

**SUBJECT: INCREASE OF THE EXPECTED LEVEL OF LEVERAGE AND CLARIFICATION OF  
THE INVESTMENT POLICY OF FRANKLIN TEMPLETON INVESTMENT  
FUNDS – FRANKLIN K2 ALTERNATIVE STRATEGIES FUND**

Luxembourg, July 20<sup>th</sup>, 2018

Dear Shareholder,

The purpose of this letter is to inform you of certain changes impacting Franklin K2 Alternative Strategies Fund (the "Fund"), a sub-fund of the Luxembourg SICAV Franklin Templeton Investment Funds (the "Company").

With effect from August 21<sup>st</sup>, 2018, the expected level of leverage figure of the Fund will increase from 300% to 1,000%, to offer the Investment Managers greater flexibility to allocate to financial derivative instruments. The use of such financial derivative instruments should provide additional diversification benefit to the Fund. The result may be a moderate decrease or increase of the overall volatility of the Fund. The Investment Managers view the use of financial derivative instruments as additional investment options to use in an effort to better achieve the Fund's existing investment objective and policy, which will not be impacted by the increase in exposure to financial derivatives. To this respect, the "Global Exposure" section will be amended to read as follows:

**"Global Exposure**

*The Value-at-Risk approach (absolute VaR) is used to calculate the Global Exposure of the Fund.*

*The Expected Level of Leverage for the Fund, calculated using the sum of notionals methodology, could amount to 1,000%, which is due to the use of financial derivative instruments with higher notional values. The level of leverage largely reflects the fact that the Fund may hold at any given time large positions in shorter and mid-term (3 months, 2 years and 5 years) sovereign debt futures (e.g., futures on denominations of U.S. Treasury debt), because the volatility of these contracts is considerably lower than that of longer term (10 years) futures contract on the same sovereign debt security (e.g., a U.S. Treasury 10 years note). The sum of notionals methodology also does not allow for the netting of financial derivative positions which can include hedging transactions and other risk mitigating strategies involving the use of financial derivative instruments. As a result, financial derivative instruments roll overs and strategies relying on a combination of long and short positions may contribute to a large increase in the level of leverage whereas they may not increase or cause only a moderate increase of the overall risk of the Fund which is monitored and limited according to the UCITS regulation.*

*The Expected Level of Leverage is an estimate only and may be subject to higher leverage levels generally when the portfolio managers have higher convictions in systematic trading strategies over discretionary strategies. These strategies tend to run a higher amount of leverage in market environments when the magnitude, volatility and the duration of trends in generally lower volatility and highly leveraged instruments (including but not limited to interest rates futures) is more attractive than generally higher volatility instruments (including but not limited to equities) that employ less leverage. It includes the notional exposure associated with financial derivative instruments but does not include the underlying investments of the Fund which make up 100% of total net assets."*

In addition, the investment policy will be amended to clarify that the use of financial derivative instruments may also contribute to a large increase in the level of leverage. The use of such financial derivative instruments may not increase or may cause only a moderate increase of the overall risk of the Fund. The eighth paragraph of the investment policy will be restated to read as follows:

*"The Fund utilises financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may be either dealt on regulated markets or over-the-counter, and may include, inter alia, (i) futures contracts, including futures based on equity or fixed income securities and indices, interest rate futures and currency futures and options thereon; (ii) swaps, including equity, currency, interest rate, total return swaps related to equity, fixed income and/or commodities as well as credit default swaps and options thereon; (iii) options, including call options and put options on indices, individual securities or currencies; and (iv) currency forward contracts. Use of financial derivative instruments may result in negative exposure in a specific asset class, yield curve/duration or currency. Use of financial derivative instruments such as interest rate futures and total return swaps on commodity indices may also contribute to a material increase in the level of leverage of the Fund, as further detailed in section "Global Exposure" below."*

Finally, “Substantial Leverage risk” will be added in the list of main risks pertaining to the Fund.

Those amendments are reflected in the Company’s addendum dated June 2018 to the prospectus dated January 2018, a copy of which is available upon request at the registered office of the Company.

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If you do not agree with the above changes, you may request, free of charge until August 21<sup>st</sup>, 2018, the redemption of your shares of the Fund or the exchange of such shares into shares of other funds of the Company, details of which are disclosed in the current Prospectus (provided that such funds have obtained recognition for marketing in your jurisdiction).

The Company comprises a wide range of funds catering for many different objectives. Exchanges of your existing holding may be made into other funds within the Company. On receipt of your instructions, we will execute the exchange for you in accordance with the provisions of the current Prospectus, free of any charge.

If you do not wish to exchange your shares and would like to redeem and receive a cash payment, the redemption will be made in accordance with the provisions of the current Prospectus, free of charge. Please return your instructions to your local Franklin Templeton Investments office or to Franklin Templeton International Services S.à r.l. 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.

You should consult your professional advisers as to the possible tax or other consequences of buying, holding, transferring or selling any of the Company’s shares affected by the changes described above, under the laws of your country of citizenship, residence and domicile.

If you require further information please do not hesitate to contact your local Franklin Templeton Investments office or your financial adviser.

Yours sincerely,



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Craig Blair, Conducting Officer of Franklin Templeton International Services S.à r.l.,  
Management Company of Franklin Templeton Investment Funds

**SUBJECT: CHANGE OF NAME AND CLARIFICATION OF INVESTMENT POLICY OF  
FRANKLIN TEMPLETON INVESTMENT FUNDS –  
FRANKLIN U.S. EQUITY FUND**

Luxembourg, July 20<sup>th</sup>, 2018

Dear Shareholder,

The purpose of this letter is to inform you of certain changes impacting the Franklin U.S. Equity Fund, a sub-fund of the Luxembourg SICAV Franklin Templeton Investment Funds (the “Company”), as further described below.

**Change of Name**

With effect from August 1<sup>st</sup>, 2018, the Franklin Templeton Investment Funds – Franklin U.S. Equity Fund will be renamed into Franklin Templeton Investment Funds – Franklin Select U.S. Equity Fund (the “Fund”). The intention of the name change is to better illustrate the concentrated nature of the portfolio of the Fund and the integration of environmental, social and governance considerations into the investment process of the Fund.

**Clarification of investment policy**

With effect from August 1<sup>st</sup>, 2018, the investment policy of the Fund will be clarified to reflect environmental, social and governance factors and analytics that the Franklin Equity Group’s investment’s team will integrate into their stock selection process. Therefore, the investment policy of the Fund is restated to read as follows:

*“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 Depositary Receipts and American Depositary 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. This generally includes an assessment by the Investment Manager of the potential impacts of material environmental, social and governance factors on the long-term risk and return profile of a company. 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. 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 or options on such contracts.”*

There will be no change to the investment strategy, investment allocation or universe of the Fund.

If you require further information please do not hesitate to contact your local Franklin Templeton Investments office or your financial adviser.

Yours sincerely,



Craig Blair, Conducting Officer of Franklin Templeton International Services S.à r.l.,  
Management Company of Franklin Templeton Investment Funds