business in Emerging Markets, and (iii) small cap holding companies which hold a substantial part of their participations in companies referred to in (i). For the purpose of the Fund's investment objective, Emerging Market small cap companies are normally those having a market capitalisation at the time of the purchase of less than USD2 billion.

On an ancillary basis, the Fund may also invest in debt securities of Emerging Market countries, which may be low-rated or unrated, and in transferable securities of issuers located in the developed countries.

Investments in Emerging Market countries, in Low-Rated Securities and Small-size Companies are subject to a higher degree of risk, as described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in Emerging Markets small cap securities and planning to hold their investments for medium to long term.

TEMPLETON EURO GOVERNMENT BOND FUND

The Fund's investment objective is to maximise, consistent with prudent investment management, total investment return, consisting of a combination of interest income and capital appreciation.

The Fund principally invests in investment grade obligations of government and government-related issuers as well as supranational entities located throughout the European Monetary Union ("EMU").

In addition, in accordance with the investment restrictions, the Fund may invest in debt obligations of government, supranational and government-related issuers worldwide (including non-investment grade securities) with a maximum 15% combined limit for investments in securities issued by (i) non-EMU issuers and (ii) issuers with ratings of BB+ or below and Ba1 or below.

Such debt obligations shall be denominated in or hedged to Euro.

Investments in non-investment grade securities are subject to a higher degree of risk, as described in the section "Risk Considerations". The base currency of the Fund is Euro.

The Fund is suitable for investors seeking to maximize total investment return consisting of interest income and seeking current income from debt securities of any issuer from member countries of the European Monetary Union and planning to hold their investments for medium to long term.

TEMPLETON EURO HIGH YIELD FUND (previously named Franklin High Yield (Euro) Fund)

The Fund's principal investment objective is to earn a high level of current income. As a secondary objective, the Fund seeks capital appreciation, but only when consistent with its principal objective.

The Fund seeks to achieve these objectives by investing principally, either directly or through the use of financial derivative instruments, in fixed income debt securities of European or non-European issuers. The financial derivative instruments may include, inter alia, swaps such as credit default swaps or total return swaps, forwards, futures contracts, as well as options on such contracts dealt in either on regulated markets or over-the-counter. The Fund principally invests in Euro-denominated or non-Euro denominated Euro-hedged, fixed income debt securities with non-investment grade ratings, or if unrated, their equivalent. The Investment Managers attempt to avoid excessive risk by performing independent credit analyses of issuers and by diversifying the Fund's investments among different issuers.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also, temporarily and/or on an ancillary basis, seek investment opportunities in any other types of Euro-denominated securities such as government securities, preferred stock, common stock and other equity linked securities, warrants and securities and bonds convertible into common stock. The Fund may invest up to 10% of its assets in credit-linked securities, which the Investment Managers may use as a means to invest more rapidly and efficiently in certain segments of the high yield, bank loan and investment grade debt markets. The Fund may also invest up to 10% of its total assets in securities in default.

Investments in non-investment grade securities, financial derivative instruments and in securities in default are subject to a higher degree of risk as more fully described in the section "Risk Considerations". The base currency of the Fund is Euro. The name of the Fund reflects the base currency of the Fund being in Euro, and does not necessarily imply that any particular proportion of the Fund's net invested assets are made in Euro.

The Fund is suitable for investors seeking to earn a high level of income, and to a lesser extent, some capital appreciation in a Fund with the Euro as its base currency and seeking investment primarily in Euro-denominated high-yielding fixed income securities. It is suitable for investors planning to hold their investments for medium to long term.

TEMPLETON EURO LIQUID RESERVE FUND

The Fund's investment objective is to provide Shareholders with the opportunity to invest in a portfolio of high quality securities and money market instruments primarily Euro denominated, or hedged back into Euro to avoid any currency exposure.

The Fund consists principally of transferable securities issued or guaranteed by the governments of any nation worldwide and eligible securities of corporate issuers of any nation. The portfolio is invested in a manner that the average remaining maturity of all securities and instruments comprised in the portfolio of the Fund does not exceed twelve months. For the purpose of calculating the residual maturity of each single security or instrument, the financial instruments attached thereto shall be taken into account. For the securities or instruments whose terms of issue provide for an adjustment of their interest rate by reference to market conditions, the residual maturity until the date on which the rate is adjusted shall be considered.

The base currency of the Fund is Euro.

The Fund is suitable for investors seeking current income and safety of principal by investing in high-quality fixed income securities, primarily Euro-denominated or hedged back to the Euro and planning to hold their investments for short term.

TEMPLETON EUROLAND FUND

The Fund's investment objective is capital appreciation, which it seeks to achieve primarily through a policy of investing in equity and debt obligations 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 stock or debt obligations denominated in Euro of any other issuer.

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.

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 transferable securities, such as preferred stock and, securities convertible into common stock of any such issuers as described above.

The base currency of the Fund is Euro.

The Fund is suitable for investors 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 medium to long term.

TEMPLETON EUROPEAN FUND

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.

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.

The base currency of the Fund is Euro.

The Fund is suitable for investors seeking capital appreciation by investing in undervalued securities of any European country and planning to hold their investments for medium to long term.

TEMPLETON FRONTIER MARKETS FUND

The Fund's principal investment objective is to provide long-term capital appreciation.

The Fund invests principally in transferable equity securities of companies (i) incorporated in the Frontier Markets countries, and/or (ii) which have their principal business activities in Frontier Markets countries across the market capitalisation spectrum. The Frontier Markets countries are smaller, less developed and less accessible Emerging Markets countries, but with "investable" equity markets and include those defined as Frontier Markets by the International Finance Corporation as well as included in Frontier Markets related indices (including but not limited to MSCI Frontier Markets Index, Merrill Lynch Frontier Index, S&P Frontier Broad Market Index), for example Bahrain, Bulgaria, Egypt, Kazakhstan, Nigeria, Pakistan, Qatar, Vietnam etc.

Since the investment objective is more likely to be achieved through an investment policy which is flexible and adaptable, the Fund may also invest in other types of transferable securities, including equity and fixed income securities of issuers worldwide as well as in financial derivative instruments for investment purpose. These financial derivative instruments may include, inter alia, forwards and financial futures contracts, or options on such contracts, equity linked notes dealt in either on regulated markets or over-the-counter.

Investments in Emerging Market countries are subject to a higher degree of risk, as described in the section “Risk Considerations”. The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing primarily in equity securities of companies located in countries defined as Frontier Markets and planning to hold their investments for medium to long term.

TEMPLETON GLOBAL FUND

The Fund’s investment objective is capital appreciation, which it seeks to achieve through a policy of investing in equity and debt obligations of companies and governments of any nation throughout the world, including Emerging Markets. The Fund invests principally in common stocks.

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, which are US dollar and non-US dollar denominated.

Investments in Emerging Markets countries are subject to a higher degree of risk as described in the section “Risk Considerations”. The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in undervalued securities in a well-diversified global equity fund and planning to hold their investments for medium to long term.

TEMPLETON GLOBAL (EURO) FUND

The Fund’s investment objective is capital appreciation, which it seeks to achieve through a policy of investing in equity and debt obligations of companies and governments of any nation. The Fund invests primarily in common stocks.

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, which are Euro and non-Euro denominated.

The base currency of the Fund is Euro. The name of the Fund reflects the base currency of the Fund being in Euro, and does not necessarily imply that any particular proportion of the Fund’s net invested assets are made in Euro.

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 and planning to hold their investments for medium to long term.

TEMPLETON GLOBAL BALANCED FUND

The Fund's investment objective is to seek capital appreciation and current income, consistent with prudent investment management, by investing principally in equity securities and government debt securities issued by entities throughout the world, including Emerging Markets.

The Investment Manager anticipates that the majority of the Fund's portfolio is normally invested in equity or equity-linked securities, including debt or preferred stock convertible or exchangeable into equity securities, selected principally on the basis of their capital growth potential. The Fund seeks income by investing in fixed or floating rate debt securities and debt obligations issued by government and government-related issuers or corporate entities worldwide. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may purchase equities, fixed income securities and debt obligations. Notwithstanding the foregoing, at no time will the Investment Manager invest more than 40% of the Fund's total net assets into fixed income securities.

Investments in Emerging Markets countries are subject to a higher degree of risk as described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking a combination of capital appreciation and a level of income and seeking to access a portfolio of both equity and fixed income securities via a single fund. It is suitable for investors planning to hold their investments for medium to long term.

TEMPLETON GLOBAL BOND FUND

The Fund's principal investment objective is to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation and currency gains.

The Fund seeks to achieve its objective by investing principally in a portfolio of fixed or floating rate debt securities* and debt obligations issued by government or government-related issuers worldwide. The Fund may also, in accordance with the investment restrictions, invest in debt securities* of corporate issuers. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may also utilise financial derivative instruments for investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also invest in securities or structured products where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Fund may hold up to 10% of its total net assets in securities in default. The Fund may purchase fixed income securities and debt obligations denominated in any currency, and may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation.

Investments in Emerging Markets countries, in financial derivative instruments, in non-investment grade securities and securities in default are subject to a higher degree of risk as more fully described in the section “Risk Considerations”. The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking to maximize total investment return consisting of a combination of interest income, capital appreciation and currency gains and planning to hold their investments for medium to long term.

** including non- investment grade securities*

TEMPLETON GLOBAL EQUITY INCOME FUND

The Fund’s investment objective is to provide a combination of current income and long-term capital appreciation.

Under normal market conditions the Fund invests in a diversified portfolio of equity securities worldwide. The Fund seeks income by investing in stocks the Investment Manager believes offer attractive dividend yields. The Investment Manager seeks capital appreciation by searching for undervalued or out-of-favour securities offering current income and/or opportunities for future capital appreciation. Capital appreciation is sought by investing in equity securities of companies from a variety of industries and located anywhere in the world, including Emerging Markets.

Since the investment objective is more likely to be achieved through an investment policy that is flexible and adaptable, the Fund may also seek investment opportunities in other types of transferable securities such as debt and fixed income securities.

The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.

Investments in Emerging Markets countries are subject to a higher degree of risk as described in the section “Risk Considerations”. The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation and current income from their equity investments and planning to hold their investments from the medium to long term.

TEMPLETON GLOBAL HIGH YIELD FUND

The Fund’s principal investment objective is to earn a high level of current income. As a secondary objective, the Fund seeks capital appreciation, but only when consistent with its principal objective.

The Fund invests principally in debt securities* of issuers globally, including those in Emerging Markets. For the purpose of this Fund, debt securities shall include all varieties of fixed and floating rate income securities (including bank loans through regulated investment funds subject to the limits indicated below), bonds, mortgage and other asset-backed securities and convertible securities. The Fund may also utilise financial derivative instruments for investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. In addition, the Fund may invest in equity securities, credit-linked securities and money-market instruments and may seek exposure to floating rate loans through regulated investment funds. The Fund may invest up to 10% of its net assets in units of UCITS and other UCIs and up to 10% of its total assets in securities in default.

Investments in Emerging Market countries, in financial derivative instruments, mortgage or asset-backed securities, non-investment grade securities and securities in default are subject to a higher degree of risk as more fully described in the section “Risk Considerations”. The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking a high level of income and prospects of capital appreciation and seeking to access a portfolio of high yield debt securities from issuers worldwide. It is suitable for investors planning to holder their investments for medium to long term.

** including non- investment grade securities*

TEMPLETON GLOBAL INCOME FUND

The Fund’s investment objective is to maximise current income while maintaining prospects for capital appreciation.

Under normal market conditions, the Fund invests in a diversified portfolio of debt and equity securities worldwide. The Fund seeks income by investing in a portfolio of fixed and floating rate debt securities and debt obligations issued by government and government-related issuers or corporate entities worldwide, including in Emerging Markets, as well as stocks the Investment Manager believes offer attractive dividend yields. The Fund may also purchase debt obligations issued by supranational entities organised or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may invest in investment grade and non-investment grade debts securities issued by US and non-US issuers including securities in default. The Fund may utilise financial derivative instruments for investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or total return swaps), forwards and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may invest up to 10% of its net assets in units of UCITS and other UCIs. The Fund may invest in fixed or floating rate debt securities either directly or through regulated investment funds (subject to the limits indicated above). The Investment Manager may take temporary defensive cash position when it believes the securities trading markets or the economies of countries where the Fund invests are experiencing excessive volatility or prolonged general decline or other adverse conditions.

Investments in Emerging Market countries, financial derivative instruments, non- investment grade securities and securities in default are subject to a higher degree of risk, as more fully described in the section “Risk Considerations”. The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking a combination of current income and capital appreciation from a portfolio of both equity and fixed income securities via a single fund and planning to hold their investments from the medium to long term.

TEMPLETON GLOBAL SMALLER COMPANIES FUND

The Fund’s investment objective is capital appreciation, which it seeks to achieve through a policy of investing in equity and debt obligations of smaller companies throughout the world, including Emerging Markets. The Fund invests principally in common stocks of such companies.

Debt securities represent obligations of an issuer to repay loans where repayment terms of principal and interest are clearly specified, along with the lender’s rights, in the loan agreement. These securities include bonds, notes and debentures.

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 companies with larger market capitalisations, as well as in other types of securities, such as preferred stock, securities convertible into common stock and fixed income securities, which are US dollar and non US dollar denominated.

Investments in Emerging Markets countries are subject to a higher degree of risk as described in the section “Risk Considerations”. The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking long-term capital appreciation by investing in undervalued equity securities of small-cap companies from around the world and planning to hold their investments for medium to long term.

TEMPLETON GLOBAL TOTAL RETURN FUND

The Fund’s principal investment objective is to maximise, consistent with prudent investment management, total investment return consisting of a combination of interest income, capital appreciation, and currency gains.

The Fund seeks to achieve its objective by investing principally in a portfolio of fixed and/or floating rate debt securities and debt obligations issued by government and government-related issuers or corporate entities worldwide. The Fund may also purchase debt obligations issued by supranational entities organized or supported by several national governments, such as the International Bank for Reconstruction and Development or the European Investment Bank. The Fund may also utilise financial derivative instruments for investment purposes. These financial derivative instruments may be dealt either in regulated markets or over-the-counter, and may include, inter alia, swaps (such as credit default swaps or total return swaps), forward and cross forwards, futures contracts (including those on government securities), as well as options. Use of financial derivative instruments may result in negative exposures in a specific yield curve/duration, currency or credit. The Fund may also, in accordance with the investment restrictions, invest in securities or structured products where the security is linked to or derives its value from another security or is linked to assets or currencies of any country. The Fund may also purchase mortgage and asset-backed securities and convertible bonds. The Fund may invest in investment grade and non-investment grade debt securities issued by US and non-US issuers including securities in default. The Fund may purchase fixed income securities and debt obligations denominated in any currency and may hold equity securities to the extent that such securities result from the conversion or exchange of a preferred stock or debt obligation. The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs. The Fund may also participate in mortgage dollar roll transactions.

In order to effectively manage cash flows in or out of the Fund, the Fund may buy and sell financial futures contracts or options on such contracts. The Fund may use futures contracts on US Treasury securities to help manage risks relating to interest rates and other market factors, to increase liquidity, and to quickly and efficiently cause new cash to be invested in the securities markets or, if cash is needed to meet shareholder redemption requests, to remove Fund assets from exposure to the market. On an ancillary basis, the Fund may gain exposure to debt market indexes by investing in index based financial derivatives and credit default swaps.

Investments in Emerging Market countries, financial derivative instruments, non-investment grade debt securities, securities in default and mortgage- and asset-backed securities are subject to a higher degree of risk, as more fully described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking a high level of income and capital preservation, and to a lesser extent, capital growth and seeking to invest in fixed income securities of any global government or corporate issuers. It is suitable for investors planning to hold their investments for medium to long term.

TEMPLETON KOREA FUND

The Fund's investment objective is capital appreciation, which it seeks to achieve through a policy of investing primarily in equity securities issued by Korean incorporated companies or companies having their principal business activities in Korea.

The Fund may also invest in equity securities of issuers having assets, earnings or profits in Korea. The Fund invests in equities and other securities, including securities issued by the Korean government and, to a lesser extent, warrants of issuers on the Korean stock market.

Investments in Emerging Market countries are subject to a higher degree of risk, as described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in equity securities of Korea and planning to hold their investments for medium to long term.

TEMPLETON LATIN AMERICA FUND

The Fund's investment objective is capital appreciation, which it seeks to achieve, under normal market conditions, through a policy of investing primarily in equity securities and as an ancillary matter in debt securities of issuers incorporated or having their principal business activities in the Latin American region. The Latin American region includes, but is not limited to, the following countries: Argentina, Belize, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, French Guyana, Guatemala, Guyana, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Surinam, Trinidad/Tobago, Uruguay and Venezuela. The balance of the Fund's assets may be invested in equity securities and debt obligations of companies and government entities of countries other than those named above.

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 which are denominated in currencies other than Latin American currencies such as US dollar or Euro.

Investments in Emerging Market countries are subject to a higher degree of risk, as described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in equity securities in Latin America including Emerging Markets and planning to hold their investments for medium to long term.

TEMPLETON THAILAND FUND

The Fund's investment objective is capital appreciation, which it seeks to achieve through a policy of investing primarily in equity securities of issuers incorporated in Thailand or issuers having their principal business activities in Thailand.

The Fund may also invest in equity securities of issuers having their assets, earnings or profits in Thailand. The Fund invests in equities and other securities, including securities issued by the Thailand government and, to a lesser extent, warrants of issuers on the Thailand stock market.

Investments in Emerging Market countries are subject to a higher degree of risk, as described in the section "Risk Considerations". The base currency of the Fund is US dollar.

The Fund is suitable for investors seeking capital appreciation by investing in equity securities of Thailand and planning to hold their investments for medium to long term.

INVESTMENT CONSIDERATIONS

RISK CONSIDERATIONS

The value of the Shares will increase as the value of the securities owned by any Fund of the Company increases and will decrease as the value of the Fund's investments decrease. In this way, Shareholders participate in any change in the value of the securities owned by the relevant Funds. In addition to the factors that affect the value of any particular security that a Fund owns, the value of the Fund's Shares may also change with movements in the stock and bond markets as a whole.

A Fund may own securities of different types, or from different asset classes – equities, bonds, money market instruments, derivatives – depending on the Fund's investment objective.

Different investments have different types of investment risk. The Funds also have different kinds of risk, depending on the securities they own. Below is a summary of the various types of investment risk that may be applicable to the Funds.

Biotechnology, Communication and Technology Sectors risk

Investment in the biotechnology, communication and technology sectors may present a greater risk and a higher volatility than investment in a broader range of securities covering different economic sectors. In addition, these sectors may be subject to greater government regulation than other sectors and, as a result, changes to such government regulation may have a material adverse effect on these sectors. Such investments may therefore drop sharply in value in response to market, regulatory or research setbacks in addition to possible adverse effects from the competition of new market entrants, patent considerations and product obsolescence. Particularly within technology, short product cycles and diminishing profit margins are additional factors to consider when investing.

Class Hedging risk

The Company may engage in currency hedging transactions with regards to a certain Class of Shares (the "Hedged Share Class"). Hedged Share Classes are designed (i) to reduce exchange rate fluctuations between the currency of the Hedged Share Class and the base currency of the Fund or (ii) to reduce exchange rate fluctuations between the currency of the Hedged Share Class and other material currencies within the Fund's portfolio.

The hedging will be undertaken to reduce exchange rate fluctuations in case the base currency of the Fund or other material currencies within the Fund (the "reference currency(ies)") is(are) declining or increasing in value relative to the hedged currency. The hedging strategy employed will seek to reduce as far as possible the exposure of the Hedged Share Classes and no assurance can be given that the hedging objective will be achieved. In the case of a net flow to or from a Hedged Share Class the hedging may not be adjusted and reflected in the net asset value of the Hedged Share Class until the following or a subsequent business day following the Valuation Day on which the instruction was accepted.

This risk for holders of any Hedged Share Class may be mitigated by using any of the efficient portfolio management techniques and instruments (including currency options and forward currency exchange contracts, currency futures, written call options and purchased put options on currencies and currency swaps), within the conditions and limits imposed by the Luxembourg financial supervisory authority.

Investors should be aware that the hedging strategy may substantially limit Shareholders of the relevant Hedged Share Class from benefiting from any potential increase in value of the share class expressed in the reference currency (ies), if the Hedged Share Class currency falls against the reference currency(ies). Additionally, Shareholders of the Hedged Share Class may be exposed to fluctuations in the net asset value per Share reflecting the gains/losses on and the costs of the relevant financial instruments. The gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant Hedged Share Class.

Any financial instruments used to implement such hedging strategies with respect to one or more Classes of a Fund shall be assets and/or liabilities of such Fund as a whole, but will be attributable to the relevant Class(es) and the gains/losses on and the costs of the relevant financial instruments will accrue solely to the relevant Class. However, due to the lack of segregated liabilities between Classes of the same Fund, costs which are principally attributed to a specific Class may be ultimately charged to the Fund as a whole. Any currency exposure of a Class may not be combined with or offset against that of any other Class of a Fund. The currency exposure of the assets attributable to a Class may not be allocated to other Classes. No intentional leveraging should result from currency hedging transactions of a Class through hedging may exceed 100% for short periods between redemption instructions and execution of the hedge trade.

Counterparty risk

When over-the-counter (OTC) or other bilateral contracts are entered into (inter alia OTC derivatives, repurchase agreements, security lending etc.), the Company may find itself exposed to risks arising from the solvency of its counterparties and from their ability to respect the conditions of these contracts. The Company is exposed to the risk that the counterparty will fail to respect its commitments under the term of each contract.

Credit risk

Credit risk, a fundamental risk relating to all fixed income securities as well as money market instruments, is the chance that an issuer will fail to make principal and interest payments when due. Issuers with higher credit risk typically offer higher yields for this added risk. Conversely, issuers with lower credit risk typically offer lower yields. Generally, government securities are considered to be the safest in terms of credit risk, while corporate debt, especially those with poorer credit ratings, have the highest credit risk. Changes in the financial condition of an issuer, changes in economic and political conditions in general, or changes in economic and political conditions specific to an issuer, are all factors that may have an adverse impact on an issuer's credit quality and security values.

Credit-linked Securities risk

Credit-linked securities are debt securities that represent an interest in a pool of, or are otherwise collateralised by one or more corporate debt obligations or credit default swaps incorporated debt or bank loan obligations. Such debt obligations may represent the obligations of one or more corporate issuers. The Fund has the right to receive periodic interest payments from the issuer of the credit-linked security (usually the seller of the underlying credit default swap(s)) at an agreed-upon interest rate, and a return of principal at the maturity date.

The Fund bears the risk of loss of its principal investment, and the periodic interest payments expected to be received for the duration of its investment in the credit-linked security, in the event that one or more of the debt obligations underlying the credit default swaps go into default or otherwise become non-performing. Upon the occurrence of such a credit event (including bankruptcy, failure to timely pay interest or principal, or a restructuring), the Fund affected will generally reduce the principal balance of the related credit-linked security by the Fund's pro rata interest in the par amount of the defaulted underlying debt obligation in exchange for the actual value of the defaulted underlying obligation or the defaulted underlying obligation itself, resulting in a loss of a portion of the Fund's investment. Thereafter, interest on the credit-linked security will accrue on a smaller principal balance and a smaller principal balance will be returned at maturity. To the extent a credit-linked security represents an interest in underlying obligations of a single corporate or other issuer, a credit event with respect to such issuer presents greater risk of loss to a Fund than if the credit-linked security represented an interest in underlying obligations of multiple issuers.

In addition, the Fund bears the risk that the issuer of the credit-linked security will default or become bankrupt. In such an event, the Fund may have difficulty being repaid, or fail to be repaid, the principal amount of its investment and the remaining periodic interest payments thereon.

An investment in credit-linked securities also involves reliance on the counterparty to the credit default swap entered into with the issuer of the credit-linked security to make periodic payments to the issuer under the terms of the swap. Any delay or cessation in the making of such payments may be expected in certain instances to result in delays or reductions in payments to the Fund as an investor in such credit-linked securities. Additionally, credit-linked securities are typically structured as limited recourse obligations of the issuer of such securities such that the securities issued will usually be obligations solely of the issuer and will not be obligations or responsibilities of any other person.

Most credit-linked securities are structured as US Rule 144A securities so that they may be freely traded among institutional buyers. A Fund will generally only purchase credit-linked securities, which are determined to be liquid in accordance with the Fund's liquidity guidelines. However, the market for credit-linked securities may suddenly become illiquid. The other parties to the transaction may be the only investors with sufficient understanding of the derivative to be interested in bidding for it. Changes in liquidity may result in significant, rapid and unpredictable changes in the prices for credit-linked securities. In certain cases, a market price for a credit-linked security may not be available or may not be reliable, and the Fund could experience difficulty in selling such security at a price the Investment Manager believes is fair.

The value of a credit-linked security will typically increase or decrease with any change in value of the underlying debt obligations, if any, held by the issuer and the credit default swap. Further, in cases where the credit-linked security is structured such that the payments to the Fund are based on amounts received in respect of, or the value of performance of, any underlying debt obligations specified in the terms of the relevant credit default swap, fluctuations in the value of such obligation may affect the value of the credit-linked security.

Defaulted Debt Securities risk

Some Funds may invest in debt securities on which the issuer is not currently making interest payments (defaulted debt securities). These Funds may buy defaulted debt securities if, in the opinion of the Investment Manager, it appears likely that the issuer may resume interest payments or other advantageous developments appear likely in the near future. These securities may become illiquid.

The risk of loss due to default may also be considerably greater with lower-quality securities because they are generally unsecured and are often subordinated to other creditors of the issuer. If the issuer of a security in a Fund's portfolio defaults, the Fund may have unrealised losses on the security, which may lower the Fund's net asset value per Share. Defaulted securities tend to lose much of their value before they default. Thus, the Fund's net asset value per Share may be adversely affected before an issuer defaults. In addition, the Fund may incur additional expenses if it must try to recover principal or interest payments on a defaulted security.

Included among the issuers of debt securities or obligations in which the Company may invest are entities organised and operated solely for the purpose of restructuring the investment characteristics of various securities or obligations. These entities may be organised by investment banking firms, which receive fees in connection with establishing each entity and arranging for the placement of its securities.

Derivative risk

For the purpose of efficient portfolio management, the Company may, within the context of each Fund's overall investment policy, and within the limits set forth in the investment restrictions applicable to the Funds, engage in certain transactions involving the use of derivative instruments, including; (i) put and call options on securities, debt obligations, indices and currencies (including over-the-counter ("OTC") options); (ii) stock index and interest rate futures contracts and options thereon; (iii) structured products, where the security is linked to or derives its value from another security; and (iv) delayed delivery or when-and-if issued securities such as may be created as a result of a debt restructuring. The Company may engage, within the limits established by the investment restrictions, in various portfolio strategies involving the use of hedging instruments in order to hedge against market and currency risks. If a Fund intends to engage in transactions involving the use of derivative instruments as part of its investment strategy, rather than on an occasional basis, this will be described in the investment objective of such Fund.

The use of derivative instruments and hedging transactions may or may not achieve its intended objective and involves special risks.

Some Funds may also invest in financial derivative instruments as part of their portfolio as disclosed in their investment objectives.

The global exposure of a Fund to financial derivative instruments shall not exceed its total net assets value and as a result the total risk exposure of such Fund shall not exceed 200% of its net assets value on a permanent basis.

Performance and value of derivative instruments depend, at least in part, on the performance or value of the underlying asset (swaps, options, forwards, futures, warrants…). Derivative instruments involve cost, may be volatile, and may involve a small investment relative to the risk assumed (leverage effect). Their successful use may depend on the Investment Manager’s ability to predict market movements. Risks include delivery failure, default by other party or the inability to close out a position because the trading market becomes illiquid. Some derivative instruments are particularly sensitive to changes in interest rates. The risk of loss to a Fund for a swap transaction on a net basis depends on which party is obliged to pay the net amount to the other party. If the counterparty is obliged to pay the net amount to the Fund, the risk of loss to the Fund is the loss of the entire amount that the Fund is entitled to receive; if the Fund is obliged to pay the net amount, the Fund’s risk of loss is limited to the net amount due. OTC derivative instruments involve a higher degree of risks as OTC markets are less liquid and regulated.

Emerging Markets risk

All Fund investments in the securities issued by corporations, governments, and public-law entities in different nations and denominated in different currencies involve certain risks. These risks are typically increased in developing countries and emerging markets. Such risks, which can have adverse effects on portfolio holdings, may include: (i) investment and repatriation restrictions; (ii) currency fluctuations; (iii) the potential for unusual market volatility as compared to more industrialised nations; (iv) government involvement in the private sector; (v) limited investor information and less stringent investor disclosure requirements; (vi) shallow and substantially smaller liquid securities markets than in more industrialised countries, which means a Fund may at times be unable to sell certain securities at desirable prices; (vii) certain local tax law considerations; (viii) limited regulation of the securities markets; (ix) international and regional political and economic developments; (x) possible imposition of exchange controls or other local governmental laws or restrictions; (xi) the increased risk of adverse effects from deflation and inflation; and (xii) the possibility of limited legal recourse for the Fund; and (xiii) the custodial and/or the settlement systems may not be fully developed.

Investors in Funds investing in Emerging Markets should in particular be informed that the liquidity of securities issued by corporations and public-law entities in Emerging Markets may be substantially smaller than with comparable securities in industrialised countries.

Equity risk

The value of all Funds that invest in equity and equity related securities will be affected by economic, political, market, and issuer specific changes. Such changes may adversely affect securities, regardless of company specific performance. Additionally, different industries, financial markets, and securities can react differently to these changes. Such fluctuations of the Fund’s value are often exacerbated in the short-term as well. The risk that one or more companies in a Fund’s portfolio will fall, or fail to rise, can adversely affect the overall portfolio performance in any given period.

Foreign Currency risk

Since the Company values the portfolio holdings of each of its Funds in either US dollar, Japanese Yen or Euro, changes in currency exchange rates adverse to those currencies may affect the value of such holdings and each respective Fund's yield thereon.

Since the securities held by a Fund may be denominated in currencies different from its base currency, the Fund may be affected favourably or unfavourably by exchange control regulations or changes in the exchange rates between such reference currency and other currencies. Changes in currency exchange rates may influence the value of a Fund's Shares, and also may affect the value of dividends and interests earned by the Fund and gains and losses realised by said Fund. If the currency in which a security is denominated appreciates against the base currency, the price of the security could increase. Conversely, a decline in the exchange rate of the currency would adversely affect the price of the security.

To the extent that a Fund or any Class of Shares seeks to use any strategies or instruments to hedge or to protect against currency exchange risk, there is no guarantee that hedging or protection will be achieved. Unless otherwise stated in any Fund's investment policy, there is no requirement that any Fund seeks to hedge or to protect against currency exchange risk in connection with any transaction.

Funds which use currency management strategies, including the use of cross currency forwards and currency futures contracts, may substantially change the Fund's exposure to currency exchange rates and could result in losses to the Fund if the currencies do not perform as the Investment Manager expects.

Frontier Markets risk

Investment in emerging market countries involve risks as set out in the section "Emerging Markets risks" above. Investment in frontier markets involves risks similar to investment in emerging markets but to a greater extent because frontier markets are even smaller, less developed and less accessible than emerging markets.

Gold and Precious Metals Sector risk

Some Fund's investments may concentrate in gold and other precious metals (particularly platinum and palladium) operations companies. By concentrating in the industries in a single sector, such Funds carry a much greater risk of adverse developments than a fund that invests in companies from a wide variety of industries. Also, there currently are a limited number of platinum and palladium operations companies, which restricts such Funds' ability to diversify their investments in those metals.

The price of gold and precious metals operations companies is strongly affected by the price of gold and other precious metals such as platinum, palladium and silver. These prices may fluctuate substantially over short periods of time, so the Share price may be more volatile than other types of investments.

The price of gold and other precious metals is affected by such factors as: (1) how much of the worldwide supply is held by large holders, such as governmental bodies and central banks; for example, if Russia or another large holder decided to sell some of its gold or other precious metals reserves, the supply would go up, and the price would generally go down; (2) unpredictable monetary policies and economic and political conditions in countries throughout the world; and (3) demand for gold bullion as an investment; including in bar form and underlying assets for exchanged-traded funds.

The price of gold and precious metals operations companies is also affected by (1) environmental, labour, and other costs in mining and production; (2) labour disruptions; (3) operational issues and failures, such as damage to mines as a result of accidents; (4) access to reliable energy supplies; and (5) changes in laws relating to mining, production, or sales. As the Franklin Gold and Precious Metals Fund may invest its assets in the securities of mining companies, investors should note that mining operations have varying expected life spans. Securities of mining companies that have mines with a short expected life span may experience greater price volatility than those that have a long expected life span.

In times of significant inflation or great economic uncertainty, traditional investments such as bonds and stocks may not perform well. In such times, gold and other precious metals have historically maintained their value as hard assets, often outperforming traditional investments. However, in times of stable economic growth, traditional equity and debt investments could offer greater appreciation potential and the value of gold and other precious metals may be adversely affected, which could in turn affect the Fund's returns.

Growth Stocks risk

Funds investing in growth stocks can be more volatile and may react differently to economic, political, market, and issuer specific developments than the overall market. Historically, the prices of growth stocks have been more volatile than other securities, especially, over short term periods of time. Growth stocks may also be more expensive, relative to their earnings, than the market in general. As such, growth stocks can experience greater volatility in reaction to changes in earnings growth.

Initial Public Offerings risk

Some Funds may invest in initial public offerings ("IPOs"). IPO risk is the risk that the market values of IPO shares may experience high volatility from factors such as the absence of a prior public market, unseasoned trading, the limited number of shares available for trading and limited information about the issuer. Additionally, a Fund may hold IPO shares for a very short period of time, which may increase a Fund's expenses. Some investments in IPOs may have an immediate and significant impact on a Fund's performance.

Interest Rate Securities risk

All Funds that invest in debt securities or money market instruments are subject to interest rate risk. A fixed income security's value will generally increase in value when interest rates fall and decrease in value when interest rates rise. Interest rate risk is the chance that such movements in interest rates will negatively affect a security's value or, in a Fund's case, its net asset value. Fixed income securities with longer-term maturities tend to be more sensitive to interest rate changes than shorter-term securities. As a result, longer-term securities tend to offer higher yields for this added risk. While changes in interest rates may affect a Fund's interest income, such changes may positively or negatively affect the net asset value of the Fund's Shares on a daily basis.

Liquidity risk

Reduced liquidity may have an adverse impact on market price and the Company's ability to sell particular securities when necessary to meet the Company's liquidity needs or in response to a specific economic event such as the deterioration in the creditworthiness of an issuer.

Low-Rated or Non Investment Grade Securities risk

Some Funds may invest in higher-yielding securities rated lower than investment grade. Accordingly, an investment in these Funds is accompanied by a higher degree of credit risk. Below investment grade securities such as, for example, high yield debt securities, may be considered a high risk strategy and can include securities that are unrated and/or in default. Lower-quality, higher-yielding securities may also experience greater price volatility when compared to higher-quality, lower-yielding securities. Additionally, default rates tend to rise for companies with poorer rated securities during economic recessions or in times of higher interest rates. Companies issuing high yield debt securities are not as strong financially and their low creditworthiness may increase the potential for their insolvency. The companies are more likely to encounter financial difficulties and are more vulnerable to changes in the economy, such as a recession or a sustained period of rising interest rates that could affect their ability to make interest and/or principal payments.

Market risk

This is a general risk which affects all types of investment. Price trends are determined mainly by financial market trends and by the economic development of the issuers, who are themselves affected by the overall situation of the global economy and by the economic and political conditions prevailing in each country. Because the securities the Fund holds fluctuate in price, the value of your investment in the Fund will go up and down. You may not get back the amount you invested.

Mortgage- and Asset-Backed Securities risk

Some Funds may invest in mortgage- and asset-backed securities. Mortgage-backed securities differ from conventional debt securities because principal is paid back over the life of the security rather than at maturity. The Fund may receive unscheduled prepayments of principal before the security's maturity date due to voluntary prepayments, refinancing or foreclosure on the underlying mortgage loans. To the Fund this means a loss of anticipated interest, and a portion of its principal investment represented by any premium the Fund may have paid. Mortgage prepayments generally increase when interest rates fall.

Mortgage-backed securities also are subject to extension risk. An unexpected rise in interest rates could reduce the rate of prepayments on mortgage-backed securities and extend their life. This could cause the price of the mortgage-backed securities to be more sensitive to interest rate changes. Issuers of asset-backed securities may have limited ability to enforce the security interest in the underlying assets, and credit enhancements provided to support the securities, if any, may be inadequate to protect investors in the event of default. Like mortgage-backed securities, asset-backed securities are subject to prepayment and extension risks.

Mortgage Dollar Roll risk

Some Funds, especially the Franklin Income Fund, the Franklin U.S. Government Fund, and the Templeton Global Total Return Fund may engage in mortgage dollar roll transactions. In a mortgage dollar roll, a Fund sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase substantially similar (name, type, coupon, and maturity) securities on a specified future date. During the period between the sale and repurchase (the “roll period”), the Fund foregoes principal and interest paid on the mortgage-backed securities. The Fund is compensated by the difference between the current sales price and the lower forward price for the future purchase (often referred to as the “drop”), as well as by the interest earned on the cash proceeds of the initial sale. The Fund could suffer a loss if the contracting party fails to perform the future transaction and the Fund is therefore unable to buy back the mortgage-backed securities it initially sold. Mortgage dollar rolls will be entered into only with high quality government securities dealers and member banks of the US Federal Reserve System.

Mortgage dollar rolls transactions may (due to the deemed borrowing position involved), increase the Fund’s overall investment exposure and result in losses. Mortgage dollar rolls will be considered borrowings for purposes of the Fund’s borrowing limitations unless the Fund segregates on its books an offsetting cash position or a position of liquid securities of equivalent value.

Natural Resources Sector risk

By focusing on the natural resources sector, some Funds carry much greater risks of adverse developments than a Fund that invests in a wider variety of industries. The securities of companies in the natural resources sector may experience more price volatility than securities of companies in other industries. Some of the commodities used as raw materials or produced by these companies are subject to broad price fluctuations as a result of industry wide supply and demand factors. As a result, companies in the natural resources sector often have limited pricing power over supplies or for the products they sell which can affect their profitability.

Concentration in the securities of companies with substantial natural resource assets will expose these Funds to the price movements of natural resources to a greater extent than a more broadly diversified mutual fund. There is the risk that those Funds will perform poorly during an economic downturn or a slump in demand for natural resources.

Non-Regulated Markets risk

Some Funds may invest in securities of issuers in countries whose markets do not qualify as regulated markets due to their economic, legal or regulatory structure, and therefore these Funds may not invest more than 10% of their net assets in such securities.

“Pre-Payment” risk

Certain fixed income securities give an issuer the right to call its securities, before their maturity date. The possibility of such “pre-payment risk” may force the Fund to reinvest the proceeds of such investments in securities offering lower yields, thereby reducing the Fund’s interest income.

Real Estate Securities risk

Some Funds invest in real estate securities or real investment trusts (“REITs”). Real estate values rise and fall in response to a variety of factors, including local, regional and national economic conditions, interest rates and tax considerations. When economic growth is slow, demand for property decreases and prices may decline. Property values may decrease because of overbuilding, increases in property taxes and operating expenses, changes in zoning laws, environmental regulations or hazards, uninsured casualty or condemnation losses, or general decline in neighbourhood values.

Equity REITs may be affected by any changes in the value of the properties owned and other factors, and their prices tend to go up and down. A REIT’s performance depends on the types and locations of the properties it owns and on how well it manages those properties. A decline in rental income may occur because of extended vacancies, increased competition from other properties, tenants’ failure to pay a rent or poor management. A REIT’s performance also depends on the company’s ability to finance property purchases and renovations and manage its cash flows. Since REITs typically are invested in a limited number of projects or in a particular market segment, they are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments.

An investment in the Franklin Global Real Estate Fund is not equivalent to an investment in a REIT and the payout of the Fund may not be the same as the payout of the underlying REITs. The underlying REITs of the Fund may not be authorised for public distribution in Hong Kong and therefore, may not be available to Hong Kong investors.

Restructuring Companies risk

Some Funds, especially the Franklin High Yield Fund, the Franklin Mutual Beacon Fund, the Franklin Mutual European Fund, the Franklin Mutual Global Discovery Fund, the Templeton Euro High Yield Fund and the Templeton Global High Yield Fund may also invest in the securities of companies involved in mergers, consolidations, liquidations and reorganisations or as to which there exist tender or exchange offers, and may participate in such transactions; they may also purchase indebtedness and participations therein, both secured and unsecured, of debtor companies engaged in reorganisation or financial restructuring. Such investments also involve greater credit risks.

Russian and Eastern European Markets risk

Securities of issuers in Russia, countries of Eastern Europe as well as the New Independent States such as Ukraine and the countries under the influence of the Soviet Union in the past involve significant risks and special considerations, which are not typically associated with investing in securities of issuers in the EU Member States and the United States of America. They are additional to the normal risks inherent in any such investments and include political, economic, legal, currency, inflation and taxation risks. For example there is a risk of loss due to lack of adequate systems for transferring, pricing, accounting for and safekeeping or record keeping of securities.

In particular, the Russian market presents a variety of risks in relation to the settlement and safekeeping of securities. These risks result from the fact that physical securities do not exist; as a consequence, the ownership of securities is evidenced only on the issuer's register of shareholders. Each issuer is responsible for the appointment of its own registrar. The result is a broad geographic distribution of several hundred registrars across Russia. Russia's Federal Commission for Securities and Capital Markets (the "Commission") has defined the responsibilities for registrar activities, including what constitutes evidence of ownership and transfer procedures. However, difficulties enforcing the Commission's regulations mean that the potential for loss or error still remains and there is no guarantee that the registrars will act according to the applicable laws and regulations. Widely accepted industry practices are actually still in the process of being established. When registration occurs, the registrar produces an extract of the register of shareholders as at that particular point in time. Ownership of shares is vested in the records of the registrar but is not evidenced by the possession of an extract of the register of shareholders. The extract is only evidence that registration has taken place. However, the extract is not negotiable and has no intrinsic value. In addition, a registrar will typically not accept an extract as evidence of ownership of shares and is not obliged to notify the Custodian or its local agents in Russia, if or when it amends the register of shareholders. Russian securities are not on physical deposit with the Custodian or its local agents in Russia. Similar risks apply in respect of the Ukrainian market.

Therefore, neither the Custodian nor its local agents in Russia or in Ukraine can be considered as performing a physical safekeeping or custody function in the traditional sense. The registrars are neither agents of, nor responsible to, the Custodian or its local agents in Russia or in Ukraine. The Custodian's liability only extends to its own negligence and wilful default and to that caused by negligence or wilful misconduct of its local agents in Russia or in Ukraine, and does not extend to losses due to the liquidation, bankruptcy, negligence or wilful default of any registrar. In the event of such losses the Company will have to pursue its rights directly against the issuer and/or its appointed registrar.

However, securities traded on the Russian Trading Stock Exchange ("RTS") or on the Moscow Interbank Currency Exchange ("MICEX") can be treated as investment in securities dealt in on a regulated market.

Small and Mid-Sized Companies risk

The stock prices of small and mid-sized companies can perform differently than larger, more recognised, companies and have the potential to be more volatile. A lower degree of liquidity in their securities, a greater sensitivity to changes in economic conditions and interest rates, and uncertainty over future growth prospects may all contribute to such increased price volatility. Additionally, smaller companies may be unable to generate new funds for growth and development, may lack depth in management, and may be developing products in new and uncertain markets all of which are risks to consider when investing in such companies. These risks are typically increased for securities issued by smaller companies registered or performing a significant part of their activities in developing countries and emerging markets, especially as the liquidity of securities issued by companies in emerging markets may be substantially smaller than with comparable securities in industrialised countries.

Swap Agreements risk

The Company may enter into interest rate, index and currency exchange rate swap agreements for the purposes of attempting to obtain a particular desired return at a lower cost to the Company than if the Company had invested directly in an instrument that yielded that desired return. Swap agreements are two party contracts entered into primarily by institutional investors for periods ranging from a few days to more than one year. In a standard "swap" transaction, two parties agree to exchange the returns (or differential in rates of return) earned or realised on particular predetermined investments or instruments. The gross returns to be exchanged or "swapped" between the parties are calculated with respect to a "notional amount", i.e., the return on or increase in value of a particular US dollar amount invested at a particular interest rate, in a particular foreign currency, or in a "basket" of securities representing a particular index. The "notional amount" of the swap agreement is only a fictive basis on which to calculate the obligations which the parties to a swap agreement have agreed to exchange. The Company's obligations (or rights) under a swap agreement will generally be equal only to the net amount to be paid or received under the agreement based on the relative values of the positions held by each party to the agreement (the "net amount").

Whether the Company's use of swap agreements will be successful in furthering its investment objective will depend on the ability of the Investment Managers to correctly predict whether certain types of investments are likely to produce greater returns than other investments. Because they are two party contracts and because they may have terms of greater than seven (7) calendar days, swap agreements may be considered to be illiquid. Moreover, the Company bears the risk of loss of the amount expected to be received under a swap agreement in the event of the default or bankruptcy of a swap agreement counterparty. The Investment Managers will cause the Company to enter into swap agreements in accordance with the guidelines set out in the section "Investment Restrictions".

Termination risk

Investors should note that the Company may not continue for an indefinite period of time. The Company may be dissolved by resolution of the shareholders if the capital of the Company falls below two-thirds of its minimum capital. The Board of Directors of the Company may also determine to close any existing fund if its net assets are below USD20 million or under certain other circumstances. Investors may not get back their original investment.

Investors should refer to the section "ADDITIONAL INFORMATION" for more details.

Use of Techniques and Instruments Risk

Use of the techniques and instruments contemplated in paragraph 4 in the section "Investment Restrictions" of this Prospectus involves certain risks, some of which are listed in the following paragraphs, and there can be no assurance that the objective sought to be obtained from such use will be achieved.

In relation to repurchase transactions, investors must notably be aware that (A) in the event of the failure of the counterparty with which cash of a Fund has been placed there is the risk that collateral received may yield less than the cash placed out, whether because of inaccurate pricing of the collateral, adverse market movements, a deterioration in the credit rating of issuers of the collateral, or the illiquidity of the market in which the collateral is traded; that (B) (i) locking cash in transactions of excessive size or duration, (ii) delays in recovering cash placed out, or (iii) difficulty in realising collateral may restrict the ability of the Fund to meet redemption requests, security purchases or, more generally, reinvestment; and that (C) repurchase transactions will, as the case may be, further expose a Fund to risks similar to those associated with optional or forward derivative financial instruments, which risks are further described in other sections of the Prospectus.

In relation to securities lending transactions, investors must notably be aware that in case of default, bankruptcy or insolvency of the borrower of securities lent by a Fund, there is a risk of delay in recovery (that may restrict the ability of a Fund to meet delivery obligations under security sales or payment obligations arising from redemption requests) or even loss of rights in collateral received, which risks are mitigated by a careful creditworthiness analysis of borrowers to determine their degree of risk for said borrowers to become involved in insolvency/bankruptcy proceedings within the timeframe contemplated by the loan.

Warrants risk

Investments in and holding of warrants may result in increased volatility of the net asset value of certain Funds, which may make use of warrants, and accordingly is accompanied by a higher degree of risk.

Shareholders should understand that all investments involve risk and there can be no guarantee against loss resulting from an investment in any Fund(s), nor can there be any assurance that the Fund(s) investment objective(s) will be attained. Neither the Investment Managers, nor any of their worldwide affiliated entities, guarantee the performance or any future return of the Company or any of its Funds.

INVESTMENT RESTRICTIONS

The Board of Directors have adopted the following restrictions relating to the investment of the Company's assets and its activities. These restrictions and policies may be amended from time to time by the Board of Directors if and as they shall deem it to be in the best interests of the Company in which case this Explanatory Memorandum will be updated.

The investment restrictions imposed by Luxembourg law must be complied with by each Fund. Those restrictions in paragraph 1. e) below are applicable to the Company as a whole.

1. Investment in transferable securities and liquid assets

a) The Company will invest in:

(i) transferable securities and money market instruments admitted to official listing on a stock exchange in an Eligible State*; and/or

* *"Eligible State" includes any member state of the European Union ("EU"), any member state of the OECD, and any other state which the Board of Directors deems appropriate with regard to the investment objective of each Fund.*

(ii) transferable securities and money market instruments dealt in or on another regulated market in an E.U. Member State which operates regularly and is recognised and open to the public (hereafter referred to as a "regulated market"); and/or

(iii) transferable securities and money market instruments admitted to official listing on a recognised stock exchange in any other country in Europe, the American continents, Asia, India, the Pacific Basin, Australia and Africa; and/or

(iv) transferable securities and money market instruments dealt in on another regulated market in the countries of the areas referred to under (iii) above, which operates regularly and is recognised and open to the public; and/or

(v) recently issued transferable securities and money market instruments, provided that the terms of issue include an undertaking that application will be made for admission to official listing on a stock exchange or on another regulated market, in the countries of the areas referred to under (i), (ii) and (iii) above, which operates regularly and is recognised and open to the public, and such admission is secured within a year of the purchase; and/or

(vi) units of UCITS and/or other UCIs, whether situated in an EU member state or not, provided that:

such other UCIs have been authorised under the laws of any E.U. Member State or under laws which provide that they are subject to supervision considered by the Luxembourg supervisory authority to be equivalent to that laid down in EU law and that cooperation between authorities is sufficiently ensured,

the level of protection for unitholders in such other UCIs is equivalent to that provided for unitholders in a UCITS, and in particular that the rules on assets segregation, borrowing, lending, and uncovered sales of transferable securities and money market instruments are equivalent to the requirements of directive 85/611/EEC,

the business of such other UCIs is reported in half-yearly and annual reports to enable an assessment of the assets and liabilities, income and operations over the reporting period,

no more than 10% of the assets of the UCITS or of the other UCIs, whose acquisition is contemplated, can, according to their constitutional documents, in aggregate be invested in units of other UCITS or other UCIs; and/or

For the purpose of this restriction and the limits set forth in 6. below, the following definitions shall apply:

"UCITS" shall mean an undertaking for collective investment in transferable securities authorised according to Council Directive 85/611/EEC of December 20, 1985, as amended;

"other UCI" shall mean an undertaking for collective investment or investment fund within the meaning of the first and second indents of Article 1. I (2) of Council Directive 85/611/EEC of December 20, 1985, as amended.

(vii) deposits with credit institutions which are repayable on demand or have the right to be withdrawn, and maturing in no more than 12 months, provided that the credit institution has its registered office in an E.U. Member State or, if the registered office of the credit institution is situated in a non-Member State, provided that it is subject to prudential rules considered by the Luxembourg supervisory authority as equivalent to those laid down in Community law; and/or

(viii) financial derivative instruments, including equivalent cash-settled instruments, dealt in on a regulated market referred to in subparagraph (i) to (v) above, and/or financial derivative instruments dealt in over-the-counter ("OTC derivatives"), provided that:

- the underlying consists of instruments covered by this section under 1. a), financial indices, interest rates, foreign exchange rates or currencies, in which the Fund may invest according to its investment objectives,

- the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by the Luxembourg supervisory authority,

- the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Company's initiative, and/or

(ix) money market instruments other than those dealt in on a regulated market and which fall under 1. a), if the issue or the issuer of such instruments are themselves regulated for the purpose of protecting investors and savings, and provided that such instruments are:

- issued or guaranteed by a central , regional or local authority or by a central bank of a Member State, the European Central Bank, the European Union or the European Investment Bank, a non-Member State or, in case of a Federal State, by one of the members making up the federation, or by a public international body to which one or more Member States belong, or

- issued by an undertaking any securities of which are dealt in on regulated markets referred to above, or

- issued or guaranteed by an establishment subject to prudential supervision in accordance with criteria defined by the Community law, or by an establishment which is subject to and complies with prudential rules considered by the Luxembourg supervisory authority to be at least as stringent as those laid down by Community law, or

- issued by other bodies belonging to the categories approved by the Luxembourg supervisory authority provided that investments in such instruments are subject to investor protection equivalent to that laid down in the first, the second or the third indent and provided that the issuer is a company whose capital and reserves amount to at least 10 million euro and which presents and publishes its annual accounts in accordance with the fourth directive 78/660/EEC, is an entity which, within a group of companies which include one or several listed companies, is dedicated to the financing of the group or is an entity which is dedicated to the financing of securitisation vehicles which benefit from a banking liquidity line.

b) The Company may invest up to 10% of the net assets of any Fund in transferable securities and money market instruments other than those referred to in (a) above;

c) Each Fund of the Company may hold ancillary liquid assets;

d) (i) Each Fund of the Company may invest no more than 10% of its net assets in transferable securities and money market instruments issued by the same body. Each Fund of the Company may not invest more than 20% of its net assets in deposits made with the same body. The risk exposure to a counterparty of a Fund in an OTC derivative transaction may not exceed 10% of its assets when the counterparty is a credit institution referred to in 1. a) (vii) above or 5 % of its net assets in other cases.

(ii) The total value of the transferable securities and money market instruments held in the issuing bodies in each of which any Fund invests more than 5 % of its net assets must not exceed 40 % of the value of it assets. This limitation does not apply to deposits and OTC derivative transactions made with financial institutions subject to prudential supervision.

Notwithstanding the individual limits laid down in paragraph 1. d) (i), a Fund may not combine:

- investments in transferable securities or money market instruments issued by a single body,
- deposits made with a single body, and/or
- exposures arising from OTC derivative transactions undertaken with a single body,

in excess of 20 % of its assets.

(iii) The limit laid down under the first sentence of paragraph 1. d) (i) above shall be of 35 % where the Fund has invested in transferable securities or money market instruments issued or guaranteed by a E.U. Member State, by its local authorities, by a non-Member State or by public international bodies of which one or more Member States are members.

(iv) The limit laid down under the first sentence of paragraph 1. d) (i) above shall be of 25 % for bonds issued by a credit institution which has its registered office in a E.U.

Member State and is subject by law, to special public supervision designed to protect bondholders. In particular, sums deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of validity of the bonds, are capable of covering claims attaching to the bonds and which, in case of bankruptcy of the issuer, would be used on a priority basis for the repayment of principal and payment of the accrued interest.

If a Fund invests more than 5 % of its net assets in the bonds above and issued by one issuer, the total value of such investments may not exceed 80 % of the value of the assets of the Fund.

(v) The transferable securities and money market instruments referred to in paragraphs 1. d) (iii) and 1. d) (iv) are not included in the calculation of the limit of 40% referred to in paragraph 1. d) (ii).

The limit set out above under 1. d) (i), (ii), (iii) and (iv) may not be combined, and thus investments in transferable securities or money market instruments issued by the same body, in deposits or derivative instruments made with this body carried out in accordance with section 1. d) (i), (ii), (iii) and (iv) may not exceed a total of 35 % of the assets of the Fund.

Companies which are included in the same group for the purposes of consolidated accounts, as defined in accordance with Directive 83/349/EEC or in accordance with recognised international accounting rules, are regarded as a single body for the purpose of calculating the limits contained under 1. d). A Fund may cumulatively invest up to 20 % of its net assets in transferable securities and money market instruments within the same group.

(vi) Without prejudice to the limits laid down in paragraph e), the limits laid down in this paragraph d) shall be 20% for investments in Shares and/or bonds issued by the same body when the aim of a Fund's investment policy is to replicate the composition of a certain stock or bond index which is recognised by the Luxembourg supervisory authority, provided

- the composition of the index is sufficiently diversified,
- the index represents an adequate benchmark for the market to which it refers,
- it is published in an appropriate manner.

The limit laid down in the subparagraph above is raised to 35% where it proves to be justified by exceptional market conditions in particular in regulated markets where certain transferable securities or money market instruments are highly dominant provided that investment up to 35% is only permitted for a single issuer.

(vii) where any Fund has invested in accordance with the principle of risk spreading in transferable securities and money market instruments issued or guaranteed by any EU Member State, its local authorities, or public international bodies of which one or more

EU Member States are members or by any other State of the OECD, the Company may invest 100% of the assets of any Fund in such securities provided that such Fund must hold securities from at least six different issues and securities from one issue must not account for more than 30% of that Fund's assets.

e) The Company or any Fund may not invest in voting shares of companies allowing it to exercise a significant influence in the management of the issuer. Further, the Company may acquire no more than (i) 10% of the non voting shares of any single issuing body, (ii) 10% of the debt securities of any single issuing body, (iii) 25% of the units of any single collective investment undertaking, (iv) 10% of the money market instruments of any single issuing body. However, the limits laid down under (ii), (iii) and (iv) may be disregarded at the time of acquisition if, at that time, the gross amount of the bonds or of the money market instruments or the net amount of the instruments in issue cannot be calculated.

The limits under this section e) shall not apply to (i) transferable securities or money market instruments issued or guaranteed by a Member State of the E.U., its local authorities, or public international bodies of which one or more Member States of the E.U. are members or by any other State, nor to (ii) shares held by the Company in the capital of a company incorporated in a State which is not a Member State of the E.U. investing its assets mainly in the securities of issuing bodies having their registered offices in that State, where under the legislation of that State such a holding represents the only way in which the Company can invest in the securities of issuing bodies of that State, provided that, however, the Company, in its investment policy, complies with the limits laid down in Articles 43 and 46 and in paragraphs (1) and (2) of Article 48 of the Law relating to collective investment undertakings.

f) (i) Unless otherwise provided in the investment policy of a specific Fund, each Fund will not invest more than 10% of its net assets in UCITS and other UCIs.

(ii) In the case restriction f) (i) above is not applicable to a specific Fund, as provided in its investment policy, such Fund may acquire units of UCITS and/or other UCIs referred to in paragraph 1. a) (vi), provided that no more than 20% of a Fund's net assets be invested in the units of a single UCITS or other UCI.

For the purpose of the application of this investment limit, each compartment of a UCITS and/or other UCI with multiple compartments is to be considered as a separate issuer provided that the principle of segregation of the obligations of the various compartments vis-à-vis third parties is ensured.

(iii) Investments made in units of UCIs other than UCITS may not in aggregate exceed 30% of the net assets of a Fund.

(iv) When a Fund invests in the units of UCITS and/or other UCIs linked to the Company by common management or control, or by a substantial direct or indirect holding, no subscription or redemption fees may be charged to the Company on account of its investment in the units of such other UCITS and/or UCIs.

In respect of a Fund's investments in UCITS and other UCIs linked to the Company as described in the preceding paragraph, the total management fee (excluding any performance fee, if any) charged to such Fund and each of the UCITS or other UCIs concerned shall not exceed 2% of the value of the relevant investments. The Company will indicate in its annual report the total management fees charged both to the relevant Fund and to the UCITS and other UCIs in which such Fund has invested during the relevant period.

(v) The Company may acquire no more than 25% of the units of the same UCITS and/or other UCI. This limit may be disregarded at the time of acquisition if at that time the gross amount of the units in issue cannot be calculated. In case of a UCITS or other UCI with multiple compartments, this restriction is applicable by reference to all units issued by the UCITS/UCI concerned, all compartments combined.

(vi) The underlying investments held by the UCITS or other UCIs in which the Funds invest do not have to be considered for the purpose of the investment restrictions set forth under 1. d) above.

g) The Company may not (i) acquire for the benefit of any Fund securities which are partly paid or not paid or involving liability (contingent or otherwise) unless according to the terms of issue such securities will or may at the option of the holder become free of such liabilities within one year of such acquisition and (ii) underwrite or subunderwrite securities of other issuers for any Fund.

h) The Company may not purchase or otherwise acquire any investment in which the liability of the holder is unlimited.

i) The Company may not purchase securities or debt instruments issued by the Investment Managers or any Connected Person or by the Custodian or Registrar and Transfer, Corporate, Domiciliary and Administrative Agent of the Company.

j) The Company may not purchase any securities on margin (except that the Company may, within the limits set forth in clause 2e) below, obtain such short term credit as may be necessary for the clearance of purchases or sales of securities) or make uncovered sales of transferable securities, money market instruments or other financial instruments referred to above; except that the Company may make initial and maintenance margin deposits in respect of futures and forward contracts (and options thereon).

2. Investment in other assets

a) The Company may not purchase real estate, nor acquire any options, rights or interest in respect thereof, provided that the Company may invest for the account of any Fund in securities secured by real estate or interest therein or in securities of companies investing in real estate.

b) The Company may not make investments in precious metals or certificates representing them.

c) The Company may not enter into transactions involving commodities or commodity contracts, except that the Company may, in order to hedge risks, enter into financial futures on such transactions within the limits laid down in clause 3. c) below.

d) The Company may not make loans to other persons or act as a guarantor on behalf of third parties or assume, endorse or otherwise become directly or contingently liable for, or in connection with, any obligation or indebtedness or any person in respect of borrowed monies, provided that for the purpose of this restriction:

   (i) the acquisition of bonds, debentures or other corporate or sovereign debt obligations (whether wholly or partly paid) and investment in securities issued or guaranteed by a member country of the OECD or by any supranational institution, organisation or authority, short term commercial paper, certificates of deposit and bankers' acceptances of prime issuers or other traded debt instruments shall not be deemed to be the making of a loan; and

   (ii) the purchase of foreign currency by way of a back to back loan shall not be deemed to be the making of a loan.

e) The Company may not borrow for the account of any Fund, other than amounts which do not in aggregate exceed 10% of the net assets of the Fund, taken at market value and then only as a temporary measure. The Company may, however, acquire foreign currency by means of a back to back loan.

f) The Company may not mortgage, pledge, hypothecate or in any manner transfer as security for indebtedness, any of the securities or other assets of any Fund, except as may be necessary in connection with the borrowings mentioned in clause e) above. The purchase or sale of securities on a when-issued or delayed-delivery basis, and collateral arrangements with respect to the writing of options or the purchase or sale of forward or futures contracts are not deemed the pledge of the assets.

3. Financial derivative instruments

As specified in clause 1. a) (viii) above, the Company may, in respect of each Fund invest in financial derivative instruments.

The Company shall ensure that the global exposure of each Fund relating to financial derivative instruments does not exceed the total net assets of that Fund. The Fund's overall risk exposure shall consequently not exceed 200% of its total net assets. In addition, this overall risk exposure may not be increased by more than 10% by means of temporary borrowings (as referred to in clause 2. e) above) so that it may not exceed 210% of any Fund's total net assets under any circumstances.

The global exposure relating to financial derivative instruments is calculated taking into account the current value of the underlying assets, the counterparty risk, foreseeable market movements and the time available to liquidate the positions.

Each Fund may invest in financial derivative instruments within the limits laid down in clause 1. a) (viii provided that the exposure to the underlying assets does not exceed in aggregate the investment limits laid down in clause 1. d) (i) to (v). When a Fund invests in index-based financial derivative instruments, these investments do not have to be combined in respect of the limits laid down in clause 1. d). When a transferable security or money market instrument embeds a derivative, the latter must be taken into account when complying with the requirements of this restriction.

The Funds may use financial derivative instruments for investment purposes and for hedging purposes, within the limits of the Law relating to collective investment undertakings. Under no circumstances shall the use of these instruments and techniques cause a Fund to diverge from its investment policy.

For Funds that use financial derivative instruments as a significant element of the investment strategy, Franklin Templeton Investments uses relative Value-at Risk (VaR) analysis, where the VaR of Fund portfolios is compared to the VaR of a no-derivatives benchmark. VaR provides a measure of the potential loss that could arise over a given time interval under normal market conditions, and at a given confidence level. Franklin Templeton Investments uses 1 Month VaR at a 99% confidence level. These VaR statistics are computed daily, using historical daily price movements and relationships and applying these historical relationships to the current portfolio weightings in the Funds. Alerts to the portfolio manager(s) are initiated when the VaR of a Fund reaches 1.8 times the VaR of its benchmark. If a fund reaches 2 times the VaR of the benchmark, the Board of Directors of the Company and regulators are notified in accordance with Luxembourg regulations.

When the investment objective of a Fund indicates a benchmark against which the performance might be compared, the method used to calculate the global exposure may consider a different benchmark than the one mentioned for performance or volatility purposes in the said Fund's investment objective.

Funds that do not employ the VaR approach shall employ the commitment approach to calculate their global exposure.

When using the financial derivative instruments described in the preceding paragraphs within this section, those Funds using the commitment approach must comply with the limits and restrictions in items a) to g) below. Certain Funds may, to the extent described in their respective investment policies, make use of derivatives for investment purposes beyond the limits set forth below.

a) Options on Securities

The Company may deal in options on securities provided the following limitations are observed:

(i) Purchases and sales of options on securities shall be limited so that, upon exercise thereof, none of the other limit percentages would be infringed.

(ii) Put options on securities may be sold provided adequate liquid assets are set aside by the Fund concerned until the expiry of the said put options to cover the aggregate exercise price of the securities to be acquired by the Fund pursuant thereto.

(iii) Call options on securities will only be sold if such sale does not result in a short position; in such event the relevant Fund will maintain in its portfolio the underlying securities or other adequate instruments to cover the position until the expiry date of the relevant call options granted on behalf of such Fund, except that the Company may dispose of the said securities or instruments in declining markets under the following circumstances:

the markets must be sufficiently liquid to enable the Company to cover the short position of that Fund at any time; and

the aggregate of the exercise prices payable under such uncovered options shall not exceed 25% of the net asset value of such Fund.

(iv) No option on securities will be purchased or sold unless it is quoted on an exchange or dealt in on a Regulated Market and provided, immediately after its acquisition, the aggregate of the acquisition prices (in terms of premiums paid) of such options and of all other options acquired for purposes other than hedging held by the relevant Fund does not exceed 15% of its net asset value.

b) Stock Index Options

In order to hedge against the risk of fluctuations in the value of a securities portfolio, the Company may sell call options on stock indices or acquire put options on stock indices provided:

- the commitments deriving therefrom do not exceed the value of the relevant assets to be hedged; and

- the total amount of such transactions does not exceed the level necessary to cover the risk of the fluctuation of the value of the assets concerned.

For the purpose of efficient portfolio management, the Company may acquire call options on stock indices mainly in order to facilitate changes in the allocation of a Fund's assets between markets or in anticipation of a significant market sector advance, provided the value of the underlying securities included in the relevant stock index options is covered by cash, short-term debt securities and instruments owned by such Fund or securities to be disposed of by such Fund at predetermined prices;

provided however that:

- All such options must either be listed on an exchange or dealt in on a Regulated Market; and

- The aggregate acquisition cost (in terms of premium paid) chargeable to a Fund in respect of options on securities and of all options acquired for purposes other than hedging shall not exceed 15% of the net asset value of such Fund.

c) Currency Hedging

The Company may, in respect of each Fund, for the purpose of hedging currency risks, have outstanding commitments in forward currency contracts, currency futures, written call options and purchased put options on currencies and currency swaps either quoted on an exchange or dealt in on a regulated market or entered into with highly rated financial institutions.

Subject to the implementation of the currency hedging techniques below, commitments in one currency may not exceed the aggregate value of securities and other assets held by the Company denominated in such currency (or other currencies that fluctuate in a substantially similar manner to such currency).

In this context, the Company may, in respect of each Fund, engage in the following currency hedging techniques:

- hedging by proxy, i.e. a technique whereby a Fund effects a hedge of the reference currency of the Fund (or benchmark or currency exposure of the assets of the Fund) against exposure in one currency by instead selling (or purchasing) another currency closely related to it, provided however that these currencies are indeed likely to fluctuate in the same manner. Guidelines followed in determining that one currency moves in a substantially similar manner to another currency include the following: i) the correlation of one currency to another currency is proven over a significant period of time to be over 85%; ii) the two currencies are, by explicit government policy, scheduled to participate in European Monetary Union on a set future date (which would include using the Euro itself as a proxy for hedging bond positions denominated in other currencies scheduled to become part of the Euro on a set future date); and iii) the currency used as the hedging vehicle against the other currency is part of a currency basket against which the central bank for that other currency explicitly manages its currency within a band or corridor that is either stable or sloping at a predetermined rate.

- cross–hedging, i.e. a technique whereby a Fund sells a currency to which it is exposed and purchases more of another currency to which the Fund may also be exposed, the level of the base currency being left unchanged, provided however that all such currencies are currencies of the countries which are at that time within the Fund's benchmark or investment policy and the technique is used as an efficient method to gain the desired currency and asset exposures.

- anticipatory hedging, i.e. a technique whereby the decision to take a position on a given currency and the decision to have some securities held in a Fund's portfolio denominated in that currency are separate, provided however that the currency which is bought in anticipation of a later purchase of underlying portfolio securities is a currency associated with those countries which are within the Fund's benchmark or investment policy.

The Company may not, in respect of each Fund, sell forward more currency exposure than there is in underlying assets exposure on either an individual currency (unless hedging by proxy) or a total currency basis.

d) Interest Rate Transactions

In order to hedge against interest rate fluctuations, the Company may sell interest rate futures or write call options or purchase put options on interest rates or enter into interest rate swaps provided:

(i) The commitments deriving therefrom do not exceed the value of the relevant assets to be hedged; and

(ii) The total amount of such transactions does not exceed the level necessary to cover the risk of the fluctuation of the value of the assets concerned.

Such contracts or options must be denominated in the currencies in which the assets of such Fund are denominated, or in currencies which are likely to fluctuate in a similar manner and must be either listed on an exchange or dealt in on a Regulated Market.

For the purpose of efficient portfolio management, the Company may also enter into interest rate futures purchase contracts or acquire call and put options on interest rate futures, mainly in order to facilitate changes in the allocation of the assets of a Portfolio between shorter or longer term markets, in anticipation of a significant market sector advance, or to give a longer term exposure to short term investments, provided always that sufficient cash, short dated debt securities or instruments or securities to be disposed of at a predetermined value exist to match the underlying exposure of both such futures positions and the value of the underlying securities included in call options on interest rate futures acquired for the same purpose and for the same Fund;

provided however that:

(i) All such futures and options on interest rate futures must be either listed on an exchange or dealt in on a Regulated Market, whereas interest rate swap transactions may be entered into privately by agreement with a highly rated financial institution specialised in this type of transaction; and

(ii) The aggregate acquisition cost (in terms of premium paid) chargeable to a Fund in respect of options on securities and of all options acquired for purposes other than hedging, shall not exceed 15% of the net asset value of such Fund.

e) Dealing in Financial and Index Futures

In order to hedge against the risk of fluctuations in the value of the portfolio securities of a Fund, the Company may have outstanding commitments in respect of financial and index futures sales contracts not exceeding the value of the corresponding assets to be hedged.

For the purpose of efficient portfolio management, the Company may also enter into financial and index futures purchase contracts, mainly in order to facilitate changes in the allocation of a Fund's assets between markets or in anticipation of a significant market sector advance provided that:

(i) Sufficient cash, short term debt securities or instruments owned by the Fund concerned or securities to be disposed of by such Fund at a predetermined value exist to match the underlying exposure of both such futures positions and the value of the underlying securities included in call stock index options acquired for the same purpose; and

(ii) All such index futures must be listed on an exchange or dealt in on a Regulated Market.

f) Transactions made for a Purpose other than Hedging

The Company may, for a purpose other than hedging, purchase and sell futures contracts, options on any kind of financial instruments and equity swaps provided that:

(i) The aggregate commitments in connection with the purchase and sale of futures contracts, options on any kind of financial instruments and equity swaps together with the amount of the commitments relating to the writing of call and put options on transferable securities do not exceed at any time the value of the net assets of the relevant Fund;

(ii) The total premiums paid for the acquisition of outstanding call and put options on transferable securities may not together with the total of the premiums paid for the purchase of call and put options outstanding made for a purpose other than hedging exceed 15% of the net assets of the relevant Fund; and

(iii) The Company will only enter into equity swap transactions with highly rated financial institutions specialised in this type of transactions.

For the purpose of efficient portfolio management, the Company may also enter into forward contracts including currency forwards, cross currency forwards (which may result in net short currency exposures) or financial and index futures purchase contracts, provided that the Company has sufficient cash, short-term debt securities and instruments (other than liquid assets held by the Company against put options it has written under paragraph (a) above) and securities to be disposed of to meet payments required by such contracts.

g) Transactions in OTC Options

By derogation to the restrictions set out in paragraphs 3. a), b), c) and d) above, but always within the other limits set forth therein, the Company may purchase or sell over-the-counter ("OTC") options if such transactions are more advantageous to a Fund or if quoted options having the required features are not available, provided such transactions are made with highly rated counterparties specialising in these types of transactions.

The global exposure arising for any Fund from the above transactions may not, at any time, exceed this Fund's net assets.

4. Use of techniques and instruments relating to transferable securities and money market instruments

To the maximum extent allowed by, and within the limits set forth in, the Law relating to collective investment undertakings as well as any present or future related Luxembourg laws or implementing regulations, circulars and the Luxembourg supervisory authority's positions (the "Regulations"), in particular the provisions of (i) article 11 of the Grand-Ducal regulation of February 8, 2008 relating to certain definitions of the Law relating to collective investment undertakings and of (ii) CSSF Circular 08/356 relating to the rules applicable to undertakings for collective investments when they use certain techniques and instruments relating to transferable securities and money market instruments, each Fund may for the purpose of generating additional capital or income or for reducing costs or risks (A) enter, either as purchaser or seller, into optional as well as non optional repurchase transactions and (B) engage in securities lending transactions.

A Fund may utilise up to 50% of its assets for securities lending transactions. The volume of the securities lending transactions of each Fund shall be kept at an appropriate level or each Fund shall be entitled to request the return of the securities lent in a manner that enables it, at all times, to meet its redemption obligations and that these transactions do not jeopardise the management of each Fund's assets in accordance with its investment policy.

A Fund may utilise up to 100% of its assets for repurchase agreement transactions, but a Fund's exposure to any single counterparty in respect of repurchase agreement transactions is limited to (i) 10% of its assets where the counterparty is a credit institution having its registered office in an EU Member State or subject to equivalent prudential rules, and (ii) 5% of its assets in other cases. The volume of the repurchase agreement transactions of each Fund shall be kept at a level such that the Fund is able, at all times, to meet its redemption obligations towards shareholders. Further, each Fund must ensure that, at maturity of the repurchase agreement transactions, it has sufficient assets to be able to settle the amount agreed with the counterparty for the restitution of the securities to the Fund.

The collateral received by each Fund in relation to any of these transactions shall take the form of (i) liquid assets (which includes cash, short term bank certificates and money market instruments as defined in the above referred Grand-Ducal regulation); (ii) bonds issued or guaranteed by a Member State of the Organization for Economic Co-operation and Development ("OECD") or by their local public authorities or by supranational institutions and undertakings with EU, regional or world-wide scope; (iii) shares or units issued by money market undertakings for collective investment calculating a daily net asset value and being assigned a rating of AAA or its equivalent; (iv) shares or units issued by undertaking for collective investment in transferable securities investing mainly in bonds or shares mentioned in (v) and (vi) below; (v) bonds issued or guaranteed by first class issuers offering an adequate liquidity; or (vi) shares admitted to or dealt in on a regulated market of a Member State of the European Union or on a stock exchange of a Member State of the OECD, on the condition that these shares are included in a main index.

As the case may be, cash collateral received by each Fund in relation to any of these transactions may be reinvested in a manner consistent with the investment objectives of such Fund in

(a) shares or units issued by money market undertakings for collective investment calculating a daily net asset value and being assigned a rating of AAA or its equivalent, (b) short-term bank deposits, (c) money market instruments as defined in the above referred Grand-Ducal regulation, (d) short-term bonds issued or guaranteed by an EU member state, Switzerland, Canada, Japan or the United States or by their local authorities or by supranational institutions and undertakings with EU, regional or world-wide scope, (e) bonds issued or guaranteed by first class issuers offering an adequate liquidity, and (f) reverse repurchase agreement transactions according to the provisions described under section I.C.a) of the above referred CSSF Circular. Such reinvestment will be taken into account for the calculation of each concerned Fund's global exposure, in particular if it creates a leverage effect.

The counterparties to repurchase agreement transactions and securities lending transactions must have a minimum credit rating of A- or better, as rated by Standard & Poors, Moody's or Fitch, at the time of the transactions. A counterparty with a credit rating of BBB may also be acceptable where the credit rating of the relevant counterparty is limited by the sovereign debt rating of its domicile country. The collateral received by the Company in respect of repurchase agreements transactions and securities lending transactions may be US Treasury bills or US government agency bonds supported by the full faith and credit of the U.S. government.

Any incremental income generated from repurchase agreement transactions and securities lending transactions will be accrued to the relevant Fund.

5. The Company will in addition comply with such further restrictions as may be required by the regulatory authorities in any country in which the Shares are authorized for sale.

Risk Management

The Company will employ a risk-management process which to monitor and measure the risk of the security positions and their contribution to the overall risk profile of each portfolio. The Company or the Investment Managers will employ a process for accurate and independent assessment of the value of OTC derivative instruments.

The Company has the support of various risk management and control groups which are independent from the Investment Managers who are in charge of making investment management decisions. These control groups are responsible for monitoring the global exposure, general and specific market and counterparty risks, credit risk and the liquidity risk; the concentration rules/investment borrowing rules; the current fair market value of the OTC derivative instruments in accordance with the relevant UCITS law and the Funds' offering document.

For Funds that consider the use of derivatives as core investment objective and not primarily for the purposes of hedging or efficient portfolio management, the Company will assess factors such as the number of derivatives and their complexity and qualify them as "Sophisticated" funds which will require application of enhanced rules of conduct and organization. The assessment process is documented and kept available for inspection by the primary regulator of the Company.

The Company has an organization-wide group called Portfolio Analysis and Investment Risk Management (PAIR) which consists of investment professionals across the globe with complementary risk and investment backgrounds to help manage investment risk for portfolios. By quantifying and decomposing detailed risk data and by applying a unified risk management process, the PAIR group increases the risk awareness of the portfolio managers and monitors risk at portfolio level. The PAIR group conducts periodic reviews of each fund and the frequency of these reviews will depend on factors such as the turnover in the portfolio, market conditions and the performance and volatility of the fund. During the review process, key elements and information on historical risk and performance statistics, historical performance attribution and predicted risk analysis are considered and discussed by investment professionals as appropriate.

For Sophisticated funds the PAIR group completes on a quarterly basis a comparison of predicted tracking error variance with actual, historical tracking error experienced in the fund and such analysis is reviewed by investment professionals. The potential impact and risk of extreme market events on a fund's investment risk parameters will also be reviewed as part of this process. In line with requirements of the Company's investment restrictions, counterparty risk will be monitored at both the issuer and the group level.

All OTC derivatives are valued at current daily market value using multiple independent pricing services and there is a valuation independent committee established to provide oversight and administration of the policies and procedures governing the fair valuation and liquidity determination of securities held by the Funds.

Upon request of an investor, the Company will provide supplementary information relating to the quantitative limits that apply in the risk management of each Fund, to the methods chosen to this end and to the recent evolution of the risks and yields of the main categories of instruments.

PURCHASE AND REDEMPTION OF SHARES

PURCHASES

Minimum Investments

The minimum initial investment per fund is USD1,000 and for subsequent purchases USD500 (except for Class I Shares which have a minimum initial investment of USD5,000,000 and are not subject to any minimum subsequent purchases). Such minimum investment amounts may be waived in whole or in part by the Board of Directors or Principal Distributor. Purchases may be made in US or Hong Kong Dollars, Sterling, Euro or other freely convertible currencies. A Regular Savings Plan may also be started, with monthly contributions of at least USD100 or HKD1,000, except for investment in Class I Shares for which no Regular Savings Plan is available.

Price and Charges

Applications received on or before 4:00 p.m. Hong Kong time on a Business Day in Hong Kong will usually be dealt with on the basis of the Net Asset Value of the relevant fund calculated on the same day in Luxembourg (provided that it is also a Valuation Day in Luxembourg).

The Net Asset Value of each class of Shares of each fund shall be calculated to two decimal places and the purchase price, in the case of Class A Shares, will comprise the Net Asset Value calculated on the Valuation Day plus an initial sales charge which will not exceed 5% of the amount of the transaction (see "Charges and Expenses" below). In the case of Class B Shares and Class I Shares, no initial sales charge is imposed at the time of purchase.

Payment by Cheque or Bank Draft

Payments in Hong Kong or US Dollars can be made by cheque payable to "Franklin Templeton Investment Funds" (crossed "A/C payee only, not negotiable"). Payment can also be made by cheque or bank draft in other freely convertible currencies. Purchases made by Hong Kong Dollar cheques or bank drafts in any freely convertible currency will be dealt with immediately. Cheques and bank drafts in currencies other than Hong Kong or US dollars will be sent for collection by the Company. Purchases will usually be dealt with immediately, but no redemption or switching transactions may be made until the initial transaction has been completed.

Subscription monies in cleared funds must be paid within four (4) Business Days from the date of application. If timely settlement is not made, an application may lapse and be cancelled. In such circumstances, the Company has the right to bring an action against the defaulting Applicant to obtain compensation for any loss directly or indirectly resulting from the failure by the Applicant to make good settlement by the settlement date. The Board of Directors may decide from time to time, with respect to specific applications for subscriptions, that subscription monies in cleared funds must be received on the Valuation Day.

Where payments are accepted by cheque, the right is reserved to defer the acceptance of the application until cleared monies are received and no post-dated cheques will be accepted. Cleared monies are invested net of any bank charges. No money should be paid to any intermediary in Hong Kong who is not licensed or registered to carry on the Type 1 (dealing in securities) regulated activity under Part V of the Securities and Futures Ordinance in Hong Kong. The Board of Directors of the Funds reserve the right to refuse any application. Any application monies not accepted will be returned to the Applicant at their own risk, and without interest.

Payment by Telegraphic Transfer

Payment can be made by telegraphic transfer (or bank wire). If you make your payment by telegraphic transfer you should enclose a copy of the remittance instruction with your application. Please also instruct your bank to advise us of the remittance of your funds, and indicate the full name of the investor on whose behalf the payment is made. No responsibility will be accepted by Franklin Templeton for reconciling investor's remittances where problems occur in the transmission or as a result of inadequate details of the transfer.

Investors should note that bank charges in connection with the telegraphic transfer may be deducted from the proceeds of the transfer by the remitting bank, correspondents, agents or sub-agents of the receiving bank may also deduct bank charges from the remittance. The amount invested will therefore be the amount of money actually received by Franklin Templeton Investments for investment. Payments can be made directly into the funds' bank accounts, in US or HK Dollars, as set out below. Please enclose a copy of the bank pay-in slip with your application.

Bank Details:

	US dollars	**Hong Kong dollars**
Beneficiary Bank:	J. P. Morgan Chase Bank Hong Kong	J. P. Morgan Chase Bank Hong Kong
Account number:	68-748-00151	68-398-00056
Account name:	Franklin Templeton Investment Funds	Franklin Templeton Investment Funds

Investors should note that subscription applications for Share amounts must be settled in the relevant sub-fund's base currency.

Investors should also note that it is the Company's policy not to accept unrelated third party payments.

Payments may also be made in the following currencies, for which bank details are available from the Hong Kong Representative on request: Sterling, Euro, Australian Dollar, Japanese Yen, Singapore Dollar. Bank charges may be deducted by the remitting bank for currency conversion and such charges will be borne by the investor.

All classes of Shares are issued in registered form only. Unless otherwise requested, shares are issued without certificates. If certificates are requested, they will be mailed at the investor's risk, following receipt of a written request. The Board of Directors of the Funds reserve the right to refuse requests for physical certificates.

None of the Company, the Investment Managers, the Registrar's agent shall be responsible or liable to any applicant or Shareholder for any loss resulting from the non-receipt of any application form, by whichever method is sent (including non-receipt of facsimile application forms).

The Articles allow the Company to exclude or restrict the holding of Shares by any person or company. Pursuant thereto, the beneficial ownership of Shares in the Company by US Persons is excluded except in a transaction that does not violate US law. The sale of Shares to or on behalf of any person in any other jurisdiction is excluded except in a transaction that complies with the laws of that jurisdiction. The Company is entitled to require any person applying for, or claiming ownership rights in, any Shares to provide satisfactory information to establish that person's nationality and country of residence.

The right is reserved by the Board of Directors to reject any application. In addition, the Board of Directors reserves the right at any time, without notice, to discontinue the issue or sale of Shares pursuant to this Explanatory Memorandum.

REDEMPTIONS

Instructions and Payments

An investor wishing to redeem Shares should complete a Redemption Form, and send it to the Hong Kong Representative. Redemption instructions received by the Hong Kong Representative on or before 4:00 p.m. Hong Kong time on a Business Day in Hong Kong will usually be dealt with on the basis of the Net Asset Value of the relevant fund calculated on the same day in Luxembourg (provided that it is also a Valuation Day in Luxembourg). Following receipt of original completed documentation, the proceeds will normally be paid to your bank account by telegraphic transfer in US or Hong Kong dollars, or other major currencies upon request, within seven (7) Business Days in Hong Kong and in any event not later than one month after the receipt of a properly documented redemption request from the shareholder.

Payment in other currencies may take longer to settle. Payments are usually shown on investors' bank accounts on the date following the settlement date. Investors should note that bank charges may be deducted by the receiving bank or the bank's correspondents, agents or sub-agents. The Company will only make payments to bank accounts in the name of the registered holder(s). In order to protect the account holder, the Company will not accept instructions to pay to third parties. Any request to redeem Shares may not be executed until any previous transaction involving the Shares to be redeemed has been completed and full settlement on those Shares received. Such request to redeem will be dealt with at the Net Asset Value per Shares determined on the Valuation Day during which the previous transaction is completed and fully settled.

The Company reserves the right not to be bound to redeem or exchange on any one Valuation Day more than 10% of the value of the Shares of any class then in issue or the Shares of sub-classes related to a single pool of assets. In these circumstances, the Board of Directors may declare that part or all of such Shares for redemption will be deferred for a next bank business day (in any event not exceeding ten (10) bank business days) and will be valued at the relevant net asset value per Share determined on the Valuation Day(s) on which the Shares are redeemed. On such Valuation Day(s) these requests for redemption will be complied with in priority to later requests.

In the case of a partial redemption of a holding, the minimum value of a holding remaining in any one fund after such a partial redemption must amount to not less than USD1,000 (except for Class I Shares which are not subject to any minimum value of remaining holding). Otherwise, the Board of Directors may, in its discretion, redeem the remaining shares balance.

Redemption Charges

Investors holding Class B Shares should note that the proceeds of redemption of Shares within four years of purchase are subject to a contingent deferred sales charge. For further details, please see "Charges and Expenses".

SWITCHING BETWEEN FUNDS

Shareholders may switch their shares in one fund to shares of the same class in another fund at any time. The minimum switch allowed is USD1,000. In the case of a partial switch of a Shareholding, the value of the remaining holding should be at least USD1,000 (except for Class I Shares which are not subject to any minimum value of remaining holding). A charge of 1% of the value of the Shares being switched will be made when an investor switches between funds. Such minimum switching amount and switching charge can be waived in whole or in part by the Principal Distributor.

Any switch from Class B Shares or Class N Shares of any fund may only be made into Class B Shares or Class N Shares (respectively) of another fund, which issues Class B Shares or Class N Shares (as appropriate) of the same currency. In the event of such a switch:

- no contingent deferred sales charge and no switching fee will be applied on the switching transaction

- the other terms and conditions relating to switching of shares shall apply

- the period of time during which the Class B Shares were held in the previous fund will be added to the period of time for which those shares are held in the new (switched) Fund. Accordingly, the contingent deferred sales charge applicable upon the ultimate redemption or switching of those Class B Shares from the new fund shall be calculated on the aggregate period for which those shares were held in both the previous fund from which they were switched, and in the new fund into which they were switched.

MARKET TIMING

Additionally, the Company does not knowingly allow investments by market timers. In general, market timers include any person or group that uses market timing or asset allocation services, accounts administered so as to buy, sell or exchange shares based on predetermined market indicators, or any person or group whose transactions seem to follow a timing pattern or whose transactions include frequent or large exchanges. The Company will combine shares under common ownership or control for purposes of ascertaining whether a person or group constitutes a market timer. To that end, the Board of Directors reserves the right to refuse to issue shares to investors whom it considers market timers.

DEALINGS IN THE FUNDS

Dealings in the Funds (including but not limited to Issue, switch and redemption of shares in the Funds) would usually take place on a Valuation Day. The Hong Kong Representative will only accept dealings instructions on a Business Day in Hong Kong. In respect of dealings instruction received by the Hong Kong Representative on a Business Day in Hong Kong at or before 4 p.m. Hong Kong time, the instruction will usually be dealt with on the basis of the Net Asset Value of the relevant fund calculated on the same day in Luxembourg or would this day not be a Valuation Day, on the immediately following Valuation Day.

Dealing instructions received after 4 p.m. Hong Kong time by the Hong Kong Representative on a Business Day in Hong Kong will usually be dealt with on the next Business Day in Hong Kong (unless specifically agreed otherwise with the Hong Kong Representation for any exception).

None of the Company, the Investment Managers, the Registrar's agent shall be responsible or liable to any applicant or Shareholder for any loss resulting from the non-receipt of any application form, redemption form or switching form, by whichever method is sent (including non-receipt of facsimile).

REGULAR SAVINGS PLAN

In addition to making single investments into selected Funds, a Regular Savings Plan can be commenced (except for investment in Class I Shares for which no Regular Savings Plan is available), enabling accumulation of savings, benefiting from Dollar-cost-averaging. (A separate brochure on the Franklin Templeton Regular Savings Plan is available on request.) The minimum monthly payment by bankers' order is USD100, or HKD1,000 if by autopay in Hong Kong Dollars Investments made under the Plan should be paid by bankers' order or autopay payable on the first Business Day in Hong Kong of each month, and will be invested on the fourth Business Day in Hong Kong, following confirmation of receipt of cleared funds into the account of the funds. All interest earned on subscription monies is accrued for the benefit of the funds. All dividends will be reinvested into the client's account, and will not be paid in cash. No share certificates will be issued.

Regular Saving Plan account holders may suspend their monthly contribution from time to time by notifying to the Hong Kong Representative. Account holders will receive monthly transaction confirmations showing their account holding balance. There are no additional charges for investors to operate the Plan, and no early redemption or other charges in the event of termination of contributions. In the case of their amount holding balance is less than USD1,000, the Board of Directors may, in its discretion, redeem the holding balance. If Class B Shares are used in the Plan, they will be subject to the normal charges for early redemption. (See "Charges and Expenses" for details.) Class N Shares will only be available to existing Regular Saving Plan account holders.

BUSINESS DAY IN HONG KONG

For the purpose of receiving applications for the issue, redemption and switching of Shares in any of the Funds of the Company in a Business Day in Hong Kong by the Hong Kong Representative, Business Day in Hong Kong means any day other than Saturday on which banks in Hong Kong are open for normal banking business provided that where, as a result of a number 8 typhoon signal or higher or a black rain storm warning or other similar event, the period during which banks in Hong Kong are open for normal banking business on any day is reduced, such day shall not be a Business Day in Hong Kong unless the Hong Kong Representative otherwise determines (the Hong Kong Representative may without notice to investors and shareholders determine that such day shall not be a Business Day in Hong Kong). The Hong Kong Representative and/or the Board of Directors of the Fund have the discretion not to accept any dealing instructions in the Funds (including but not limited to applications or instructions for the issue, redemption and switching of Shares in any of the Funds of the Company).

VALUATION DAY

The valuation day for each fund is any day on which the New York Stock Exchange is open or any full day on which banks in Luxembourg are open for normal business (other than during a suspension of normal dealing).

PRICES

The most recent dealing prices may be obtained by telephoning the Hong Kong Representative on Hong Kong (852) 2877 7733. The Net Asset Value prices are also published daily in the South China Morning Post and Hong Kong Economic Times. Prices may also be obtained on the Internet at http://www.franklintempleton.com.hk.

CHARGES AND EXPENSES

CLASS A SHARES

Initial Sales charges

Class A Shares in the Funds are purchased at their Net Asset Value prices, after deduction of an initial sales charge not exceeding 5% of the amount invested. Where the amount invested exceeds certain thresholds, a lower initial sales charge may be applicable.

For any investment in Franklin U.S. Dollar Liquid Reserve Fund and Templeton Euro Liquid Reserve Fund, the initial sales charge may be waived in whole or in part by the Principal Distributor subject to the Principal Distributor's discretion to impose an initial sales charge of up to 5% of the amount to be switched out of Franklin U.S. Dollar Liquid Reserve Fund or Templeton Euro Liquid Reserve Fund to other Funds.

Annual Management Fees

Fund Name **Class A Shares**	**Investment Management Fee**	**Maintenance Charge**	**Aggregate Charge**
Franklin Asian Flex Cap Fund	1.00%	up to 0.50%	up to 1.50%
Franklin Biotechnology Discovery Fund	1.00%	up to 0.50%	up to 1.50%
Franklin European Small-Mid Cap Growth Fund	1.00%	up to 0.50%	up to 1.50%
Franklin Global Real Estate Fund (previously named Franklin Global Real Estate (USD) Fund)	1.00%	up to 0.50%	up to 1.50%
Franklin Gold and Precious Metals Fund	1.00%	up to 0.50%	up to 1.50%
Franklin High Yield Fund	0.80%	up to 0.40%	up to 1.20%
Franklin Income Fund	0.85%	up to 0.50%	up to 1.35%
Franklin India Fund	1.00%	up to 0.50%	up to 1.50%
Franklin MENA Fund	1.50%	up to 0.50%	up to 2.00%
Franklin Mutual Beacon Fund	1.00%	up to 0.50%	up to 1.50%
Franklin Mutual European Fund	1.00%	up to 0.50%	up to 1.50%
Franklin Mutual Global Discovery Fund	1.00%	up to 0.50%	up to 1.50%
Franklin Natural Resources Fund	1.00%	up to 0.50%	up to 1.50%
Franklin Technology Fund	1.00%	up to 0.50%	up to 1.50%
Franklin Templeton Global Growth and Value Fund	1.00%	up to 0.50%	up to 1.50%
Franklin Templeton Japan Fund	1.00%	up to 0.50%	up to 1.50%
Franklin U.S. Dollar Liquid Reserve Fund (previously named Templeton U.S. Dollar Liquid Reserve Fund)	0.30%	up to 0.10%	up to 0.40%
Franklin U.S. Equity Fund	1.00%	up to 0.50%	up to 1.50%
Franklin U.S. Government Fund	0.65%	up to 0.30%	up to 0.95%
Franklin U.S. Opportunities Fund	1.00%	up to 0.50%	up to 1.50%
Franklin U.S. Small-Mid Cap Growth Fund	1.00%	up to 0.50%	up to 1.50%
Franklin World Perspectives Fund	1.00%	up to 0.50%	up to 1.50%
Templeton Asian Bond Fund	0.75%	up to 0.30%	up to 1.05%
Templeton Asian Growth Fund	1.35%	up to 0.50%	up to 1.85%
Templeton Asian Smaller Companies Fund	1.35%	up to 0.50%	up to 1.85%

Fund Name Class A Shares	Investment Management Fee	Maintenance Charge	Aggregate Charge
Templeton BRIC Fund	1.60%	up to 0.50%	up to 2.10%
Templeton China Fund	1.60%	up to 0.50%	up to 2.10%
Templeton Eastern Europe Fund	1.60%	up to 0.50%	up to 2.10%
Templeton Emerging Markets Fund	1.60%	up to 0.50%	up to 2.10%
Templeton Emerging Markets Bond Fund	1.00%	up to 0.50%	up to 1.50%
Templeton Emerging Markets Smaller Companies Fund	1.60%	up to 0.50%	up to 2.10%
Templeton Euro Government Bond Fund	0.50%	up to 0.20%	Up to 0.80%
Templeton Euro High Yield Fund (previously named Franklin High Yield (Euro) Fund)	0.80%	Up to 0.40%	Up to 1.20%
Templeton Euro Liquid Reserve Fund	0.30%	up to 0.10%	up to 0.40%
Templeton Euroland Fund	1.00%	up to 0.50%	up to 1.50%
Templeton European Fund	1.00%	up to 0.50%	up to 1.50%
Templeton Frontier Markets Fund	1.60%	up to 0.50%	up to 2.10%
Templeton Global Fund	1.00%	up to 0.50%	up to 1.50%
Templeton Global (Euro) Fund	1.00%	up to 0.50%	up to 1.50%
Templeton Global Balanced Fund	0.80%	up to 0.50%	up to 1.30%
Templeton Global Bond Fund	0.75%	up to 0.30%	up to 1.05%
Templeton Global Equity Income Fund	1.00%	up to 0.50%	up to 1.50%
Templeton Global High Yield Fund	0.85%	up to 0.50%	up to 1.35%
Templeton Global Income Fund	0.85%	up to 0.50%	up to 1.35%
Templeton Global Smaller Companies Fund	1.00%	up to 0.50%	up to 1.50%
Templeton Global Total Return Fund	0.75%	up to 0.30%	up to 1.05%
Templeton Korea Fund	1.60%	up to 0.50%	up to 2.10%
Templeton Latin America Fund	1.40%	up to 0.50%	up to 1.90%
Templeton Thailand Fund	1.60%	up to 0.50%	up to 2.10%

The Investment Managers receive from the Company a monthly investment management fee equivalent to a certain percentage (detailed above) per annum of each fund's applicable adjusted daily net assets during the year. At least one month prior notice will be given to all shareholders in respect of any increase of the annual fee from the current level as stated in this Explanatory Memorandum up to the maximum level permitted by the constitutive document of the Funds.

Maintenance Charge

In the case of Class A Shares, a maintenance charge of USD to a certain percentage per annum of the applicable average net asset value is deducted and paid to the Principal Distributor in order to compensate the Principal Distributor for any expenses incurred by it in connection with Shareholders liaison and administration of the Shares. The charge is accrued daily and paid monthly to the Principal Distributor.

CLASS B SHARES

Share Conversion

Starting from January 2011, Class B Shares will be automatically converted into Class A Shares of the same Fund on the monthly scheduled conversion date fixed by the Transfer Agent upon or following the expiry of 84 months after the date of their purchase. As a result, the terms and other conditions applicable to such Shares shall become those applicable to Class A Shares. No initial sales charge will apply to the conversion from Class B Shares to Class A Shares.

Initial Sales Charge

Class B Shares are purchased at their Net Asset Value price, without deduction of an initial sales charge

Annual Management Fees

Fund Name Class B Shares	**Investment Management Fee**	**Maintenance Charge (up to)**	**Servicing Charge**	**Aggregate Charge (up to)**
Franklin Asian Flex Cap Fund	1.00%	0.75%	1.06%	2.81%
Franklin Biotechnology Discovery Fund	1.00%	0.75%	1.06%	2.81%
Franklin European Small-Mid Cap Growth Fund	1.00%	0.75%	1.06%	2.81%
Franklin Global Real Estate Fund (previously named Franklin Global Real Estate (USD) Fund)	1.00%	0.75%	1.06%	2.81%
Franklin High Yield Fund	0.80%	0.75%	1.06%	2.61%
Franklin Income Fund	0.85%	0.75%	1.06%	2.66%
Franklin India Fund	1.00%	0.75%	1.06%	2.81%
Franklin MENA Fund	1.50%	0.75%	1.06%	3.31%
Franklin Mutual Beacon Fund	1.00%	0.75%	1.06%	2.81%
Franklin Mutual European Fund	1.00%	0.75%	1.06%	2.81%
Franklin Mutual Global Discovery Fund	1.00%	0.75%	1.06%	2.81%
Franklin Technology Fund	1.00%	0.75%	1.06%	2.81%
Franklin Templeton Global Growth and Value Fund	1.00%	0.75%	1.06%	2.81%
Franklin U.S. Dollar Liquid Reserve Fund (previously named Templeton U.S. Dollar Liquid Reserve Fund)	0.30%	0.75%	1.06%	2.11%
Franklin U.S. Equity Fund	1.00%	0.75%	1.06%	2.81%
Franklin U.S. Government Fund	0.65%	0.75%	1.06%	2.46%
Franklin U.S. Opportunities Fund	1.00%	0.75%	1.06%	2.81%
Templeton Asian Bond Fund	0.75%	0.75%	1.06%	2.56%
Templeton Asian Growth Fund	1.35%	0.75%	1.06%	3.16%
Templeton Asian Smaller Companies Fund	1.35%	0.75%	1.06%	3.16%
Templeton BRIC Fund	1.60%	0.75%	1.06%	3.41%
Templeton Eastern Europe Fund	1.60%	0.75%	1.06%	3.41%
Templeton Emerging Markets Fund	1.60%	0.75%	1.06%	3.41%
Templeton Emerging Markets Bond Fund	1.00%	0.75%	1.06%	2.81%
Templeton Frontier Markets Fund	1.60%	0.75%	1.06%	3.41%
Templeton Global Fund	1.00%	0.75%	1.06%	2.81%
Templeton Global Balanced Fund	0.80%	0.75%	1.06%	2.61%
Templeton Global Bond Fund	0.75%	0.75%	1.06%	2.56%
Templeton Global Equity Income Fund	1.00%	0.75%	1.06%	2.81%
Templeton Global Income Fund	0.85%	0.75%	1.06%	2.66%
Templeton Global Total Return Fund	0.75%	0.75%	1.06%	2.56%
Templeton Latin America Fund	1.40%	0.75%	1.06%	3.21%

The Investment Managers receive from the Company a monthly investment management fee equivalent to a specified percentage (detailed above) per annum of the applicable adjusted daily net asset value of the Class B Shares issued in each fund. The relevant rates are specified in the table above. At least one month prior notice will be given to all shareholders in respect of any increase of the annual fee from the current level as stated in this Explanatory Memorandum up to the maximum level permitted by the constitutive document of the Funds.

Maintenance Charge

In addition, in the case of Class B Shares, a maintenance charge of up to 0.75% per annum of the applicable average net asset value is deducted and paid to the Principal Distributor, in order to compensate the Principal Distributor for any expenses incurred by it in connection with shareholders liaison and administration of the shares and the handling of the CDSC. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor.

The maintenance charge paid to the Principal Distributor may be used to defray certain charges for individual investors or for particular groups of investors.

Servicing Charge

In addition, in the case of Class B Shares, a servicing charge of 1.06% per annum of the applicable average net asset value is deducted and paid to the Principal Distributor and/or other party (as described above), in order to compensate the Principal Distributor and/or other party for any financing costs and expenses incurred by it in connection with sales of Class B Shares. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor and/or other party.

Redemption Charge

Class B Shares are subject to an early redemption charge, if they are redeemed within 4 years of purchase. The amount of the contingent deferred sales charge (CDSC) payable on redemption is calculated by multiplying the percentages set out in the table below by the lesser of:

- the current value of the Class B Shares being redeemed; or
- their net asset value at the time they were purchased

Redemption During:	**CDSC as a percentage of Net Asset Value At Redemption**
1st Year following Purchase	4%
2nd Year following Purchase	3%
3rd Year following Purchase	2%
4th Year following Purchase	1%
5th Year following Purchase	None

Amounts assessed as a CDSC are paid to the Principal Distributor, or any other party that the Company may appoint from time to time, to defray distribution costs incurred by the Principal Distributor or that other party. The CDSC may be waived in whole or in part by the Principal Distributor and/or that other party at its discretion, either for individual investors or for particular groups of investors.

Commission rebates are paid to authorised agents of the Company out of the charges retained by the Share Distributor or Hong Kong Representative.

Minimisation of CDSC – Class B Shares

In order to keep the CDSC as low as possible, each time a request to redeem Class B is placed, any Class B Shares in the Shareholder's account which are not subject to a CDSC will be sold first. If there are not enough of these to meet the redemption request, additional shares will be redeemed in the order in which they were purchased.

In determining the applicability and rate of any CDSC, therefore, it will be assumed in a redemption of Class B Shares that:

- first a redemption will be made of those shares representing reinvestment of dividends
- then, a redemption will be made of the remaining shares held by the Shareholder for the longest period of time.

The holding period for the purposes of applying a CDSC on Class B Shares of a particular fund which were acquired through an exchange of Class B from another fund will be measured from the date that the Class B Shares were initially acquired in the other fund. This will also ensure that the CDSC is imposed at the lowest possible rate.

Shares Issued Upon Reinvestment of Dividends

Shares issued pursuant to the automatic reinvestment of dividends are not subject to any initial sales charge or any CDSC.

The Transfer Agent reserves the right to require additional information from the investor for large purchases into Class B Shares.

CLASS I SHARES

Availability

Class I Shares are only offered to institutional investors as defined from time to time by the guidelines or recommendations of the competent Luxembourg financial supervisory authority (please refer below for the list of qualifying institutional investors), in certain limited circumstances, for distribution in certain countries and/or through certain sub- distributors and/or professional investors at the discretion of the Principal Distributor.

The list of qualifying institutional investors are:

1. Institutional Investors stricto sensu, such as banks and other professionals of the financial sector, insurance and reinsurance companies, social security and pension funds, charitable institutions, industrial, commercial and financial group companies, all subscribing on their own behalf, and the structures which such Institutional Investors put into place for the management of their own assets.
2. Credit institutions and other professionals of the financial sector investing in their own name but on behalf of Institutional Investors as defined above.
3. Credit institutions and other professionals of the financial sector established in Luxembourg or abroad which invest in their own name but on behalf of their non institutional clients on

the basis of a discretionary management mandate.

4. Collective investment undertakings established in Luxembourg or abroad.
5. Holding companies or similar entities, whether Luxembourg-based or not, whose shareholders are Institutional Investors as described in the foregoing paragraphs.
6. Holding companies or similar entities, whether Luxembourg-based or not, whose shareholder(s)/ beneficial owner(s) is/are individual person(s) which is/are extremely wealthy and may reasonably be regarded as sophisticated investor(s) and where the purpose of the holding company is to hold important financial interest/investments for an individual or a family.
7. A holding company or similar entity, whether Luxembourg based or not, which as a result of its structure and activity has a true substance and holds important financial interests/ investments.

By applying for Class I Shares, an investor represents to the Company that it qualifies as one or more of the types of institutional investors listed hereabove and agrees to indemnify the Company and/ or any other entity of Franklin Templeton Investments against any and all damage, losses, costs or other expenses they may incur as a result of acting in a good faith upon such representation.

The Principal Distributor shall have full discretion to approve or reject applications for Class I Shares in the Funds and shall not be required to give any reason for its refusal.

Class I Shares have a minimum initial investment of USD 5,000,000, which may be waived in whole or part at the discretion of the Principal Distributors.

Annual Management Fees

Fund Name **Class I Shares**	**Investment Management Fee**
Franklin India Fund	0.70%
Franklin Mutual Beacon Fund	0.70%
Franklin Mutual European Fund	0.70%
Franklin Mutual Global Discovery Fund	0.70%
Franklin MENA Fund	1.05%
Franklin Natural Resources Fund	0.70%
Franklin Templeton Japan Fund	0.70%
Franklin U.S. Government Fund	0.40%
Franklin World Perspectives Fund	0.70%
Templeton Asian Bond Fund	0.55%
Templeton Asian Growth Fund	0.90%
Templeton Asian Smaller Companies Fund	0.90%
Templeton BRIC Fund	1.10%
Templeton Eastern Europe Fund	1.10%
Templeton Emerging Markets Fund	1.10%
Templeton Emerging Markets Bond Fund	0.70%
Templeton Emerging Markets Smaller Companies Fund	1.10%
Templeton Frontier Markets Fund	1.10%

Fund Name Class I Shares	Investment Management Fee
Templeton Global Bond Fund	0.55%
Templeton Global Equity Income Fund	0.70%
Templeton Global Income Fund	0.60%
Templeton Global Total Return Fund	0.55%
Templeton Korea Fund	1.10%
Templeton Latin America Fund	1.00%

The Investment Managers receive from the Company a monthly investment management fee equivalent to a certain percentage (detailed above) per annum of each fund's applicable adjusted daily net assets during the year.

CLASS N SHARES

Availability

Class N Shares are available on a limited basis only, at the discretion of the Principal Distributor and the sale or issue of Class N Shares can be restricted to:

- existing instructions for automatic reinvestment of dividends
- existing Regular Savings Plan (RSP) instructions
- existing N Shareholders, with the prior approval of the Principal Distributor
- certain sub-distributors, dealers, advisers or professional investors, with the prior approval of the Principal Distributor.

The Principal Distributor shall have full discretion to approve or reject applications for Class N Shares in the Funds and shall not be required to give any reason for its refusal. Investors should note that Class N Shares in the Franklin U.S. Dollar Liquid Reserve Fund will not be available for initial purchase, and will only be issued upon a switch from Class N Shares in another Fund.

Initial Sales Charge

For Class N Shares, an initial sales charges of up to 3% of the total amount invested will be applied. The initial sales charges may be waived in whole or in part by the Principal Distributor either for individual investors or for particular group of investors.

Annual Management Fees

Fund Name Class N Shares	Investment Management Fee	Distribution Charge (up to)	Aggregate Charge (up to)
Franklin High Yield Fund	0.80%	1.25%	2.05%
Franklin Income Fund	0.85%	1.25%	2.10%
Franklin India Fund	1.00%	1.25%	2.25%
Franklin MENA Fund	1.50%	1.25%	2.75%
Franklin Mutual Beacon Fund	1.00%	1.25%	2.25%
Franklin Mutual European Fund	1.00%	1.25%	2.25%

Fund Name Class N Shares	Investment Management Fee	Distribution Charge (up to)	Aggregate Charge (up to)
Franklin Mutual Global Discovery Fund	1.00%	1.25%	2.25%
Franklin U.S. Equity Fund	1.00%	1.25%	2.25%
Franklin U.S. Government Fund	0.65%	1.25%	1.90%
Franklin U.S. Small-Mid Cap Growth Fund	1.00%	1.25%	2.25%
Templeton Asian Bond Fund	0.75%	1.25%	2.00%
Templeton Asian Growth Fund	1.35%	1.25%	2.60%
Templeton BRIC Fund	1.60%	1.25%	2.85%
Templeton Eastern Europe Fund	1.60%	1.25%	2.85%
Templeton Emerging Markets Fund	1.60%	1.25%	2.85%
Templeton European Fund	1.00%	1.25%	2.25%
Templeton Global Fund	1.00%	1.25%	2.25%
Templeton Global Bond Fund	0.75%	1.25%	2.00%
Templeton Global Equity Income Fund	1.00%	1.25%	2.25%
Templeton Global Income Fund	0.85%	1.25%	2.10%
Templeton Global Smaller Companies Fund	1.00%	1.25%	2.25%
Templeton Global Total Return Fund	0.75%	1.25%	2.00%
Templeton Latin America Fund	1.40%	1.25%	2.65%

The Investment Managers receive from the Company a monthly investment management fee equivalent to a certain percentage (described above) per annum of each fund's applicable adjusted daily net assets during the year. At least one month prior notice will be given to all shareholders in respect of any increase of the annual fee from the current level as stated in this Explanatory Memorandum up to the maximum level permitted by the constitutive document of the Funds.

In addition to any other terms, Class N Shares are subject to a distribution charge of up to 1.25% per annum of the applicable average net asset value, deducted and paid to the Principal Distributor for providing distribution and Shareholder liaison services to the Company. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor.

Commission rebates are paid to authorised agents of the Company out of the initial charges retained by the Share Distributor or Hong Kong Representative.

OTHER FEES

As remuneration for the services rendered to the Company as Custodian of the Company, J. P. Morgan Bank Luxembourg S.A. will receive an annual fee ranging from 0.01% to 0.14% of the net asset values of the different Funds, depending on the nature of the investments of the Funds. Such fee will be calculated and accrued daily and will be paid monthly in arrears to the Custodian by the Company.

Franklin Templeton International Services S.A., in its respective capacities of Registrar and Transfer, Corporate, Domiciliary and Administrative Agent, will receive as remuneration a maximum annual fee of 0.2% of the net asset value of the Company plus an additional fixed amount of USD50 per Shareholder account at the relevant Class level over a one (1) year period. Starting from 1 January 2011, the remuneration will change to a maximum annual fee of 0.2175% of the net asset value of the

Company plus an additional fixed amount of USD30 per Shareholder account at the relevant Class level over a one (1) year period (for example, if an account is open for one month, the Company will pay Franklin Templeton International Services S.A. USD30/12 for that account for that month). Such fees will be calculated and accrued daily and will be paid monthly in arrears to Franklin Templeton International Services S.A. by the Company.

The Investment Managers may, from time to time, pay a part of their investment management fee to various sub-distributors, intermediaries and/or dealers as compensation for rendering shareholder services to their respective clients.

No connected person of the Company is entitled to brokerage or other transaction benefits. Moreover, neither the Company nor any of its connected persons may retain cash or other rebates from a broker or dealer.

The fees of all the appointed Sub-Advisors will be borne by the Investment Managers.

Consistent with obtaining the best execution, brokerage commissions on portfolio transactions for the Company may be directed by the Investment Managers to broker-dealers in recognition of research services furnished by them as well as for services rendered in the execution of orders by such broker-dealers. Any such brokerage commissions will be at rates not in excess of customary institutional full-service brokerage rates, and any goods and services received will be of demonstrable benefit to the funds.

The receipt of investment research and information and related services permits the Investment Managers to supplement their own research and analysis and makes available to them the views and information of individuals and research staffs of other firms. Such services do not include travel, accommodation, entertainment, general administrative goods or services, general office equipment or premises, membership fees, employee salaries or direct money payment, which are paid by the Investment Managers.

The Company bears its other operational costs including, but not limited to, costs of buying and selling underlying securities, governmental and regulatory charges, legal and auditing fees, interest, reporting and publication expenses, postage, telephone and facsimile. All expenses are estimated and accrued daily in the calculation of the net asset value of each fund, and are capped at certain levels as set forth in the annual report of the funds. No advertising expenses other than the costs of preparation and printing of the Explanatory Memorandum and any offering circular in relation to one or more funds and the reports and accounts will be borne by the Company.

The costs and expenses incurred for adding additional funds to the Company are considered as expense items for the relevant fund and shall be borne by the Company. The Company currently does not have any outstanding establishment costs.

DIVIDENDS AND ACCOUNTS

DIVIDENDS

It is the intention of the directors of the Company to recommend distribution of substantially the whole of each fund's net investment income attributable to the distribution Shares in each year. Subject to any legal or regulatory requirements, dividends may also be paid out of the capital of such Funds.

It is anticipated that distributions will be made under normal circumstances as set out in the table below:

Share name	Dividends Declared	Payments
A (Mdis), B (Mdis), and N (Mdis)	Monthly	Start of each calendar month
A (Qdis) and B (Qdis)	Quarterly	Start of January, April, July and October
A (Ydis)	Yearly	July or August

Except for accumulation shares as more fully described below, unless otherwise requested at the time of application, or by subsequent written request, dividends are automatically reinvested to purchase further Shares of the fund(s) from which they are paid. There are no initial charges or contingent deferred sales charges applicable to reinvested dividends. In the event that dividends are to be paid in cash in the currency of the particular fund, or at the shareholders expense in any other freely exchangeable currency, they will be paid to holders by telegraphic transfer or cheque mailed to their last known address. Dividend cheques not cashed within 5 years will be forfeited and will accrue for the benefit of the relevant fund.

No distribution of dividends shall be made in respect of Class A (acc), Class B (acc), Class I (acc) and Class N (acc) Shares, but the net income attributable will be reflected in the increased value of the Shares. In order to receive dividends on distribution Shares, holders must be registered as holders of such distribution Shares on the register of Shareholders on the Valuation Day determined by the Company as being the record date.

It should be remembered that dividend distributions are not guaranteed, that the Funds do not pay interest and that the price of Shares in the Funds and any income earned on the Shares may go down as well as up.

ACCOUNT STATEMENTS

Whenever a transaction (e.g. purchase, switch or redemption) within the Funds is effected, the shareholder will receive a statement to detail the information which includes, number of shares, price, cost or value. In addition, quarterly valuations of shareholders' accounts over USD 1,000 of the Shareholders account will be sent to the last known address of the shareholder, to provide current information about the shareholding and its value.

In addition, shareholders may also request the issue of an interim statement at any time. For Regular Savings Plan investors, a statement will be sent to them following investment of each monthly contribution.

REPORTS AND ACCOUNTS

The financial year-end of the Company is 30 June each year. The Company's audited annual report and semi-annual unaudited financial report are sent approximately within four months and two months respectively, after the end of the period covered, to registered shareholders at their registered addresses by post, up to the end of 2010. Thereafter, the reports are made available on the website of the Hong Kong Representative at www.franklintempleton.com.hk, within four months and two months respectively after the end of the period covered. These reports are available in English only, and are also available free of charge at the office of the Hong Kong Representative.

ADDITIONAL INFORMATION

MEETINGS

Notice of any extraordinary meeting of the Company will be given to the investors at least 21 days prior to the date of the meeting. Minimum 25% quorum and 75% majority voting requirements apply to any extraordinary resolution. Termination or dissolution of the Company or amendment to its Articles would require an extraordinary resolution.

SUSPENSION AND TERMINATION

The Company may suspend the determination of the Net Asset Value of Shares of any fund and hence the issue, redemption or switching of shares in the funds when: (a) there is a closure or suspension of trading on any market on which a substantial portion of that fund's investments are normally quoted, listed, or dealt in; (b) the disposal of investments which constitute a substantial portion of assets of that fund is impracticable or would be seriously prejudicial to the shareholders; (c) when there is a breakdown in the means of determining the price of any of that fund's investments; (d) the value of that fund's investments cannot be repatriated at normal rates of exchange; or (e) subject to applicable regulatory requirements, requests for the redemption of more than 10% of the share of a same class or more than 10% of the shares of sub-classes related to a simple pool of assets in the Company is received on any valuation day in order to meet such redemption requests.

The Company may be dissolved by resolution of the shareholders if the capital of the Company falls below two-thirds of its minimum capital. If such a liquidation is carried out, it will be in accordance with the relevant provisions of Luxembourg law. The Board of Directors of the Company may also determine to close any existing fund if its net assets are below USD20 million or under certain other circumstances. If there is any such termination of a fund, at least one month's prior notice to the shareholders of all classes of the relevant fund will be given.

The Company may in the interests of the shareholders, subject to one month's of notice, arrange for a fund to be merged with another fund of the Company. The decision to liquidate, to merge or to reorganize a class of shares may be taken at a meeting of the shareholders of the relevant class and may be approved by a simply majority of the shareholders without quorum. The shareholders will be given at least one month's prior notice to enable them to request redemption or switching of their shares before such decision becomes effective.

TAXATION

The Company

As the Company has been authorised by the Securities and Futures Commission in Hong Kong, profits of the Company arising from the sale or disposal of securities, interest received by or accruing to the Company and certain other profits of the Company (including those under foreign exchange contracts and certain futures contracts) are exempt from Hong Kong profits tax. It is not expected that any other significant profits arising from the activities of the Company will be subject to Hong Kong profits tax.

The Company is not liable to any Luxembourg tax on its profits or income. The Company, however, is liable in Luxembourg to a tax of up to 0.05% per annum of its net asset value, such tax being payable quarterly on the basis of the value of the net assets of the Company at the end of the relevant calendar quarter. No stamp duty or other tax will be payable in Luxembourg on the issue of the shares in the Company except a once-and-for-all tax of Luxembourg Francs 50,000 which was paid on incorporation. Under current law and practice, no capital gains tax is payable in Luxembourg on the realised or unrealised capital appreciation of the assets of the Company.

The Company is registered for Value Added Tax in the Grand-Duchy of Luxembourg and subject to account for Value Added Tax in accordance with applicable laws.

Investment income received by the Company from different sources may be subject to withholding taxes in the countries of origin at varying rates; such withholding taxes normally are not recoverable. The Company may benefit in certain circumstances from double taxation treaties which Luxembourg has with other countries.

Taxation of Shareholders

Except as mentioned below, shareholders will not be subject to any Hong Kong tax on distributions from the Company or on capital gains realised on the sale of any Shares in the Company. If the acquisition and realisation of Shares in the Company is or forms part of a trade, profession or business carried on in Hong Kong, gains realised by the relevant shareholder may attract Hong Kong profits tax. No Hong Kong stamp duty will be payable on the issue or transfer of shares in the Company. The foregoing is given on the basis of the Board of Directors' understanding of present legislation and practice in Hong Kong.

Shareholders are not subject to any capital gains, income, withholding, gift, estate, inheritance or other taxes in Luxembourg (except for shareholders domiciled, resident or having a permanent establishment in Luxembourg and except for certain former residents of Luxembourg if owning more than 10% of the share capital of the Company).

Investors should consult their professional advisers as to the possible tax or other consequences of buying, holding, transferring or selling any of the Company's shares under the laws of their countries of citizenship, residence and domicile.

IDENTITY PROOF

To ensure compliance with guidelines, code or regulations applicable to the Company and the Hong Kong Representative, investors may be required to provide evidence of identity and, in the case of institutional investors, of legal existence and corporate authority. Where an investor is acting on behalf of another person, evidence of true identity of the principal, or confirmation by the investor that evidence of the underlying principal has been obtained and that the investor is satisfied as to the source of funds, will be required. Failure to provide such information may result in the withholding of redemption proceeds or the rejection of the subscription.

PERSONAL DATA

Investors may be required to provide personal information ("Data") to the Hong Kong Representative from time to time in connection with the establishment and operation of an investment account. Investors will have the right to request the Hong Kong Representative for access to and/or correction of such Data, which may be used by Franklin Templeton Investments, including Franklin Resources, Inc. and/or its subsidiaries and associates from time to time, and communicated to any entity within Franklin Templeton Investments, its agents, delegates and any other third parties which provide services to them, within or outside Hong Kong in connection with the provision of financial and other related services to investors, including marketing.

OTHER INFORMATION

Copies of (a) the Articles of Incorporation of the Company, (b) the agreements by which the Investment Managers, the Custodian, the Registrar and Transfer Agent, Corporate, Domiciliary and Administrative Agent, the Principal Distributor, and the Hong Kong Representative have been appointed and (c) the risk management and control policy employed by the Company in relation to the Company's investment in financial derivative instruments, are available for inspection free of charge during normal office hours at the offices of the Hong Kong Representative at the address set out below and copies thereof may be obtained from the Hong Kong Representative at a reasonable price per set of documents referred to in (a) and (b) above.

MANAGEMENT AND ADMINISTRATION

INVESTMENT MANAGERS

Franklin Advisers, Inc., Franklin Mutual Advisers, LLC, Franklin Templeton Institutional LLC, Franklin Templeton Investments Corp., Franklin Templeton Investments Japan Limited, Franklin Templeton Investment Management Limited and Templeton Asset Management Ltd act as investment managers to the funds of the Company (as listed below), as may other affiliated investment advisory companies within the Franklin Templeton Group, and provide day-to-day management in respect of the investment and reinvestment of the assets of the funds. The sub-advisors appointed in relation to certain funds of the Company do not have discretionary investment management decision making capacity.

The funds managed by each investment manager are as follows:

Franklin Advisers, Inc. manages the following Funds:
Franklin Asian Flex Cap Fund;
Franklin Biotechnology Discovery Fund;
Franklin Gold and Precious Metals Fund;
Franklin High Yield Fund;
Franklin Income Fund;
Franklin India Fund;
Franklin MENA Fund;
Franklin Natural Resources Fund;
Franklin Technology Fund;
Franklin U.S. Dollar Liquid Reserve Fund (previously named Templeton U.S. Dollar Liquid Reserve Fund);
Franklin U.S. Equity Fund;
Franklin U.S. Government Fund;
Franklin U.S. Opportunities Fund;
Franklin U.S. Small-Mid Cap Growth Fund;
Franklin World Perspectives Fund;
Templeton Asian Bond Fund;
Templeton Emerging Markets Bond Fund;
Templeton Euro High Yield Fund (previously named Franklin High Yield (Euro) Fund)*;
Templeton Global Balanced Fund*;
Templeton Global Bond Fund;
Templeton Global High Yield Fund;
Templeton Global Income Fund**; and
Templeton Global Total Return Fund.

* *Franklin Advisers, Inc. has been appointed as Co-Investment Manager of these Funds, together with Franklin Templeton Investment Management Limited.*

** *Franklin Advisers, Inc. has been appointed as Co-Investment Manager of this Fund, together with Templeton Asset Management Ltd.*

Franklin Mutual Advisers, LLC. manages the following Funds:
Franklin Mutual Beacon Fund;
Franklin Mutual European Fund; and
Franklin Mutual Global Discovery Fund.

Franklin Templeton Investments Corp. manages the following Funds:
Templeton Global Smaller Companies Fund; and
Templeton Global (Euro) Fund.

Franklin Templeton Investments Japan Limited manages the following Fund:
Franklin Templeton Japan Fund.

Franklin Templeton Institutional, LLC manages the following Funds:
Franklin European Small-Mid Cap Growth Fund;
Franklin Global Real Estate Fund (previously named Franklin Global Real Estate (USD) Fund); and
Franklin Templeton Global Growth and Value Fund.

Franklin Templeton Investment Management Limited manages the following Funds:
Templeton Euro Government Bond Fund;
Templeton Euro High Yield Fund (previously named Franklin High Yield (Euro) Fund)*;
Templeton Euro Liquid Reserve Fund;
Templeton Euroland Fund;
Templeton European Fund; Templeton Global Balanced Fund*;
Templeton Global Equity Income Fund; and
Templeton Global Fund.

* *Franklin Templeton Investment Management Limited has been appointed as Co-Investment Manager of these Funds, together with Franklin Advisers, Inc.*

Templeton Asset Management Ltd. manages the following Funds:
Templeton Asian Growth Fund;
Templeton Asian Smaller Companies Fund;
Templeton BRIC Fund;
Templeton China Fund;
Templeton Eastern Europe Fund;
Templeton Emerging Markets Fund;
Templeton Emerging Markets Smaller Companies Fund;
Templeton Frontier Markets Fund;
Templeton Global Income Fund*;
Templeton Korea Fund;
Templeton Latin America Fund; and
Templeton Thailand Fund.

* *Templeton Asset Management Ltd. has been appointed as Co-Investment Manager of this Fund, together with Franklin Advisers, Inc.*

CUSTODIAN

J. P. Morgan Bank Luxembourg S.A. has been appointed Custodian of the Company's assets, including the securities and cash of the Company, which will be held either directly or through correspondents, nominees, agents or delegates of the Custodian. J. P. Morgan Bank Luxembourg S.A. was incorporated in Luxembourg as a société anonyme on 16 May 1973, and has its registered office at 6, rue de Trèves, L-2633 Senningerberg, Grand Duchy of Luxembourg. It has engaged in banking activities since its incorporation.

REGISTRAR AND TRANSFER, CORPORATE, DOMICILIARY AND ADMINISTRATIVE AGENT

As the Registrar and Transfer, Corporate, Domiciliary and Administrative Agent, Franklin Templeton International Services, SA., is responsible for processing the issue, redemption and exchange of Shares, maintenance of accounting records and all other administrative functions as required by Luxembourg law.

HONG KONG REPRESENTATIVE

The Hong Kong Representative:- Franklin Templeton Investments (Asia) Limited represents the Company in Hong Kong and Asia generally in relation to the affairs of the Company and the distributor of Shares in Hong Kong. The Hong Kong Representative receives applications for the issue, redemption and switching of Shares in any of the Funds of the Company from prospective investors and Shareholders in Hong Kong and also deals with enquiry's from Shareholders in Hong Kong and Asia. The Hong Kong Representative is a member of Franklin Templeton Investments.

ADMINISTRATION

HONG KONG REPRESENTATIVE

FRANKLIN TEMPLETON INVESTMENTS (ASIA) LIMITED
17/F, Chater House
8 Connaught Road Central
Hong Kong
Telephone: Hong Kong (852) 2877 7733
Facsimile: Hong Kong (852) 2877 5401
Dealing Fax: Hong Kong (852) 2877 7350
Website: www.franklintempleton.com.hk
Email: fti@franklintempleton.com.hk

REGISTRAR AND TRANSFER, CORPORATE, DOMICILIARY AND ADMINISTRATIVE AGENT

FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.A.
26, boulevard Royal
L-2449 Luxembourg
Grand Duchy of Luxembourg
Telephone: (352) 466 6671
Facsimile: (352) 466 676

PRINCIPAL DISTRIBUTOR

TEMPLETON GLOBAL ADVISORS LIMITED
P.O. Box N-7759
Lyford Cay
Nassau
Bahamas

DIRECTORS OF FRANKLIN TEMPLETON INVESTMENT FUNDS
Gregory E. Johnson
Dr. J. B. Mark Mobius
Gregory E. McGowan
Mark G. Holowesko
Duke of Abercorn KG
The Honourable Nicholas F. Brady
Richard H. Frank
The Honourable Trevor G. Trefgarne
James J. K. Hung
David E. Smart
Geoffrey A. Langlands
Vijay C. Advani

all care of
26, boulevard Royal
L-2449 Luxembourg
Grand Duchy of Luxembourg

INVESTMENT MANAGERS

FRANKLIN ADVISERS, INC.
One Franklin Parkway
San Mateo, CA 94403-1906, U.S.A.

FRANKLIN MUTUAL ADVISERS, LLC.
101 John F Kennedy Parkway
Short Hills, NJ 07078-2789, U.S.A.

FRANKLIN TEMPLETON INSTITUIONAL LLC
600 Fifth Avenue
New York, NY 10020, U.S.A.

FRANKLIN TEMPLETON INVESTMENTS CORP.
1, Adelaide Street East
Suite 2010
Toronto Ontario M5C 3B8
Canada

FRANKLIN TEMPLETON INVESTMENTS JAPAN LIMITED
Kanematsu Building, 6th Floor
14-1, Kyobashi
2-chome, Chuo-ku, Tokyo
Japan

FRANKLIN TEMPLETON INVESTMENT MANAGEMENT LIMITED
5 Morrison Street
Edinburgh EH3 8BH, Scotland
U.K.

TEMPLETON ASSET MANAGEMENT LTD.
7 Temasek Boulevard
#38-03 Suntec Tower One
Singapore 038987

CUSTODIAN

J. P. MORGAN BANK LUXEMBOURG S.A.
European Bank & Business Centre
6 route de Trèves
L-2633 Senningerberg
Grand Duchy of Luxembourg

LEGAL ADVISER

Luxembourg

ELVINGER, HOSS & PRUSSEN
2, Place Winston Churchill
B.P. 425
L-2014 Luxembourg
Grand Duchy of Luxembourg

AUDITOR

PRICEWATERHOUSECOOPERS Sàrl
400, route d'Esch
B.P. 1443
L-1014 Luxembourg
Grand Duchy of Luxembourg