FRANKLIN TEMPLETON INVESTMENTS

FRANKLIN TEMPLETON INVESTMENT FUNDS
Société d'investissement à capital variable
Registered office: 8A, rue Albert Borschette,
L-1246 Luxembourg,
R.C.S. Luxembourg B 35 177
(**"FTIF"** or the **"Company"**)

Luxembourg, 1st August 2017

Subject: Merger of FTIF – Franklin U.S. Small-Mid Cap Growth Fund into FTIF – Franklin U.S. Opportunities Fund

Dear Shareholder,

The purpose of this letter is to inform you about the decision of the board of directors of the Company (the "**Board**") to merge FTIF – Franklin U.S. Small-Mid Cap Growth Fund (the "**Merging Sub-Fund**") into FTIF – Franklin U.S. Opportunities Fund (the "**Receiving Sub-Fund**").

Following the Merger, the Merging Sub-Fund shall be dissolved without going into liquidation.

1. Rationale and background for the Merger

The Merging Sub-Fund was originally launched on 29 December 2000 and on 30 June 2017 the assets under management were USD 165,121,050.11. The relatively small size and reduced future demand makes it economically unattractive to run as an independent entity.

The Merging Sub-Fund and Receiving Sub-Fund share similarities in their investment objective, risk management processes and management fee structures. Both Sub-Funds carry the same risk rating indicator (synthetic risk and reward indicator) however, certain risks may not be applicable for both the Merging Sub-Fund and the Receiving Sub-Fund, as reflected in bold in Appendix I.

The Receiving Sub-Fund was originally launched on 3 April 2000 and on 30 June 2017 the assets under management were USD 2,937,414,397.27.

Because both the Merging Sub-Fund and the Receiving Sub-Fund share similar investment objectives, fee and expenses, and target investor profiles, the Board believes that it is in the best interests of shareholders to merge these Sub-Funds and focus on a single portfolio, which will offer economies of scale to existing shareholders of these Sub-Funds.

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

However, please note that the Board did not examine the suitability of the Merger in respect of shareholders' individual needs or risk tolerance. Shareholders are advised to seek independent financial / tax advice in respect of their individual circumstances.

2. Impact on shareholders and shareholders' rights

Shareholders of the Merging Sub-Fund who do not wish to participate in the Merger may instruct redemption or switch of their holdings of shares in the Merging Sub-Fund into any other sub-fund of FTIF, details of which are disclosed in the current prospectus of FTIF (provided that such other sub-funds have obtained recognition for marketing in the applicable jurisdiction), free of charge until 26 October 2017 (before local dealing cut-off time).

Please note that "free of charge" does not apply to classes 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 prospectus of the Company.

The holding period for share classes in the Merging Sub-Fund subject to CDSC is measured from the date that such share class was initially acquired in the Merging Sub-Fund or in another sub-fund of FTIF as the case may be.

The holding period of such Merging Share Classes subject to CDSC that will be merged into the relevant Receiving Share Classes also subject to CDSC, will be not affected as a consequence of the Merger.

Upon the Effective Date, shareholders who have not instructed redemption or conversion of their shares in the Merging Sub-Fund will become shareholders of the Receiving Sub-Fund and will receive shares of the Receiving Sub-Fund, as further detailed in the table contained in Section 4 below. The aggregate value of the shares held by a shareholder in the Merging Sub-Fund will be equal to the value of the shares to be held by such shareholder in the Receiving Sub-Fund.

For the avoidance of doubt, shareholders will continue to hold shares in a Luxembourg regulated investment company and benefit from the same rights and from the general safeguards applicable under an Undertakings for Collective Investment in Transferable Securities ("**UCITS**").

If shareholders of the Merging Sub-Fund become shareholders of the Receiving Sub-Fund, they may participate and exercise their voting rights in shareholder meetings, instruct redemption and conversion of their shares on any dealing day and may, depending on their share class, be eligible for distributions in accordance with the Articles and the prospectus of FTIF as from the day following the Effective Date.

In accordance with the standard valuation policy, and in order to protect the interests of remaining shareholders, in the event of a significant redemption from the Receiving Sub-Fund, a swing pricing mechanism may be adopted and applied to the value of the shares. Please refer to the Prospectus last visaed by CSSF, as amended, of the Company (the "**Prospectus**") for the details in respect of swing pricing.

Please find hereafter a comparison of the expenses attributable to the share classes of the Merging Sub-Fund and the Receiving Sub-Fund.

The below table shows the corresponding share classes that will be merged:

Merging Share classes	ISIN	Receiving Share classes	ISIN
Franklin U.S. Small-Mid Cap Growth Fund A (Acc) USD	LU0122613226	Franklin U.S. Opportunities Fund A (Acc) USD	LU0109391861
Franklin U.S. Small-Mid Cap Growth Fund B (Acc) USD	LU0152927330	Franklin U.S. Opportunities Fund B (Acc) USD	LU0109391945
Franklin U.S. Small-Mid Cap Growth Fund C (Acc) USD	LU0229939508	Franklin U.S. Opportunities Fund C (Acc) USD	LU0260872956
Franklin U.S. Small-Mid Cap Growth Fund I (Acc) USD	LU0260866982	Franklin U.S. Opportunities Fund I (Acc) USD	LU0195948665
Franklin U.S. Small-Mid Cap Growth Fund N (Acc) USD	LU0122613143	Franklin U.S. Opportunities Fund N (Acc) USD	LU0188150956

On the basis of the figures set out below, the Board believes that the shareholders of the Merging Sub-Fund will benefit from the Merger into the Receiving Sub-Fund.

Merging Sub-Fund Share Class Name	Maximum Initial Charge	Investment Management Fee	Management Company Fee	Maintenance Fee	Other Fees (including Custodian Fee)	Ongoing Charges Ratio (OCR)
Franklin U.S. Small-Mid Cap Growth Fund A (Acc) USD	5.75%	1.00%	0.20%	0.50%	0.13%	**1.83%**
Franklin U.S. Small-Mid Cap Growth Fund B (Acc) USD	0.00%	1.00%	0.20%	0.75%	1.20%	**3.15%**
Franklin U.S. Small-Mid Cap Growth Fund C (Acc) USD	0.00%	1.00%	0.20%	1.08%	0.14%	**2.42%**
Franklin U.S. Small-Mid Cap Growth Fund I (Acc) USD	0.00%	0.70%	0.20%	0.00%	0.10%	**1.00%**
Franklin U.S. Small-Mid Cap Growth Fund N (Acc) USD	3.00%	1.00%	0.20%	1.25%	0.13%	**2.58%**

Receiving Sub-Fund Share Class Name	Maximum Initial Charge	Investment Management Fee	Management Company Fee	Maintenance Fee	Other Fees (including Custodian Fee)	Ongoing Charges Ratio (OCR)
Franklin U.S. Opportunities Fund A (Acc) USD	5.75%	1.00%	0.20%	0.50%	0.13%	**1.83%**
Franklin U.S. Opportunities Fund B (Acc) USD	0.00%	1.00%	0.20%	0.75%	1.17%	**3.12%**
Franklin U.S. Opportunities Fund C (Acc) USD	0.00%	1.00%	0.20%	1.08%	0.11%	**2.39%**
Franklin U.S. Opportunities Fund I (Acc) USD	0.00%	0.70%	0.20%	0.00%	0.06%	**0.96%**
Franklin U.S. Opportunities Fund N (Acc) USD	3.00%	1.00%	0.20%	1.25%	0.13%	**2.58%**

Please refer to Appendix I hereafter for a detailed comparison of the fees and expenses borne by the shareholders of the Merging Sub-Fund and the Receiving Sub-Fund.

It is not expected that the Receiving Sub-Fund's portfolio be rebalanced in the context of the Merger, while it is contemplated that the portfolio of the Merging Sub-Fund could be potentially rebalanced before the Merger.

Instead and in the best interests of shareholders, the Merger will be organized so that up to 100%, but no less than 80% of the Merging Sub-Fund's portfolio will be transferred in kind to the Receiving Sub-Fund's portfolio. The residual portion of the portfolio not transferred in kind will be sold down in the Merging Sub-Fund and transferred as cash. It is expected that the Receiving Sub-Manager will review any new holdings received and may decide to reposition these within the Receiving Sub-Fund Portfolio. It is not contemplated that the repositioning will have a material impact on the value of the shares of the Receiving Sub-Fund' shareholders.

In addition and to facilitate the Merger, the following dealing restrictions will be applied in relation to the Merging Sub-Fund:

- New investors will not be permitted to invest for shares in the Merging Sub-Fund during the period beginning 30 calendar days prior to the Effective Date;
- Existing shareholders will not be permitted to subscribe for additional shares in the Merging Sub-Fund during the period beginning 7 calendar days prior to the Effective Date; and
- Existing shareholders of the Merging Sub-Fund will not be permitted to redeem or switch their holdings as from 5 business days before the Effective Date.

3. Comparison between the Merging Sub-Fund and the Receiving Sub-Fund

Both the Merging Sub-Fund and the Receiving Sub-Fund share closely aligned investment goals and similar principle investment strategies as well as utilizing the same risk processes. The Merging Sub-Fund invests in a smaller subset of the Receiving Sub-Fund investment universe and shares some portfolio overlap with the Receiving Sub-Fund. At 17 May 2017, 34% of AUM in the Merging Sub-Fund were in holdings also held in the Receiving Sub-Fund, demonstrating similarities between the Sub-Funds portfolios. The common holdings will be maintained following the merger.

The Merging Sub-Fund invests principally in small and medium sized U.S. companies whereas the Receiving Sub-Fund has flexibility to invest in U.S. companies of all sizes with a focus on companies displaying accelerating growth and increasing profitability.

The Receiving Sub-Fund has a longer established and superior performance track record over the majority of time periods when compared to the Merging Sub-Fund. Although both Sub-Funds share the same management fee structure, investors of the Merging Sub-Fund may benefit from a lower total expense ratio in the Receiving Sub-Fund as fixed costs are spread across a wider investment base.

The differences between the Merging Sub-Fund and the Receiving Sub-Fund are more detailed in Appendix I. For a complete description of the respective investment objectives and policies and related risks of the Receiving Sub-Fund, please refer to the prospectus of FTIF and the attached Key Investor Information Documents ("**KIIDs**") of the Receiving Sub-Fund. Shareholders are invited to carefully read the attached KIIDs of the Receiving Sub-Fund.

4. Merger Procedure

The Merger will become effective on 3rd November 2017 at midnight (Luxembourg time), (the "**Effective Date**").

Upon the Effective Date, the Merging Sub-Fund will transfer its assets and liabilities (the "**Net Assets**") to the Receiving Sub-Fund. The Net Assets of the Merging Sub-Fund will be valued as of the Effective Date in accordance with the valuation principles contained in the prospectus and the Articles of the Company. The outstanding liabilities generally comprise fees and expenses due but not paid, as reflected in the Net Assets of the Company. There are no outstanding unamortized preliminary expenses in relation to the Merging Sub-Fund.

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

Shareholders of the Merging Sub-Fund who have not instructed redemption or exchange of their shares in the Merging Sub-Fund will receive shares of the corresponding classes of shares in the Receiving Sub-Fund, which will be issued without charge, without par value and in registered form (the "**New Shares**"):

Merging Share classes	Receiving Share classes
Franklin U.S. Small-Mid Cap Growth Fund A (Acc) USD	Franklin U.S. Opportunities Fund A (Acc) USD
Franklin U.S. Small-Mid Cap Growth Fund B (Acc) USD	Franklin U.S. Opportunities Fund B (Acc) USD
Franklin U.S. Small-Mid Cap Growth Fund C (Acc) USD	Franklin U.S. Opportunities Fund C (Acc) USD
Franklin U.S. Small-Mid Cap Growth Fund I (Acc) USD	Franklin U.S. Opportunities Fund I (Acc) USD
Franklin U.S. Small-Mid Cap Growth Fund N (Acc) USD	Franklin U.S. Opportunities Fund N (Acc) USD

For shareholders of the Merging Sub-Fund, the total value of New Shares which they will receive will correspond to the total value of their shares in the Merging Sub-Fund. The number of New Shares to be allocated to shareholders of the Merging Sub-Fund will be based on the respective net asset value per share of both sub-funds as at the Effective Date and will be determined by multiplying the number of shares held in the relevant class of the Merging Sub-Fund by the exchange ratio. The exchange ratio for each class will be calculated by dividing the net asset value per share of such class in the Merging Sub-Fund calculated on the Effective Date by the net asset value per share in the corresponding share class in the Receiving Sub-Fund calculated at the same time on the Effective Date.

Shareholders of the Merging Sub-Fund may refer to their next monthly statement after the Effective Date for the number of shares of the Receiving Sub-Fund that have been allocated to them as a result of the Merger.

On the Effective Date, the Merging Sub-Fund will be dissolved without going into liquidation.

5. Costs of the Merger

The expenses incurred in the Merger, including legal, accounting, custody and other administration costs will be borne by Franklin Templeton International Services S.à r.l.

6. Tax impact

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

Notwithstanding the above, as tax laws differ widely from country to country, investors are advised to consult their tax advisers as to the tax implications of the Merger specific to their individual cases.

7. Availability of Documents

The common Merger proposal, the most recent prospectus of FTIF and the relevant KIIDs (as appended to the present notice in Appendix II) are available at the registered office of the Company, upon request, free of charge.

Upon request copies of the report of the approved statutory auditor of the Company relating to the Merger may be obtained free of charge at the registered office of the Company.

Copies of material contracts of FTIF may be obtained and/or inspected free of charge at the registered office of the Company.

If you have any queries about the proposed Merger or require any further information, please contact Franklin Templeton International Services S.à r.l. or your relationship manager.

On behalf of Franklin Templeton Investment Funds,

William Lockwood
Director

Appendix I: Comparison of key features of the Merging Sub-Fund and Receiving Sub-Fund.

APPENDIX I

COMPARISON OF KEY FEATURES OF FTIF – FRANKLIN U.S. SMALL-MID CAP GROWTH FUND (THE "MERGING SUB-FUND") AND FTIF – FRANKLIN U.S. OPPORTUNITIES FUND (THE "RECEIVING SUB-FUND")

Shareholders are invited to refer to the prospectus of FTIF for more information on the respective features of the Merging Sub-Fund and the Receiving Sub-Fund.

Unless stated otherwise, the terms used in this Appendix I are as defined in the prospectus.

PRODUCT FEATURES	THE MERGING SUB-FUND	THE RECEIVING SUB-FUND
Name of the sub-fund	FTIF – Franklin U.S. Small-Mid Cap Growth Fund	FTIF – Franklin U.S. Opportunities Fund
Name of the Fund	Franklin Templeton Investment Funds	Franklin Templeton Investment Funds
Reference Currency of the sub-fund	USD	USD
Reference Currency of the Fund	USD	USD
Financial year	1 July to 30 June	1 July to 30 June
Annual General Meeting	30 November	30 November
I. INVESTMENT OBJECTIVES AND POLICIES AND RELATED RISKS		
Investment Objective and Policies	The Fund's investment objective is capital appreciation. The Fund principally invests its net assets in 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 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).

Investor Profile	Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to: • capital appreciation by investing in US small- and mid-cap growth companies • invest for the medium to long term	Considering the investment objectives, as stated above, the Fund may appeal to Investors looking to: • capital appreciation by investing in equity securities (concentrated in equities of US issuers) • a growth investment in sectors showing above-average growth or growth potential as compared with the overall economy • invest for the medium to long term
Highest Synthetic Risk Reward Indicator (SRRI)	6	6
Specific Risk Consideration	• Counterparty risk • Equity risk • Growth Stocks risk • Liquidity risk • Market risk • Single Country risk • Smaller and Midsize Companies risk	• **Class Hedging risk** • **Convertible Securities risk** • Counterparty risk • Equity risk • Growth Stocks risk • Liquidity risk • Market risk • Single Country risk • Smaller and Midsize Companies risk • **Warrants risk**
Global Exposure Calculation Method	Commitment approach	Commitment approach
II. SHARE CLASSES AND MINIMUM INVESTMENT AND HOLDING REQUIREMENTS		
Share Classes	- Class A Shares - Class I Shares - Class N Shares - Class B Shares - Class C Shares	- Class A Shares - Class I Shares - Class N Shares - Class B Shares - Class C Shares
Minimum subscription and subsequent investment	The minimum initial investment in any one Class of Shares of the Sub-Fund is: Class A: USD 5,000 Class I: USD 5,000,000 Class N: USD 5,000 Class B: N/A Class C: USD 5,000 (or its equivalent in another currency). Subsequent subscription of shares relating to any Class of Shares of the Sub-Fund is: Class A: USD 1,000 Class I: USD 1,000 Class N: USD 1,000 Class B: N/A Class C: USD 1,000 (or its equivalent in another currency).	The minimum initial investment in any one Class of Shares of the Sub-Fund is: Class A: USD 5,000 Class I: USD 5,000,000 Class N: USD 5,000 Class B: N/A Class C: USD 5,000 (or its equivalent in another currency). Subsequent subscription of shares relating to any Class of Shares of the Sub-Fund is: Class A: USD 1,000 Class I: USD 1,000 Class N: USD 1,000 Class B: N/A Class C: USD 1,000 (or its equivalent in another currency).
Minimum Holding	USD 2,500 (or its equivalent in another currency)	USD 2,500 (or its equivalent in another currency)
III. FEES TO BE BORNE BY THE SHAREHOLDERS		
Entry charge	Class A: up to 5.75% of the total amount invested. Class I: N/A Class N: up to 3% Class B: N/A Class C: N/A	Class A: up to 5.75% of the total amount invested. Class I: N/A Class N: up to 3% Class B: N/A Class C: N/A

Contingent Deferred Sales Charge (CDSC)	Typically no CDSC is paid on Class A shares however; there is power to charge up to 1.00% on qualified investments of USD 1 Million or more held for less than 18 months. Class N: N/A Class B: up to 4% Class C: up to 1%	Typically no CDSC is paid on Class A shares however; there is power to charge up to 1.00% on qualified investments of USD 1 Million or more held for less than 18 months. Class N: N/A Class B: up to 4% Class C: up to 1%
Redemption fee	N/A	N/A
IV. FEES PAID OUT OF THE SUB-FUND ASSETS		
Management Company Fees	Up to 0.20% of the net asset value of the relevant share Class, an additional amount (consisting of a fixed and variable component) per investor holding at the relevant Class level over each one (1) year period, and a fixed amount per year to cover part of its organisational expenses.	Up to 0.20% of the net asset value of the relevant share Class, an additional amount (consisting of a fixed and variable component) per investor holding at the relevant Class level over each one (1) year period, and a fixed amount per year to cover part of its organisational expenses.
Investment Management Fees	Class A: 1.00% Class I: 0.70% Class N: 1.00% Class B: 1.00% Class C: 1.00%	Class A: 1.00% Class I: 0.70% Class N: 1.00% Class B: 1.00% Class C: 1.00%
Maintenance Fees	Class A: 0.50% Class I: N/A Class N: 1.25% Class B: 0.75% Class C: 1.08%	Class A: 0.50% Class I: N/A Class N: 1.25% Class B: 0.75% Class C: 1.08%
Depositary Fee	In a range from 0.01% to 0.14% of the net asset value	In a range from 0.01% to 0.14% of the net asset value
OCRs **(comprising all incurred fees including the synthetic cost of holding underlying sub-funds)**	Class A – 1.83% Class I – 1.00% Class N – 2.85% Class B – 3.15% Class C – 1.00%	Class A – 1.83% Class I – 0.96% Class N – 2.58% Class B – 3.12% Class C – 0.96%
V. SERVICE PROVIDERS		
Management Company	FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l. 8A, rue Albert Borschette L-1246 Luxembourg Grand Duchy of Luxembourg	FRANKLIN TEMPLETON INTERNATIONAL SERVICES S.à r.l. 8A, rue Albert Borschette L-1246 Luxembourg Grand Duchy of Luxembourg
Investment Manager	FRANKLIN ADVISERS, INC. One Franklin Parkway San Mateo, CA 94403-1906 USA	FRANKLIN ADVISERS, INC. One Franklin Parkway San Mateo, CA 94403-1906 USA
Depositary	J.P. MORGAN BANK LUXEMBOURG S.A. European Bank & Business Centre 6C route de Trèves L-2633 Senningerberg Grand Duchy of Luxembourg	J.P. MORGAN BANK LUXEMBOURG S.A. European Bank & Business Centre 6C route de Trèves L-2633 Senningerberg Grand Duchy of Luxembourg
Auditor	PRICEWATERHOUSECOOPERS Société Coopérative 2, rue Gerhard Mercator L-2182 Luxembourg Grand Duchy of Luxembourg	PRICEWATERHOUSECOOPERS Société Coopérative 2, rue Gerhard Mercator L-2182 Luxembourg Grand Duchy of Luxembourg

APPENDIX II

Enclosed KIID

FRANKLIN TEMPLETON INVESTMENTS

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Société d'investissement à capital variable
Registered office: 8A, rue Albert Borschette,
L-1246 Luxembourg,
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(**"FTIF"** or the **"Company"**)

Luxembourg, 1st August 2017

Subject: Merger of FTIF – Franklin U.S. Small-Mid Cap Growth Fund into FTIF – Franklin U.S. Opportunities Fund.

Dear Shareholder,

The purpose of this letter is to inform you about the merger of FTIF – Franklin U.S. Small-Mid Cap Growth Fund (the **"Merging Sub-Fund"**) into FTIF - Franklin U.S. Opportunities Fund (the **"Receiving Sub-Fund"**).

We are writing to you in your capacity as shareholder of the Receiving Sub-Fund.

Following the merger, the Merging Sub-Fund shall be dissolved without going into liquidation.

1. Rationale and background for the merger

The Merging Sub-Fund was originally launched on 29 December 2000 and on 30 June 2017 the assets under management were USD 165,121,050.11. The relatively small size and reduced future demand makes it economically unattractive to run as an independent entity.

The Merging Sub-Fund and Receiving Sub-Fund share similarities in their investment objective, risk management processes and management fee structures. Both Sub-Funds carry the same risk rating indicator (synthetic risk and reward indicator) however, certain risks may not be applicable for both the Merging Sub-Fund and the Receiving Sub-Fund, as reflected in bold in Appendix I.

The Receiving Sub-Fund was originally launched on 3 April 2000 and on 30 June 2017 the assets under management were USD 2,937,414,397.27.

Because both the Merging Sub-Fund and the Receiving Sub-Fund share similar investment objectives, fee and expenses, and target investor profiles, the Board believes that it is in the best interests of shareholders to merge these Sub-Funds and focus on a single portfolio, which will offer economies of scale to existing shareholders of these Sub-Funds.

The Board has therefore decided, in accordance with Article 66(4) of the Luxembourg law of 17 December 2010 on undertakings for collective investment, as amended (the **"2010 Law"**) and Article 28 of the articles of incorporation of the Company, to merge the Merging Sub-Fund into the Receiving Sub-Fund.

2. Impact on shareholders and shareholders' rights

Holders of shares in the Receiving Sub-Fund who do not wish to participate in the Merger, may redeem their shares or switch their holding, free from any charge, until 26 October 2017 (before local dealing cut-off time), into any other sub-fund of FTIF, details of which are disclosed in the current prospectus of FTIF (provided that such other sub-funds have obtained recognition for marketing in the applicable jurisdiction).

Please note that "free of any charge" does not apply to the classes subject to the contingent deferred sales charge (**"CDSC"**), due to the nature of such fee. Accordingly, should you decide to redeem any shares subject to a CDSC, such redemption will be subject to the applicable CDSC as more fully disclosed in the prospectus of the Company.

As from 27 October 2017, Shareholders in the Receiving Sub-Fund may continue to redeem or switch out their shares in accordance with the provisions of the current prospectus of FTIF.

It is not expected that the Receiving Sub-Fund's portfolio be rebalanced in the context of the Merger, while it is contemplated that the portfolio of the Merging Sub-Fund could be potentially rebalanced before the Merger.

Instead and in the best interests of shareholders, the Merger will be organized so that up to 100%, but no less than 80% of the Merging Sub-Fund's portfolio will be transferred in kind to the Receiving Sub-Fund's portfolio. The residual portion of the portfolio not transferred in kind will be sold down in the Merging Sub-Fund and transferred as cash. It is expected that the Receiving Sub-Manager will review any new holdings received and may decide to reposition these within the Receiving Sub-Fund Portfolio. It is not contemplated that this will have a material impact on the value of the shares of the Receiving Sub-Fund shareholders.

In accordance with the standard valuation policy, and in order to protect the interests of remaining shareholders, in the event of a significant redemption from the Receiving Sub-Fund, a swing pricing mechanism may be adopted and applied to the value of the shares. Please refer to the Prospectus last visaed by CSSF, as amended, of the Company (the "**Prospectus**") for the details in respect of swing pricing.

The below table shows the corresponding share classes that will be merged:

Merging Share classes	ISIN	Receiving Share classes	ISIN
Franklin U.S. Small-Mid Cap Growth Fund A (Acc) USD	LU0122613226	Franklin U.S. Opportunities Fund A (Acc) USD	LU0109391861
Franklin U.S. Small-Mid Cap Growth Fund B (Acc) USD	LU0152927330	Franklin U.S. Opportunities Fund B (Acc) USD	LU0109391945
Franklin U.S. Small-Mid Cap Growth Fund C (Acc) USD	LU0229939508	Franklin U.S. Opportunities Fund C (Acc) USD	LU0260872956
Franklin U.S. Small-Mid Cap Growth Fund I (Acc) USD	LU0260866982	Franklin U.S. Opportunities Fund I (Acc) USD	LU0195948665
Franklin U.S. Small-Mid Cap Growth Fund N (Acc) USD	LU0122613143	Franklin U.S. Opportunities Fund N (Acc) USD	LU0188150956

The below table of share classes lists share classes of the Receiving Sub-Fund that will not increase in units as a result of a transfer of assets from the Merging Sub-Fund:

Receiving Share Class	ISIN
Franklin U.S. Opportunities Fund A (Acc) CHF-H1	LU0536403206
Franklin U.S. Opportunities Fund A (Acc) EUR	LU0260869739
Franklin U.S. Opportunities Fund A (Acc) EUR-H1	LU0316494391
Franklin U.S. Opportunities Fund A (Acc) HKD	LU0708995401
Franklin U.S. Opportunities Fund A (Acc) NOK-H1	LU1048430182
Franklin U.S. Opportunities Fund A (Acc) RMB-H1	LU1129996390
Franklin U.S. Opportunities Fund A (Acc) SEK-H1	LU0563142453
Franklin U.S. Opportunities Fund A (Acc) SGD	LU0320765059
Franklin U.S. Opportunities Fund A (Acc) SGD-H1	LU0672654240
Franklin U.S. Opportunities Fund A (Ydis) EUR	LU0260861751
Franklin U.S. Opportunities Fund A (Ydis) GBP	LU0229938369
Franklin U.S. Opportunities Fund AS (Acc) SGD	LU1267930730
Franklin U.S. Opportunities Fund F (Acc) USD	LU1573965289
Franklin U.S. Opportunities Fund I (Acc) EUR	LU0260870075
Franklin U.S. Opportunities Fund I (Acc) EUR-H1	LU0316494474
Franklin U.S. Opportunities Fund N (Acc) EUR	LU0260869903
Franklin U.S. Opportunities Fund N (Acc) EUR-H1	LU0592650831
Franklin U.S. Opportunities Fund N (Acc) PLN-H1	LU0465790037
Franklin U.S. Opportunities Fund W (Acc) EUR	LU0976564442
Franklin U.S. Opportunities Fund W (Acc) EUR-H1	LU1586276476
Franklin U.S. Opportunities Fund W (Acc) USD	LU0792612466
Franklin U.S. Opportunities Fund X (Acc) USD	LU0997717714
Franklin U.S. Opportunities Fund X (Ydis) USD	LU0645135327
Franklin U.S. Opportunities Fund Y (Mdis) USD	LU1244549306
Franklin U.S. Opportunities Fund Z (Acc) USD	LU0476944425

On the basis of the figures set out below, the Board believes that the shareholders of the Merging Sub-Fund will benefit from the Merger into the Receiving Sub-Fund.

Merging Sub-Fund Share Class Name	Maximum Initial Charge	Investment Management Fee	Management Company Fee	Maintenance Fee	Other Fees (including Custodian Fee)	Ongoing Charges Ratio (OCR)
Franklin U.S. Small-Mid Cap Growth Fund A (Acc) USD	5.75%	1.00%	0.20%	0.50%	0.13%	**1.83%**
Franklin U.S. Small-Mid Cap Growth Fund B (Acc) USD	0.00%	1.00%	0.20%	0.75%	1.20%	**3.15%**
Franklin U.S. Small-Mid Cap Growth Fund C (Acc) USD	0.00%	1.00%	0.20%	1.08%	0.14%	**2.42%**
Franklin U.S. Small-Mid Cap Growth Fund I (Acc) USD	0.00%	0.70%	0.20%	0.00%	0.10%	**1.00%**
Franklin U.S. Small-Mid Cap Growth Fund N (Acc) USD	3.00%	1.00%	0.20%	1.25%	0.13%	**2.58%**

Receiving Sub-Fund Share Class Name	Maximum Initial Charge	Investment Management Fee	Management Company Fee	Maintenance Fee	Other Fees (including Custodian Fee)	Ongoing Charges Ratio (OCR)
Franklin U.S. Opportunities Fund A (Acc) USD	5.75%	1.00%	0.20%	0.50%	0.13%	**1.83%**
Franklin U.S. Opportunities Fund B (Acc) USD	0.00%	1.00%	0.20%	0.75%	1.17%	**3.12%**
Franklin U.S. Opportunities Fund C (Acc) USD	0.00%	1.00%	0.20%	1.08%	0.11%	**2.39%**
Franklin U.S. Opportunities Fund I (Acc) USD	0.00%	0.70%	0.20%	0.00%	0.06%	**0.96%**
Franklin U.S. Opportunities Fund N (Acc) USD	3.00%	1.00%	0.20%	1.25%	0.13%	**2.58%**

3. Comparison between the Merging Sub-Fund and the Receiving Sub-Fund

Both the Merging Sub-Fund and the Receiving Sub-Fund share closely aligned investment goals and similar principle investment strategies as well as utilizing the same risk processes. The Merging Sub-Fund invests in a smaller subset of the Receiving Sub-Fund investment universe and shares some portfolio overlap with the Receiving Sub-Fund. At 17 May 2017, 34% of AUM in the Merging Sub-Fund were in holdings also held in the Receiving Sub-Fund, demonstrating similarities between the Sub-Funds portfolios. The common holdings will be maintained following the merger.

The Merging Sub-Fund invests principally in small and medium sized U.S. companies whereas the Receiving Sub-Fund has flexibility to invest in U.S. companies of all sizes with a focus on companies displaying accelerating growth and increasing profitability.

The Receiving Sub-Fund has a longer established and superior performance track record over the majority of time periods when compared to the Merging Sub-Fund. Although both Sub-Funds share the same management fee structure, investors of the Merging Sub-Fund may benefit from a lower total expense ratio in the Receiving Sub-Fund as fixed costs are spread across a wider investment base.

4. Merger Procedure

The Merger will become effective as of 3rd of November 2017 at midnight (Luxembourg time) (the **"Effective Date"**).

Upon the Effective Date, the Merging Sub-Fund will transfer all its assets and liabilities (the **"Assets"**) to the Receiving Sub-Fund (as detailed below).

Any accrued income in the Merging Sub-Fund at the time of the Merger will be included in the calculation of its net asset value per share and such accrued income will be accounted for an ongoing basis after the Merger in the net asset value per share calculation in the relevant share class of the Receiving Sub-Fund. The Net Assets of the Merging Sub-Fund will be valued as of the Effective Date in accordance with the valuation principles contained in the prospectus and the Articles of the Company. The outstanding liabilities generally comprise fees and expenses due but not paid, as reflected in the Net Assets of the Company. There are no outstanding unamortized preliminary expenses in relation to the Merging Sub-Fund.

5. Costs of the Merger

The expenses incurred in the Merger, including legal, accounting, custody and other administration costs will be borne by Franklin Templeton International Services S.à r.l., the management company of FTIF.

6. Tax impact

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

Notwithstanding the above, as tax laws differ widely from country to country, investors are advised to consult their tax advisers as to the tax implications of the Merger specific to their individual cases.

7. Availability of Documents

The common merger proposal, the most recent prospectus of FTIF and the relevant KIIDs are available at the registered office of FTIF, upon request, free of charge.

Upon request, copies of the report of the approved statutory auditor of FTIF relating to the merger may be obtained free of charge at the registered office of FTIF.

Copies of material contracts of FTIF may be obtained and/or inspected free of charge at the registered office of FTIF.

If you have any queries about the proposed merger or require any further information, please contact Franklin Templeton International Services S.à. r.l. or your relationship manager.

On behalf of Franklin Templeton Investment Funds,

William Lockwood
Director