

23 May 2012

Subject: Change to the investment policy of

- **Franklin Templeton Investment Funds - Franklin U.S. Government Fund;**
- **Franklin Templeton Investment Funds - Franklin Mutual Beacon Fund;**
- **Franklin Templeton Investment Funds - Franklin Templeton Global Allocation Fund;**
- **Franklin Templeton Investment Funds - Franklin Templeton Global Fundamental Strategies Fund; and**
- **Franklin Templeton Investment Funds - Templeton Emerging Markets Bond Fund.**

Dear Shareholder,

The purpose of this letter is to inform you of a revision, with effect from 22 June 2012, to the investment policies of (i) Franklin U.S. Government Fund, (ii) Franklin Mutual Beacon Fund, (iii) Franklin Templeton Global Allocation Fund, (iv) Franklin Templeton Global Fundamental Strategies Fund and (v) Templeton Emerging Markets Bond Fund, five sub-funds (the "Funds" and each a "Fund") of the Luxembourg *société d'investissement à capital variable* Franklin Templeton Investment Funds (the "Company").

The Investment Managers of the Funds do not intend to change the way the Funds are currently managed. Their goal is to offer stability and consistency in their investment management style. These changes are intended to ensure that the Funds retain sufficient flexibility to meet their investment objectives in the future. There will be no change to the investment strategy of the Funds.

A. Franklin Templeton Investment Funds – Franklin U.S. Government Fund

The investment policy of this Fund will be amended to add language on investment in mortgage- and asset-backed securities.

The investment policy of the Fund will be restated to read as follows:

"The Fund seeks to achieve its objective primarily through a policy of investing in debt obligations issued or guaranteed by the US government and its agencies, including purchasing mortgage- and asset-backed securities."

B. Franklin Templeton Investment Funds – Franklin Mutual Beacon Fund

The investment policy of this Fund will be amended to decrease the Fund's investment in securities of non-US issuers from 30% to 20%.

The second sentence of the first paragraph of the investment policy of the Fund will be restated to read as follows:

"No more than 20% of the Fund's net assets will generally be invested in securities of non-US issuers."

C. Franklin Templeton Investment Funds – Franklin Templeton Global Allocation Fund

The investment policy of this Fund will be amended to add language on investment in mortgage- and asset-backed securities.

The last sentence of the investment policy of the Fund will be restated to read as follows:

"The Fund may also purchase mortgage- and asset-backed securities and invest up to 10% of its net assets in units of UCITS and other UCIs."

D. Franklin Templeton Investment Funds – Franklin Templeton Global Fundamental Strategies Fund

The investment policy of this Fund will be amended to add language on investment in mortgage-backed securities.

The last sentence of the first paragraph of the investment policy of the Fund will be restated to read as follows:

“The Fund may invest up to 10% of its net assets in units of UCITS and other UCIs but not invest more than 10% of its net assets in mortgage- and asset-backed securities.”

E. Franklin Templeton Investment Funds – Templeton Emerging Markets Bond Fund

The investment policy of this Fund will be amended to add language on investment in mortgage- and asset-backed securities.

The sixth sentence of the first paragraph of the investment policy of the Fund will be restated to read as follows:

“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.”

We thank you for your continued support and investment. Should you require further information, please contact the distributor or financial adviser through whom you had subscribed for the shares.

Yours sincerely,
For and on behalf of
Templeton Asset Management Ltd.

A handwritten signature in black ink, appearing to read 'Stephen Grundlingh', with a stylized flourish at the end.

Stephen Grundlingh
Co-CEO & Regional Head, Southeast Asia