

December 2010



FRANKLIN TEMPLETON INVESTMENT FUNDS



FRANKLIN TEMPLETON
INVESTMENTS

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

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	<p>The Fund’s investment objective is to maximize, consistent with prudent investment management, a combination of capital appreciation and interest income.</p> <p>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⁾.</p> <p>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.</p> <p>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⁾</p>

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

Investment Objective and Policy (cont'd)	<p>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.</p> <p>The base currency of the Fund is US dollar.</p> <p>⁽¹⁾ And non-rated</p> <p>⁽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.</p> <p>⁽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.</p> <p>⁽⁴⁾ Such as P-notes or equity-linked notes</p> <p>⁽⁵⁾ The Fund may invest up to one-third of its assets in the instruments referred to in the third and fourth paragraphs above.</p> <p>⁽⁶⁾ Also in emerging markets. The Fund's minimum total investment in emerging market securities is subject to the second paragraph above.</p>
Investor's Profile	<p>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.</p>
Risks of Investing in the Fund	<p>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.</p>
Investment Manager(s)	<p>Co-managed by Franklin Advisers, Inc. & Templeton Asset Management Ltd.</p>
Share Classes	<p>A (acc) USD and A (Qdis) USD</p>
Annual Management Fee	<p>1.3%</p>
Annual Maintenance Charge	<p>Up to 0.5%</p>
Aggregate of the above charges	<p>Up to 1.80%</p>
Sales Charge	<p>Up to 5%</p>
Financial period to be covered by the first available financial report of the Fund	<p>29 April 2011 to 30 June 2011</p>

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

This letter is important and requires your immediate attention.

If you are in doubt, please consult your legal, financial or professional advisers.

12 August 2011

Dear Shareholder,

Franklin Templeton Investment Funds (the “Company”)

The purpose of this letter is to inform you of revisions to the investment restrictions of the Company, pursuant to changes in European law impacting 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 Explanatory Memorandum shall be replaced with the following:

“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;”

Following this amendment, the numbering and cross-references shall be updated accordingly throughout the Explanatory Memorandum.

For your ease of comparison, the relevant changes are marked up and set out in the Appendix attached to this letter.

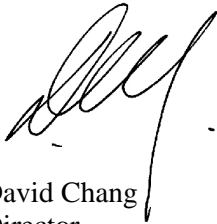
* * * * *

The investment managers of the Company and the Directors of the Company accept full responsibility for the accuracy of the information contained in this letter as at the date of its publication and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading.

If you require further information please do not hesitate to contact your investment consultant or call our Investor Hotline at +852 2829 0600.

Yours faithfully,

For and on behalf of
Franklin Templeton Investments (Asia) Limited

A handwritten signature in black ink, appearing to read 'David Chang', with a long vertical stroke extending downwards from the end of the signature.

David Chang
Director

Appendix

“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 ~~official listing on a stock exchange in an Eligible State*~~; and/ or
- (ii) transferable securities and money market instruments dealt in ~~or~~ on another ~~regulated~~ market in an EU Member State which is regulated, operates regularly and is recognized 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 ~~recognized~~ stock exchange in a non EU Member State ~~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~~ or dealt in on another ~~regulated~~ market in a non EU Member State ~~the countries of the areas referred to under (iii) above,~~ which is regulated, operates regularly and is recognized and open to the public; and/ ~~or~~”



FRANKLIN TEMPLETON
INVESTMENTS

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If you are in doubt, please consult your legal, financial or professional advisers.

12 August 2011

Dear Shareholder,

**Franklin Templeton Investment Funds (the “Company”)
Templeton Frontier Markets Fund (the “Sub-fund”)**

The purpose of this letter is to inform you of revisions to the investment objective and policy of the Sub-fund.

With effect from 29 July 2011, the third paragraph of the investment objective and policy of the Sub-fund on page 30 of the Explanatory Memorandum shall be revised and restated as follows:-

“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 hedging and efficient portfolio management. 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.”

Consequently, the Sub-fund shall be deleted from the list of funds on page 8 of the Explanatory Memorandum that may invest in financial derivative instruments for investment purposes beyond hedging and/or efficient portfolio management purposes.

* * * * *

The investment manager of the Sub-fund and the Directors of the Company accept full responsibility for the accuracy of the information contained in this letter as at the date of its publication and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading.

If you require further information please do not hesitate to contact your investment consultant or call our Investor Hotline at +852 2829 0600.

Yours faithfully,

For and on behalf of
Franklin Templeton Investments (Asia) Limited


David Chang
Director

Franklin Templeton Investments (Asia) Limited

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INVESTMENTS

This letter is important and requires your immediate attention.

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18 August 2011

Dear Shareholder,

**Franklin Templeton Investment Funds (the “Company”)
Templeton Global (Euro) Fund (the “Sub-fund”)**

The purpose of this letter is to inform you that with effect from 1 October 2011, Franklin Templeton Investment Management Limited will replace Franklin Templeton Investments Corp. as the Investment Manager of the Sub-fund.

Rest assured, there will be no impact to the investment objective and policy of the Sub-fund, nor the manner in which the Sub-fund is being managed. There will also be no change in the fees payable in respect of the Sub-fund.

The investment managers of the Company and the Directors of the Company accept full responsibility for the accuracy of the information contained in this letter as at the date of its publication and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading.

If you require further information please do not hesitate to contact your investment consultant or call our Investor Hotline at +852 2829 0600.

Yours faithfully,

For and on behalf of
Franklin Templeton Investments (Asia) Limited

David Chang
Director



FRANKLIN TEMPLETON
INVESTMENTS

This letter is important and requires your immediate attention.

If you are in doubt, please consult your legal, financial or professional advisers.

12 August 2011

Dear Shareholder,

**Franklin Templeton Investment Funds (the “Company”)
Franklin Gold and Precious Metals Fund (the “Sub-fund”)**

The purpose of this letter is to inform you that the Sub-fund is deleted from the list of funds on page 8 of the Explanatory Memorandum that may invest in financial derivative instruments for investment purposes beyond hedging and/or efficient portfolio management purposes.

The investment manager of the Sub-fund and the Directors of the Company accept full responsibility for the accuracy of the information contained in this letter as at the date of its publication and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief there are no other facts the omission of which would make any statement misleading.

If you require further information please do not hesitate to contact your investment consultant or call our Investor Hotline at +852 2829 0600.

Yours faithfully,

For and on behalf of
Franklin Templeton Investments (Asia) Limited



David Chang
Director



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.

(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 Funds⁷. 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 FRANKLIN 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'Épargne 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 hold 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 issuer 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 its 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

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REGISTRAR AND TRANSFER, CORPORATE, DOMICILIARY AND ADMINISTRATIVE AGENT

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