

8 May 2009

Dear Customer,

We are pleased to inform you that the Investment Policies of the Templeton Asian Bond Fund and Templeton Emerging Market Smaller Company Fund, which are offered through Citibank's QDII Franklin Templeton "JIJINHUI" Mutual Fund Product, shall be revised and replaced by the revised investment policy effective on June 3, 2009 as set out in the attached notice by Franklin Templeton . (Please refer to the 'Fund Information' page in Franklin Templeton website <http://www.franklintempleton.com.hk/hksite/hk.jsp>).

▪ ***Templeton Asian Bond Fund***

According to the Notice from Fund House, the relevant changes will not affect the effective management style of the fund and the Investment Manager does not intend to change the way the Fund is currently managed; however the fund may be subject to a higher degree of risk relating to investments in financial derivative instruments after the amendment,.

▪ ***Templeton Emerging Market Smaller Company Fund***

According to the Notice from Fund House, the relevant change is mainly driven by a concern to adjust the investment strategy of the Templeton Emerging Market Smaller Companies Fund to consist with those of the other smaller cap companies offered by Franklin Templeton.;The change will not result in any change in the way the Fund is managed and therefore the risk level of the Fund will remain unchanged.

Since these two funds are offered through *Citibank (China) Co., Ltd. QDII JIJINHUI —Franklin Templeton –EUR* and *Citibank (China) Co., Ltd. QDII JIJINHUI —Franklin Templeton –USD*, the amendment does not have any direct impact on your holdings of any of QDII Franklin Templeton "JIJINHUI" Mutual Fund , nor the fund performance.

If you have any further questions about this corporate action, please contact your Relationship Manager or Personal Banker or Citibank Hotline on XXXXXXXXX.

Your continuing support is highly appreciated.

Yours Sincerely,

Citibank (China) Co. Ltd.



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*This letter is important and requires your immediate attention.
If you are in doubt, please consult your legal, financial or professional advisers.*

20 April 2009

Dear Shareholder,

Franklin Templeton Investment Funds (the “Company”)

After considerable analysis and review, the Board of Directors of the Company has resolved to implement the following changes to the Company:-

(I) Change of Investment Policies of Templeton Asian Bond Fund, Templeton Emerging Markets Bond Fund and Templeton Global Bond Fund (the “Sub-funds”)

With effect from **3 June 2009**, the investment policies of the Sub-funds shall be revised and replaced by the revised investment policies as set out respectively in the Appendix I attached to this letter. The relevant changes, as marked up in the revised investment policy, will not affect the effective management style of the Sub-funds and the Investment Manager of the Sub-funds does not intend to change the way the Sub-Funds are currently managed.

Following the changes, the global exposure of each of the Sub-funds relating to financial derivative instruments may not exceed the total net assets of the relevant Sub-Fund and the Sub-funds may thereby be subject to a higher degree of risk relating to investments in financial derivative instruments.

The main risks of investing in the Templeton Asian Bond Fund include the following:-

- Credit risk
- Credit-linked securities risks
- Defaulted debt securities risk
- Derivative risk
- Emerging markets risk
- Foreign currency risk
- Interest rate securities risk
- Low-rated or non-investment grade securities risk
- Mortgage and asset-backed securities risk
- Mortgage dollar roll risk

The main risks of investing in the Templeton Emerging Markets Bond Fund include the following:-

- Credit risk
- Defaulted debt securities risk
- Derivative risk
- Emerging markets risk
- Equity risk
- Foreign currency risk
- Interest rate securities risk
- Low-rated or non-investment grade securities risk

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The main risks of investing in the Templeton Global Bond Fund include the following:-

- Credit risk
- Defaulted debt securities risk
- Derivative risk
- Emerging markets risk
- Foreign currency risk
- Interest rate securities risk
- Low-rated or non-investment grade securities risk

Please refer to the Appendix II attached to this letter for a summary of the risk factors listed above. Further details of the relevant risk considerations are provided in the Hong Kong Explanatory Memorandum.

(II) Change of Investment Policy of Templeton Emerging Markets Smaller Companies Fund

With effect from **3 June 2009**, the investment policy of the Templeton Emerging Markets Smaller Companies Fund shall be revised and replaced by the revised investment policy as set out in the Appendix I attached to this letter. The relevant change is, as marked up in the revised investment policy, mainly driven by a concern to adjust the investment strategy of the Templeton Emerging Markets Smaller Companies Fund and ensure its consistency with those of the other small cap companies sub-funds offered by the Company.

The main risks of investing in the Templeton Emerging Markets Smaller Companies Fund include the following:-

- Emerging markets risk
- Equity risk
- Foreign currency risk
- Interest rate securities risk
- Low-rated or non-investment grade securities risk
- Small and mid-size companies risk

Please refer to the Appendix II attached to this letter for a summary of the risk factors listed above. Further details of the relevant risk considerations are provided in the Hong Kong Explanatory Memorandum.

The abovementioned change will not result in any change in the way the Fund is managed and therefore the risk level of the Fund will remain unchanged.

(III) Reduction of Management Fee of Templeton Korea Fund

With effect from **1 October 2008**, the annual management fee for Class I (acc) USD Shares of the Templeton Korea Fund has been reduced from 1.25% per annum to 1.10% per annum.




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If you have any questions, please contact your investment consultant or call our Investor Hotline on (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', is written over the printed name and title. The signature is fluid and cursive, with a long, sweeping tail that extends downwards and to the right.

David Chang
Director



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Appendix I

Revised Investment Policy of 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. Under normal market conditions, the Fund will primarily invest in a portfolio of fixed and floating rate debt securities and debt obligations of governments and/or government-related issuers located throughout Asia. The Fund may also invest in debt securities of corporate issuers and in securities or structured products where the security is linked to or derives its value from another security, linked to assets or currencies of any Asian country. ~~More specifically, the~~ The Fund may purchase debt obligations issued by governments and supranational entities organized or supported by several national governments ~~located in Asia~~. The Fund may also purchase mortgage- and asset-backed securities, convertible bonds, and invest ~~up to 25%~~ in financial derivative instruments ~~such as for hedging and 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 (either of which may result in negative currency exposures), futures contracts, or options on such contracts, (including those on government securities throughout Asia-), as well as options.~~ The Fund may invest in investment grade and non-investment grade debt securities issued by Asian issuers including securities in default.

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 of governments, government-related or corporate issuers located outside Asia which are impacted by economic or financial dynamics in Asia.

The Fund may also participate in mortgage dollar roll transactions. ~~The Fund will seek to protect and enhance the asset value of the portfolio and especially cash or money market instruments through hedging strategies consistent with the Fund's investment objectives by utilizing currency options, forward contracts and futures contracts.~~ Investment in emerging market countries, in derivative instruments, in mortgage- and asset-backed securities, in non-investment grade securities as well as in securities in default are subject to a higher degree of risks, as described more fully in the section "Risk Considerations". The base currency of the Fund is U.S. 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.

Revised Investment Policy of Templeton Emerging Markets Bond Fund:

The Fund's investment objective is to maximize total return through a combination of interest income and capital appreciation consistent with prudent investment management. The Fund will seek to achieve this objective through a policy of investing primarily in fixed and floating rate debt securities and obligations issued by corporations, governments or government-related entities of developing or emerging nations and debt obligations issued by supranational entities organized or supported by several national governments ~~in emerging markets~~. 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. The Fund may also invest, in accordance with the investment restrictions and for investment purposes, in financial derivative instruments, in securities or structured products linked to assets or currencies in any developing or emerging nation, and up to 10% of its total net assets in securities in default ~~and up to 25% of its total net assets in certain financial~~



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~~derivative instruments.~~ These financial derivative instruments may ~~include, inter alia, forwards and future contracts, options on such contracts, including those on government securities,~~ be dealt in either ~~on-in~~ regulated markets or over-the-counter, ~~and may include, inter alia swaps (such as total return swaps or credit default swaps or total return swaps), forwards and cross forwards (either of which may result in negative currency exposures), futures contracts (including those on government securities), as well as options.~~ The securities and debt obligations the Fund invests in may be denominated in U.S. Dollar or any other currency. Notwithstanding the foregoing, at no time will the Investment Manager invest more than 10% of the Fund's net invested assets into equity securities. The base currency of the Fund is U.S. Dollar.

Revised Investment Policy of 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 will seek to achieve its objective by investing primarily in a portfolio of fixed or floating rate debt securities and debt obligations of government or government-related issuers worldwide. The Fund may also, in accordance with the investment restrictions, invest in debt securities of corporate issuers, securities or structured products linked to assets or currencies of any nation. 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 invest for investment purposes in financial derivative instruments and up to 10% of its total net assets in securities in default ~~and up to 25% of its total net assets in certain financial derivative instruments.~~ 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 (either of which may result in negative currency exposures), futures contracts, as well as options on such contracts, (including those on government securities) as well as options, dealt in either on regulated markets or over the counter.~~ The Fund may purchase U.S. Dollar and non-U.S. Dollar denominated fixed income securities and debt obligations 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 base currency of the Fund is U.S. Dollar.

Revised Investment Policy of 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 capitalization at the time of the purchase of less than USD 12 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 U.S. Dollar.



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Appendix II

- **Credit risk**

Credit risk is the failure by an issuer of fixed income securities and money market instruments to make principal and interest payments when due. Higher credit risk instruments offer higher yields for this added risk. The financial condition of an issuer, changes in economic and political conditions are factors of credit risks.

- **Credit-linked securities risk**

Credit-linked securities are debt securities that are interests in a pool of, or are otherwise collateralized by one or more corporate debt obligations, credit default swaps incorporated debt obligations or bank loan obligations. Risks in these securities include loss of principal investments and interest payments expected to be received. Additionally, most of the credit-linked securities are freely traded among institutional buyers and the market for credit-linked securities may suddenly become illiquid resulting in significant, rapid and unpredictable changes in the prices for credit-linked securities.

- **Defaulted debt securities risk**

Defaulted debt securities are debt securities of which the issuer is not currently making interest payments. Risks in defaulted debt securities may be considerably higher as they are generally unsecured and subordinated to other creditors of the issuer. The Fund may also incur additional expenses in order to try to recover principal or interest payments on a defaulted security. Defaulted securities may also become illiquid.

- **Derivative risk**

The Fund may engage in certain transactions involving the use of derivative instruments including (i) put and call options on securities, debt obligations, indices and currencies; (ii) stock index and interest rate futures contracts and options; (iii) structured products; and (iv) delayed delivery or when-and-if issued securities. Performance and value of derivative instruments depend on the performance and value of underlying asset. Investment in derivative instruments may involve cost and may be volatile. Other risks include delivery failure, default by counterparties, inability to close out position due to illiquidity. Over-the-counter derivatives instruments involve a higher degree of risk as over-the-counter markets are less liquid and regulated.

- **Emerging markets risk**

Securities issued by corporations, governments, and public-law entities in emerging markets may involve risks such as : (i) investment and repatriation restrictions; (ii) currency fluctuations; (iii) the potential for unusual market volatility; (iv) government involvement in private sector; (v) limited investor information and less stringent investor disclosure requirements; (vi) shallow and substantially smaller liquid securities markets; (vii) certain local tax law markets; (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) increased risk of adverse effects from deflation and inflation; and (xii) the possibility of limited legal recourse for the Fund. Liquidity in emerging markets securities may also be smaller.

- **Foreign currency risk**

Securities held by a Fund may be denominated in currencies different from their base currency and may be affected unfavourably by exchange control regulations or changes in the exchange



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rates between such reference currency and other currencies. Changes in currency exchange rates may affect the value of dividends and interests earned by the Fund and gains and losses realized by the said Fund.

- **Interest rate securities risk**

Debt securities or money market instruments are subject to interest rate risk which means movements in interest rates will negatively affect the Fund's underlying securities. Fixed income securities with longer-term maturities tend to be more sensitive to interest rate changes than shorter-term securities.

- **Low-rated and non-investment grade securities risk**

Higher-yielding securities rated lower than investment grade is accompanied by a higher degree of credit risk. 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.

- **Mortgage and asset-backed securities risk**

For mortgage-backed securities, the principal is paid back over the life of the security rather than at maturity. Unscheduled prepayments of principal before the security's maturity date may result in a loss of anticipated interest to the Fund, 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 are also subject to extension risk, which means an unexpected rise in interest rates could reduce the rate of prepayments on mortgage-backed securities and extend their life. Like mortgage-backed securities, asset-backed securities are subject to prepayment and extension risks.

- **Mortgage dollar roll risk**

In a mortgage dollar roll, mortgage-backed securities are sold 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 Fund foregoes principal and interest paid on the mortgage-backed securities. Mortgage dollar rolls transactions may increase the Fund's overall investment exposure and result in losses.

- **Equity risk**

Equity and equity related securities will be affected by economic, political, market, and issuer specific changes regardless of company specific performance. Additionally, different industries, financial markets, and securities can react differently to these changes. 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.

- **Small and mid-sized companies risk**

The stock prices of small and mid-sized companies can be more volatile. Lower liquidity, greater sensitivity to changes in economic conditions and interest rates, and uncertainty over future growth prospects may contribute price volatility. Other risks include inability to generate new funds for growth and development, lack depth in management, new and uncertain markets.