

**This notice contains important information that requires your immediate attention. Should you have any queries, you are recommended to seek independent professional advice.**

The following change(s) in investment choice(s) relate(s) to the “Global InvestPlus” and “Premier-Choice Series” plans, including Premier-Choice ULife InvestPlan, Premier-Choice Flexi, Premier-Choice Flexi Plus, Premier-Choice InvestPlan and Premier-Choice Plus InvestPlan.

**1. Change of Operating and Administrative Expenses for the Underlying Funds of the Investment Choices**

- JPMorgan Funds - Emerging Europe, Middle East and Africa Equity Fund Class "A" (JFEMU)
- JPMorgan Funds - Global Natural Resources Fund Class "A" (JFNRU)
- JPMorgan Taiwan Fund A (JFTAU)
- JPMorgan US Dollar Money Market A (acc) – USD (JFUMU)

As advised by J.P. Morgan Asset Management, the management company of JPMorgan Funds (the “Funds”) has decided to make changes to the Operating and Administrative (“O&A”) Expenses of the underlying funds of the investment choices above with effect from July 1, 2015.

The changes are summarized below:

- The previous fixed O&A Expense rates are replaced with actual O&A Expenses incurred, subject to maximum rate of O&A Expenses. The maximum rate of such O&A Expenses is set at a lower rate as listed below.

Investment Choice	Underlying Fund	Operating and Administrative Expenses	
		Previous	Maximum level (effective from July 1, 2015)
JPMorgan Funds - Emerging Europe, Middle East and Africa Equity Fund Class "A"	JPMorgan Funds - Emerging Europe, Middle East and Africa Fund	0.45%	0.30% Max
JPMorgan Funds - Global Natural Resources Fund Class "A"	JPMorgan Funds - Global Natural Resources Fund	0.40%	0.30% Max
JPMorgan Taiwan Fund A	JPMorgan Funds - Taiwan Fund	0.40%	0.30% Max
JPMorgan US Dollar Money Market A (acc) – USD	JPMorgan Funds - US Dollar Money Market Fund	0.22%	0.20% Max

- The “Fund Servicing Fee”, which is a component of the O&A Expenses, is redefined as the fee that is paid to the management company for the services that the management company provides to the underlying funds. This Fund Servicing Fee will be capped at 0.15% of the net asset value and will be reviewed annually.

The reason for the change from fixed to capped O&A Expenses is to more efficiently pass on the potential benefits of scale to shareholders as the underlying funds grow in size, while continuing to provide the certainty of the maximum expenses charged in an underlying fund.

The management company will bear any O&A Expenses exceeding the maximum rate specified in the Hong Kong Offering Documents of the Funds.

There will be no changes to the other fees charged on the underlying funds or payable by the investors of the underlying funds and the manner in which the underlying funds are managed will remain the same.

As advised by BlackRock, there will be the following changes on the underlying funds with effect from July 20, 2015 (the “Effective Date”).

**2. Change of Name of Benchmark Indices of the Underlying Funds of the Investment Choices**

- BlackRock Global Funds - Global Allocation Fund Class "A" (MLGAU)
- BlackRock Global Funds - World Financials Fund Class "A" (MLWFU)
- BlackRock Global Funds - World Healthscience Fund Class "A" (MLWHU)

The name of the benchmark indices will change for the underlying funds of the investment choices above as shown below. These changes are being made in order to ensure consistency and accuracy in the naming of each benchmark index. Please note, the relevant benchmark index for each underlying fund has not changed. There will be no change to the overall risk profile of the underlying funds or how the underlying fund is currently managed as a result of the change in name of the relevant benchmark index.

Investment Choice	Underlying Fund	Name of Benchmark Index	
		Existing	After change
BlackRock Global Funds - Global Allocation Fund Class "A"	BlackRock Global Funds - Global Allocation Fund	36% S&P 500 Index, 24% FTSE World Index (Ex-US), 24% 5Yr US Treasury Note, 16% Citigroup Non-US World Govt Bond Index	36% S&P 500 Index, 24% FTSE World Index (Ex-US), 24% 5Yr US Treasury Note, 16% Citigroup Non-USD World Govt Bond Index
BlackRock Global Funds - World Financials Fund Class "A"	BlackRock Global Funds - World Financials Fund	MSCI ACWI World Financials Index	MSCI ACWI Financials Index
BlackRock Global Funds - World Healthscience Fund Class "A"	BlackRock Global Funds - World Healthscience Fund	MSCI World Healthcare Index	MSCI World Health Care Index

### 3. **Changes of Investment Objectives and Policies and Appointment of Sub-adviser for the Underlying Funds of the Investment Choices**

- *BlackRock Global Funds - Asia Pacific Equity Income Fund Class "A" (MLAIU)*
- *BlackRock Global Funds - Global Allocation Fund Class "A" (MLGAU)*
- *BlackRock Global Funds - Global SmallCap Fund Class "A" (MLGSU)*
- *BlackRock Global Funds - World Financials Fund Class "A" (MLWFO)*
- *BlackRock Global Funds - World Healthscience Fund Class "A" (MLWHU)*
- *BlackRock Global Funds - Asian Tiger Bond Fund Class "A" (MLABU)*

In order to gain more cost efficient and diversified exposure to the People Republic of China ("PRC"), the investment policies of the underlying funds of the investment choices above will be amended from the Effective Date to permit the underlying funds to access PRC onshore investments via two programmes (where relevant):

1. Renminbi Qualified Foreign Institutional Investor ("RQFII")
2. Shanghai Hong Kong Stock Connect (the "Stock Connect").

Please refer to the following schedule of the underlying funds proposing to use Stock Connect and/or RQFII and the limits in respect of the underlying funds' assets under management that can be invested through the programmes.

Investment Choice	Underlying Fund	Access Programme	Max Investment
BlackRock Global Funds - Asia Pacific Equity Income Fund Class "A"	BlackRock Global Funds - Asia Pacific Equity Income Fund	Stock Connect and RQFII	10%
BlackRock Global Funds - Global Allocation Fund Class "A"	BlackRock Global Funds - Global Allocation Fund	Stock Connect	10%
BlackRock Global Funds - Global SmallCap Fund Class "A"	BlackRock Global Funds - Global SmallCap Fund	Stock Connect	10%
BlackRock Global Funds - World Financials Fund Class "A"	BlackRock Global Funds - World Financials Fund	Stock Connect	10%
BlackRock Global Funds - World Healthscience Fund Class "A"	BlackRock Global Funds - World Healthscience Fund	Stock Connect	10%
BlackRock Global Funds - Asian Tiger Bond Fund Class "A"	BlackRock Global Funds - Asian Tiger Bond Fund	RQFII	10%

#### **Appointment of sub-adviser**

BlackRock Asset Management North Asia Limited ("BAMNA") has obtained an RQFII licence and will act as the qualified foreign institutional investor for the underlying funds upon obtaining requisite RQFII Quota from China's State Administration of Foreign Exchange. In this regard, BAMNA needs to be an investment adviser/sub-adviser to the underlying funds. BAMNA is currently a sub-adviser to the underlying funds proposing to use RQFII except the BlackRock Global Funds - Asian Tiger Bond Fund, which is currently being managed by BlackRock (Singapore) Limited as its investment adviser.

In order to allow the BlackRock Global Funds - Asian Tiger Bond Fund the flexibility to invest directly in the PRC once requisite RQFII Quota has been obtained by BAMNA, on the Effective Date BAMNA will be appointed as sub-adviser to this underlying fund.

#### **Risks associated with investing via RQFII and Stock Connect**

Please note that investments via the Stock Connect and RQFII programmes involve additional risks in addition to the general risks applicable to investing in the PRC. It is not expected to materially affect the overall risk profile of the underlying funds or change their expected levels of leverage.

### 4. **Changes to Expected Levels of Leverage for the Underlying Funds of the Investment Choices**

- *MassMutual - BlackRock Global Funds - Emerging Europe Fund Class "A" (MLEEU)*
- *BlackRock Global Funds - Global Allocation Fund Class "A" (MLGAU)*
- *MassMutual - BlackRock Global Funds - Japan Small & MidCap Opportunities Fund Class "A" (MLJOU)*

The expected levels of leverage of the underlying funds of the investment choices above will be revised from their current levels. Please refer to the table below for details of the underlying funds, the changes to the expected levels of leverage as well as the rationale for the changes. There will be no changes to the investment objectives, policies, overall risk profiles or how the underlying funds are currently managed as a result of these changes to the expected levels of leverage.

Investment Choice	Underlying Fund	Current Expected Level of Leverage	Expected Level of Leverage in Proposed Prospectus	Rationale for Change
MassMutual - BlackRock Global Funds - Emerging Europe Fund Class "A"	BlackRock Global Funds - Emerging Europe Fund	5%	10%	The typical leverage for this underlying fund is normally higher than the currently quoted value due to a greater use of foreign exchange derivatives and occasionally index futures to equitize cash.
BlackRock Global Funds - Global Allocation Fund Class "A"	BlackRock Global Funds - Global Allocation Fund	80%	140%	The typical leverage for this underlying fund is expected to become higher than the currently quoted value due mainly to anticipated greater use of derivatives linked to short term interest rates.
MassMutual - BlackRock Global Funds - Japan Small & MidCap Opportunities Fund Class "A"	BlackRock Global Funds - Japan Small & MidCap Opportunities Fund	0%	5%	The typical leverage for this underlying fund is normally higher than the currently quoted value as the underlying fund occasionally uses foreign exchange derivatives resulting in non-zero average leverage.

**5. Changes to Legal Cost for the Underlying Funds of the Investment Choices**

- *BlackRock Global Funds - Asian Tiger Bond Fund Class "A" (MLABU)*
- *BlackRock Global Funds - Asia Pacific Equity Income Fund Class "A" (MLAIU)*
- *MassMutual - BlackRock Global Funds - Emerging Europe Fund Class "A" (MLEEU)*
- *MassMutual - BlackRock Global Funds - European Special Situations Fund Class "A" (MLESU)*
- *BlackRock Global Funds - Global Allocation Fund Class "A" (MLGAU)*
- *BlackRock Global Funds - Global SmallCap Fund Class "A" (MLGSU)*
- *MassMutual - BlackRock Global Funds - Japan Small & MidCap Opportunities Fund Class "A" (MLJOU)*
- *BlackRock Global Funds - Latin American Fund Class "A" (MLLAU)*
- *BlackRock Global Funds - New Energy Fund Class "A" (MLNEU)*
- *BlackRock Global Funds - US Dollar Reserve Fund Class "A" (MLUDU)*
- *BlackRock Global Funds - US Dollar High Yield Bond Fund Class "A" (MLUHU)*
- *BlackRock Global Funds - World Agriculture Fund Class "A" (MLWAU)*
- *BlackRock Global Funds - World Energy Fund Class "A" (MLWEU)*
- *BlackRock Global Funds - World Financials Fund Class "A" (MLWUFU)*
- *BlackRock Global Funds - World Gold Fund Class "A" (MLWGU)*
- *BlackRock Global Funds - World Healthscience Fund Class "A" (MLWHU)*
- *BlackRock Global Funds - World Mining Fund Class "A" (MLWMU)*

The legal costs associated with filing European Union withholding tax reclaims will no longer be paid out of the Administration Fee received by the management company, but will instead be paid for directly by the BlackRock Global Funds.

Such costs will be allocated between the relevant underlying funds on a pro rata basis and may result in an immaterial increase in the fees applied to the relevant underlying funds to the extent a reclaim is not successful.

As advised by Franklin Templeton Investments, there will be the following revisions on the Explanatory Memorandum of the underlying funds.

**6. Revisions to Investment Policies of the Underlying Funds of the Investment Choices**

- *Franklin Templeton Investment Funds - Templeton Global Balanced Fund "A(Qdis)" Shares (FTBAU)*
- *MassMutual Franklin Templeton Eastern Europe Fund "A(acc)" Shares (FTEEU)*
- *Franklin Templeton Investment Funds - Templeton Emerging Markets Fund "A(acc)" Shares (FTEMU)*
- *Franklin Templeton Investment Funds - Templeton Emerging Markets Smaller Companies Fund "A(acc)" Shares (FTESU)*

For clarification purposes, the investment policies of the following underlying funds will be revised with effect from July 31, 2015 and restated as set out below. The relevant revisions are marked up for your ease of comparison.

Rest assured, there will be no change to the way that the underlying funds are currently managed or to the investment strategy of the underlying funds, or to the fee levels of the underlying funds.

**Franklin Templeton Investment Funds - Templeton Global Balanced Fund**

The following new paragraph will be added immediately following the second paragraph of the investment objective and policy of this underlying fund, as set out on page 32 of the current Explanatory Memorandum:

*"The Fund may also utilise financial derivative instruments for hedging purposes and/or efficient portfolio management. These financial derivative instruments may be dealt on either (i) regulated markets, such as futures contracts (including those on government securities), as well as options or (ii) over-the-counter such as currency, exchange rate, and interest rate related swaps and forwards."*

The revisions are to clarify that the underlying fund may utilise certain financial derivative instruments for hedging and/or efficient portfolio management purposes. The underlying fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

For details of the relevant risk considerations pertaining to the underlying fund's use of derivatives, please refer to the sub-section "Derivative risk" of the "Risk Considerations" section on page 41 of the current Explanatory Memorandum.

#### **Franklin Templeton Investment Funds - Templeton Eastern Europe Fund**

The first paragraph of the objective and policy of this underlying fund on page 25 of the current Explanatory Memorandum will be revised and restated as set out below.

*"The Fund's investment objective is capital appreciation, which it seeks to achieve by investing primarily in listed equity 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 revisions are to clarify that the underlying fund intends to invest primarily in listed equity securities. For details of the relevant risk considerations pertaining to the underlying fund's investments in listed equity securities, please refer to the sub-section "Equity risk" of the "Risk Considerations" section on page 42 of the current Explanatory Memorandum.

#### **Franklin Templeton Investment Funds - Templeton Emerging Markets Fund**

The third paragraph of the objective and policy of this underlying fund on page 26 of the current Explanatory Memorandum will be revised and restated as set out below.

*"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, participatory notes, securities convertible into common stock, and corporate and government debt obligations, ~~which are US dollar and non-US dollar denominated.~~"*

The revisions are to clarify that the underlying fund may invest in participatory notes and to remove an unnecessary elaboration that the underlying fund's investments in securities are US dollar and non-US dollar denominated.

For details of the relevant risk considerations pertaining to the Fund's investment in participatory notes, please refer to paragraph 7(B) headed "Participatory Notes Risk" on page 9 of the 2014 Second Addendum dated April 2014 to the current Explanatory Memorandum.

#### **Franklin Templeton Investment Funds - Templeton Emerging Markets Smaller Companies Fund**

The second sentence of the first paragraph, and the second paragraph, of the objective and policy of this underlying fund on page 27 of the current Explanatory Memorandum will be revised and restated as set out below.

*"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~~ initial purchase within the range of the market capitalisations of companies included in the MSCI Emerging Markets Small Cap Index (Index). Once a security qualifies for initial purchase, it continues to qualify for additional purchases as long as it is held by the Fund; however, if the maximum market capitalisations of companies allowed by the Index falls below USD 2 billion, the security will only qualify for additional purchases if its market capitalisation does not exceed USD 2 billion."*

*On an ancillary basis, the Fund may also invest in participatory notes, 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."*

The revisions are to: (i) elaborate on the criteria to be met by Emerging Market small cap companies in order to be eligible for initial and additional purchases by the underlying fund, and (ii) to clarify that the underlying fund may invest in participatory notes.

For details of the relevant risk considerations pertaining to the underlying fund's investment in participatory notes, please refer to paragraph 7(B) headed "Participatory Notes Risk" on page 9 of the 2014 Second Addendum dated April 2014 to the current Explanatory Memorandum.

### **7. Changes in Investment Manager of the Underlying Fund of the Investment Choice**

- *Franklin Templeton Investment Funds - Templeton Global Smaller Companies Fund "A(acc)" Shares (FTGSU)*

Due to a proposed change in the portfolio manager for Franklin Templeton Investment Funds - Templeton Global Smaller Companies Fund, the underlying fund of the investment choice above, Franklin Templeton Investments Corp. will be replaced by Templeton Investment Counsel, LLC as the investment manager of the underlying fund with effect from July 31, 2015.

The change to the investment manager will have no impact on the investment objectives and policies of the underlying fund, nor the manner in which the underlying fund is being managed. The investment team at Franklin Templeton Investments has always managed assets based on a team approach and the underlying fund will continue to be managed according to the same principles. There will also be no change in the fee levels in respect of the underlying fund.

**8. Increase in Expected Level of Leverage for the Underlying Funds of the Investment Choices**

- *Franklin Templeton Investment Funds - Templeton Emerging Markets Bond "A(Qdis)" Shares (FTEBU)*
- *Franklin Templeton Investment Funds - Templeton Global Bond Fund "A(Mdis)" Shares (FTGBU)*
- *Franklin Templeton Investment Funds - Templeton Global Total Return Fund "A(acc)" Shares (FTGTU)*

The expected levels of leverage of the underlying funds of the investment choices above are estimated to increase to the levels detailed in the table below:

<b>Investment Choice</b>	<b>Underlying Fund</b>	<b><u>Previous</u> expected level of leverage based on "sum of notionals" approach</b>	<b><u>Current</u> expected level of leverage based on "sum of notionals" approach</b>	<b>Expected <u>maximum</u> level of leverage based on "commitment" approach</b>
Franklin Templeton Investment Funds - Templeton Emerging Markets Bond "A(Qdis)" Shares	Franklin Templeton Investment Funds - Templeton Emerging Markets Bond Fund	40%	70%	175%
Franklin Templeton Investment Funds - Templeton Global Bond Fund "A(Mdis)" Shares	Franklin Templeton Investment Funds - Templeton Global Bond Fund	90%	110%	225%
Franklin Templeton Investment Funds - Templeton Global Total Return Fund "A(acc)" Shares	Franklin Templeton Investment Funds - Templeton Global Total Return Fund	80%	100%	225%

**9. Other Matters Relating to the Underlying Funds of the Investment Choices**

- *Franklin Templeton Investment Funds - Templeton Asian Growth Fund "A(acc)" Shares (FTAGU)*
- *Franklin Templeton Investment Funds - Templeton Global Balanced Fund "A(Qdis)" Shares (FTBAU)*
- *Franklin Templeton Investment Funds - Franklin Biotechnology Discovery Fund "A(acc)" Shares (FTBDU)*
- *Franklin Templeton Investment Funds - Templeton Emerging Markets Bond "A(Qdis)" Shares (FTEBU)*
- *MassMutual Franklin Templeton Eastern Europe Fund "A(acc)" Shares (FTEEU)*
- *Franklin Templeton Investment Funds - Templeton Emerging Markets Fund "A(acc)" Shares (FTEMU)*
- *Franklin Templeton Investment Funds - Templeton Emerging Markets Smaller Companies Fund "A(acc)" Shares (FTESU)*
- *Franklin Templeton Investment Funds - Templeton Global Bond Fund "A(Mdis)" Shares (FTGBU)*
- *Franklin Templeton Investment Funds - Templeton Global Fund "A(acc)" Shares (FTGLU)*
- *Franklin Templeton Investment Funds - Templeton Global Smaller Companies Fund "A(acc)" Shares (FTGSU)*
- *Franklin Templeton Investment Funds - Templeton Global Total Return Fund "A(acc)" Shares (FTGTU)*
- *Franklin Templeton Investment Funds - Franklin Technology Fund "A(acc)" Shares (FTTEU)*
- *Franklin Templeton Investment Funds - Templeton Thailand Fund "A(acc)" Shares (FTTHU)*
- *Franklin Templeton Investment Funds - Franklin U.S. Opportunities Fund "A(acc)" Shares (FTUSU)*

The following changes will be amended in the Explanatory Memorandum of the underlying funds of the investment choices above:

- the disclosure of the management company's policy in relation to soft closures;
- clarifications on the amount of maintenance charge that is payable for the underlying funds and on the use of the maintenance charge by the principal distributor (which will take effect on July 31, 2015); and
- changes to the investment restrictions of Franklin Templeton Investment Funds relating to the use of financial derivative instruments and techniques and instruments relating to transferable securities and money market instruments.

**You should refer to the relevant offering documents and the notice to shareholders of the underlying fund(s) of the above investment choice(s), which are made available by MassMutual Asia Ltd. upon request, or visit our website ([www.massmutualasia.com](http://www.massmutualasia.com)) to carefully read the details of the relevant documents in relation to the above change(s).**

**If you have selected the above investment choice(s) under your insurance policy and if for any reason you wish to change to other investment choice(s), you may switch your investment choice(s) to other available investment choice(s) provided by your policy. Currently, no switching charge and bid-offer spread apply to the investment choices. For details, please refer to Investment Choice Brochure or contact MassMutual Asia Ltd. - Customer Service Hotline at (852) 2919 9797 (Hong Kong)/ (853) 2832 2622 (Macau).**

**IMPORTANT: This letter requires your immediate attention. If you have any questions about the content of this letter, you should seek independent professional advice.**

30 June 2015

Dear Investor,

**JPMorgan Funds**  
**JPMorgan Investment Funds**

We are writing to inform you that the Management Company of JPMorgan Funds and JPMorgan Investment Funds (collectively, the “Funds”) has decided to make changes to the Operating and Administrative (“O&A”) Expenses across all sub-funds within the Funds with effect from 1 July 2015.

The changes are summarized below:

- For those share classes where the O&A Expenses is currently a fixed rate, the O&A Expense rates will be replaced with actual O&A Expenses incurred, subject to maximum rate of O&A Expenses. The maximum rate of such O&A Expenses will be set at the current fixed rate or a lower rate across all sub-funds. Please refer to Appendix A for the capped O&A Expense rates for each share class.
- The “Fund Servicing Fee”, which is a component of the O&A Expenses, will be redefined as the fee that is paid to the Management Company for the services that the Management Company provides to the sub-funds. This Fund Servicing Fee will be capped at 0.15% of the net asset value and will be reviewed annually.

The reason for the change from fixed to capped O&A Expenses is to more efficiently pass on the potential benefits of scale to shareholders as the sub-funds grow in size, while continuing to provide the certainty of the maximum expenses charged in a share class.

The Management Company will bear any O&A Expenses exceeding the maximum rate specified for each share class in the Hong Kong Offering Documents of the Funds.

There will be no changes to the other fees charged on the sub-funds or payable by the investors of the sub-funds and the manner in which the sub-funds are managed will remain the same.

The relevant sections in the Hong Kong Offering Documents of the Funds will be amended accordingly in due course.

The Management Company of the Funds accepts responsibility for the accuracy of the contents of this letter.

If you have any questions with regard to the contents of this letter or any other aspect of the Funds, please do not hesitate to contact:

- your bank or financial adviser;
- our Intermediary Hotline on (852) 2978 7788;
- our Intermediary Clients' Hotline on (852) 2265 1000;
- if you normally deal directly with us, our J.P. Morgan Funds InvestorLine on (852) 2265 1188; or
- your designated client adviser or our J.P. Morgan Pension Services on (852) 2978 7588.

Yours faithfully,

For and on behalf of

JPMorgan Funds (Asia) Limited

As Hong Kong Representative of the Funds

A handwritten signature in black ink, appearing to read 'eddy wong', with a long, sweeping horizontal line extending to the right.

Eddy Wong

Head of Funds Business, Hong Kong & China Retail

Encl.

## APPENDIX A

### JPMorgan Funds

Sub-Fund	Share Class	Operating and Administrative Expenses	
		Existing	Maximum level (effective from 1 July 2015)
JPMorgan Funds - America Equity Fund	JPM America Equity A (acc) - AUD (hedged)	0.40%	0.30% Max
JPMorgan Funds - America Equity Fund	JPM America Equity A (acc) - HKD	0.40%	0.30% Max
JPMorgan Funds - America Equity Fund	JPM America Equity A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - America Equity Fund	JPMorgan America Equity A (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - Asia Local Currency Debt Fund	JPM Asia Local Currency Debt A (mth) - HKD	0.20%	0.20% Max
JPMorgan Funds - Asia Local Currency Debt Fund	JPM Asia Local Currency Debt A (mth) - USD	0.20%	0.20% Max
JPMorgan Funds - Asia Pacific Income Fund	JPMorgan Asia Pacific Income A (acc) - HKD	0.40%	0.30% Max
JPMorgan Funds - Asia Pacific Income Fund	JPMorgan Asia Pacific Income A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Asia Pacific Income Fund	JPMorgan Asia Pacific Income A (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - Asia Pacific Income Fund	JPMorgan Asia Pacific Income A (irc) - AUD (hedged)	0.40%	0.30% Max
JPMorgan Funds - Asia Pacific Income Fund	JPMorgan Asia Pacific Income A (irc) - CAD (hedged)	0.40%	0.30% Max
JPMorgan Funds - Asia Pacific Income Fund	JPMorgan Asia Pacific Income A (irc) - EUR (hedged)	0.40%	0.30% Max
JPMorgan Funds - Asia Pacific Income Fund	JPMorgan Asia Pacific Income A (irc) - GBP (hedged)	0.40%	0.30% Max
JPMorgan Funds - Asia Pacific Income Fund	JPMorgan Asia Pacific Income A (irc) - NZD (hedged)	0.40%	0.30% Max
JPMorgan Funds - Asia Pacific Income Fund	JPMorgan Asia Pacific Income A (mth) - HKD	0.40%	0.30% Max
JPMorgan Funds - Asia Pacific Income Fund	JPMorgan Asia Pacific Income A (mth) - USD	0.40%	0.30% Max
JPMorgan Funds - Asia Pacific Strategic Equity Fund	JPM Asia Pacific Strategic Equity A (acc) - HKD	0.40%	0.30% Max
JPMorgan Funds - Asia Pacific Strategic Equity Fund	JPM Asia Pacific Strategic Equity A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Brazil Equity Fund	JPM Brazil Equity A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - China Fund	JPMorgan China A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - China Fund	JPMorgan China A (dist) - HKD	0.40%	0.30% Max
JPMorgan Funds - China Fund	JPMorgan China A (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - Eastern Europe Equity Fund	JPMorgan Eastern Europe Equity A (dist) - EUR	0.45%	0.30% Max
JPMorgan Funds - Emerging Europe, Middle East and Africa Equity Fund	JPM Emerging Europe, Middle East and Africa Equity A (acc) - USD	0.45%	0.30% Max
JPMorgan Funds - Emerging Europe, Middle East and Africa Equity Fund	JPM Emerging Europe, Middle East and Africa Equity A (dist) - USD	0.45%	0.30% Max
JPMorgan Funds - Emerging Markets Debt Fund	JPM Emerging Markets Debt A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Debt Fund	JPM Emerging Markets Debt A (irc) - AUD (hedged)	0.40%	0.30% Max



JPMorgan Funds - Emerging Markets Debt Fund	JPM Emerging Markets Debt A (irc) - CAD (hedged)	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Debt Fund	JPM Emerging Markets Debt A (irc) - NZD (hedged)	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Debt Fund	JPM Emerging Markets Debt A (mth) - HKD	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Debt Fund	JPM Emerging Markets Debt A (mth) - USD	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Dividend Fund	JPM Emerging Markets Dividend A (irc) - AUD (hedged)	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Dividend Fund	JPM Emerging Markets Dividend A (irc) - GBP (hedged)	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Dividend Fund	JPM Emerging Markets Dividend A (irc) - NZD (hedged)	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Dividend Fund	JPM Emerging Markets Dividend A (mth) - HKD	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Dividend Fund	JPM Emerging Markets Dividend A (mth) - USD	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Equity Fund	JPM Emerging Markets Equity A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Equity Fund	JPM Emerging Markets Equity A (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Investment Grade Bond Fund	JPM Emerging Markets Investment Grade Bond A (mth) - USD	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Local Currency Debt Fund	JPM Emerging Markets Local Currency Debt A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Local Currency Debt Fund	JPM Emerging Markets Local Currency Debt A (irc) - AUD (hedged)	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Local Currency Debt Fund	JPM Emerging Markets Local Currency Debt A (mth) - HKD	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Local Currency Debt Fund	JPM Emerging Markets Local Currency Debt A (mth) - USD	0.40%	0.30% Max
JPMorgan Funds - Emerging Markets Opportunities Fund	JPM Emerging Markets Opportunities A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Emerging Middle East Equity Fund	JPM Emerging Middle East Equity A (acc) - USD	0.45%	0.30% Max
JPMorgan Funds - Emerging Middle East Equity Fund	JPM Emerging Middle East Equity A (dist) - USD	0.45%	0.30% Max
JPMorgan Funds - Euroland Equity Fund	JPM Euroland Equity A (acc) - EUR	0.40%	0.30% Max
JPMorgan Funds - Euroland Equity Fund	JPMorgan Euroland Equity A (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - Europe Dynamic Fund	JPM Europe Dynamic A (acc) - AUD (hedged)	0.40%	0.30% Max
JPMorgan Funds - Europe Dynamic Fund	JPM Europe Dynamic A (acc) - HKD (hedged)	0.40%	0.30% Max
JPMorgan Funds - Europe Dynamic Fund	JPM Europe Dynamic A (acc) - USD (hedged)	0.40%	0.30% Max
JPMorgan Funds - Europe Dynamic Fund	JPMorgan Europe Dynamic A (dist) - EUR	0.40%	0.30% Max
JPMorgan Funds - Europe Equity Fund	JPM Europe Equity A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Europe Equity Fund	JPMorgan Europe Equity A (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - Europe Small Cap Fund	JPM Europe Small Cap A (acc) - EUR	0.40%	0.30% Max
JPMorgan Funds - Europe Small Cap Fund	JPMorgan Europe Small Cap A (dist) - EUR	0.40%	0.30% Max
JPMorgan Funds - Europe Technology Fund	JPM Europe Technology A (acc) - EUR	0.40%	0.30% Max

JPMorgan Funds - Europe Technology Fund	JPM Europe Technology A (acc) - USD (hedged)	0.40%	0.30% Max
JPMorgan Funds - Europe Technology Fund	JPMorgan Europe Technology A (dist) - EUR	0.40%	0.30% Max
JPMorgan Funds - Global Dynamic Fund	JPM Global Dynamic A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Global Dynamic Fund	JPMorgan Global Dynamic A (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - Global Government Bond Fund	JPM Global Government Bond A (acc) - USD (hedged)	0.20%	0.20% Max
JPMorgan Funds - Global Natural Resources Fund	JPM Global Natural Resources A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Global Natural Resources Fund	JPM Global Natural Resources A (dist) - EUR	0.40%	0.30% Max
JPMorgan Funds - Global Real Estate Securities Fund (USD)	JPM Global Real Estate Securities (USD) A (inc) - USD	0.40%	0.30% Max
JPMorgan Funds - Global Unconstrained Equity Fund	JPM Global Unconstrained Equity A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Global Unconstrained Equity Fund	JPMorgan Global Unconstrained Equity A (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - Greater China Fund	JPMorgan Greater China A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Greater China Fund	JPMorgan Greater China A (dist) - HKD	0.40%	0.30% Max
JPMorgan Funds - Greater China Fund	JPMorgan Greater China A (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - Hong Kong Fund	JPMorgan Hong Kong A (dist) - HKD	0.40%	0.30% Max
JPMorgan Funds - Hong Kong Fund	JPMorgan Hong Kong A (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - Income Fund	JPM Income Fund A (acc) - USD	0.20%	0.20% Max
JPMorgan Funds - Income Fund	JPM Income Fund A (mth) - HKD	0.20%	0.20% Max
JPMorgan Funds - Income Fund	JPM Income Fund A (mth) - USD	0.20%	0.20% Max
JPMorgan Funds - India Fund	JPMorgan India A (acc) - USD	0.60%	0.30% Max
JPMorgan Funds - Indonesia Equity Fund	JPMorgan Indonesia Equity A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Japan Equity Fund	JPMorgan Japan Equity A (acc) - USD (hedged)	0.40%	0.30% Max
JPMorgan Funds - Japan Equity Fund	JPMorgan Japan Equity J (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - Korea Equity Fund	JPMorgan Korea Equity A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Latin America Equity Fund	JPM Latin America Equity A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Latin America Equity Fund	JPMorgan Latin America Equity A (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - Russia Fund	JPM Russia A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Russia Fund	JPM Russia A (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - Singapore Fund	JPMorgan Singapore A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Singapore Fund	JPMorgan Singapore A (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - Taiwan Fund	JPMorgan Taiwan A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Taiwan Fund	JPMorgan Taiwan A (dist) - HKD	0.40%	0.30% Max
JPMorgan Funds - Taiwan Fund	JPMorgan Taiwan A (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - Total Emerging Markets Income Fund	JPM Total Emerging Markets Income A (acc) - USD	0.40%	0.30% Max
JPMorgan Funds - Total Emerging Markets Income Fund	JPM Total Emerging Markets Income A (irc) - AUD (hedged)	0.40%	0.30% Max
JPMorgan Funds - Total Emerging Markets Income Fund	JPM Total Emerging Markets Income A (mth) - HKD	0.40%	0.30% Max

JPMorgan Funds - Total Emerging Markets Income Fund	JPM Total Emerging Markets Income A (mth) - USD	0.40%	0.30% Max
JPMorgan Funds - US Aggregate Bond Fund	JPM US Aggregate Bond A (acc) - EUR (hedged)	0.20%	0.20% Max
JPMorgan Funds - US Aggregate Bond Fund	JPM US Aggregate Bond A (acc) - USD	0.20%	0.20% Max
JPMorgan Funds - US Aggregate Bond Fund	JPM US Aggregate Bond A (inc) - USD	0.20%	0.20% Max
JPMorgan Funds - US Aggregate Bond Fund	JPM US Aggregate Bond A (mth) - HKD	0.20%	0.20% Max
JPMorgan Funds - US Aggregate Bond Fund	JPM US Aggregate Bond A (mth) - USD	0.20%	0.20% Max
JPMorgan Funds - US Dollar Money Market Fund	JPMorgan US Dollar Money Market A (acc) - USD	0.22%	0.20% Max
JPMorgan Funds - US Growth Fund	JPM US Growth A (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - US High Yield Plus Bond Fund	JPM US High Yield Plus Bond A (acc) - USD	0.40%	0.20% Max
JPMorgan Funds - US High Yield Plus Bond Fund	JPM US High Yield Plus Bond A (mth) - HKD	0.40%	0.20% Max
JPMorgan Funds - US High Yield Plus Bond Fund	JPM US High Yield Plus Bond A (mth) - USD	0.40%	0.20% Max
JPMorgan Funds - US Technology Fund	JPMorgan US Technology A (dist) - USD	0.40%	0.30% Max
JPMorgan Funds - US Value Fund	JPMorgan US Value A (dist) - USD	0.40%	0.30% Max

## JPMorgan Investment Funds

Sub-Fund	Share Class	Operating and Administrative Expenses	
		Existing	Maximum level (effective from 1 July 2015)
JPMorgan Investment Funds - Europe Select Equity Fund	JPM Europe Select Equity A (dist) - EUR	0.40%	0.30% Max
JPMorgan Investment Funds - Global Dividend Fund	JPM Global Dividend A (inc) - USD	0.40%	0.30% Max
JPMorgan Investment Funds - Global High Yield Bond Fund	JPM Global High Yield Bond A (acc) - USD	0.40%	0.30% Max
JPMorgan Investment Funds - Global High Yield Bond Fund	JPM Global High Yield Bond A (irc) - AUD (hedged)	0.40%	0.30% Max
JPMorgan Investment Funds - Global High Yield Bond Fund	JPM Global High Yield Bond A (irc) - CAD (hedged)	0.40%	0.30% Max
JPMorgan Investment Funds - Global High Yield Bond Fund	JPM Global High Yield Bond A (irc) - NZD (hedged)	0.40%	0.30% Max
JPMorgan Investment Funds - Global High Yield Bond Fund	JPM Global High Yield Bond A (mth) - HKD	0.40%	0.30% Max
JPMorgan Investment Funds - Global High Yield Bond Fund	JPM Global High Yield Bond A (mth) - USD	0.40%	0.30% Max

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action to be taken you should consult your stockbroker, bank manager, solicitor, accountant, relationship manager or other professional adviser immediately.

## BLACKROCK GLOBAL FUNDS

Registered office: 2-4, rue Eugène Ruppert, L-2453 Luxembourg, Grand Duchy of Luxembourg  
R.C.S. Luxembourg B.6317

19 June 2015

Dear Shareholder

The board of directors (the “Directors”) of BlackRock Global Funds (the “Company”) is writing to you to advise you of the following changes that it proposes to make to the Company and its sub-funds (the “Funds”). All changes set out in this letter take effect on 20 July 2015 (the “Effective Date”), unless specifically stated and this letter forms notice to shareholders of that fact. Terms defined in the Company’s prospectus (the “Prospectus”) bear the same meaning herein.

For the avoidance of doubt, please note that the European Equity Income Fund, North American Equity Income Fund and Renminbi Bond Fund referred to in this letter are not authorised by the Hong Kong Securities and Futures Commission (“SFC”) for sale to the public in Hong Kong.

The SFC’s authorisation is not a recommendation or endorsement of the Company or the Funds nor does it guarantee the commercial merits of the Company or the Funds or their performance. It does not mean the Company or the Funds are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

### 1. Change of name of benchmark indices

The name of the benchmark indices will change for the following Funds as shown below. These changes are being made in order to ensure consistency and accuracy in the naming of each benchmark index. Please note, the relevant benchmark index for each Fund has not changed. There will be no change to the overall risk profile of the Funds or how the relevant Fund is currently managed as a result of the change in name of the relevant benchmark index.

#### **Euro Corporate Bond Fund**

From the ‘BoA ML EMU Corporate Bond Index’ to the ‘BofA Merrill Lynch Euro Corporate Index’

#### **European Equity Income Fund**

From the ‘MSCI Europe Total Return Index’ to the ‘MSCI Europe Index’

#### **Global Allocation Fund**

From the ‘36% S&P 500 Index, 24% FTSE World Index (Ex-US), 24% 5Yr US Treasury Note, 16% Citigroup Non-US World Govt Bond Index’ to the ‘36% S&P 500 Index, 24% FTSE World Index (Ex-US), 24% 5Yr US Treasury Note, 16% Citigroup Non-USD World Govt Bond Index’

#### **Global Enhanced Equity Yield Fund**

From the ‘MSCI AC World Index Minimum Volatility’ to the ‘MSCI ACWI Minimum Volatility’

#### **Global Equity Income Fund**

From the ‘MSCI AC World Index’ to the ‘MSCI ACWI’

#### **Global Government Bond Fund**

From the ‘Citigroup World Government Bond USD Hedged Index – 100% Hedged (USD)’ to the ‘Citigroup World Government Bond USD Hedged Index’

**Global High Yield Bond Fund**

From the 'BoA ML Global High Yield Constrained USD Hedged Index' to the 'BofA Merrill Lynch Global High Yield Constrained USD Hedged Index'

**Global Multi-Asset Income Fund**

From the '50% MSCI World Index/ 50% Barclays Global Aggregate Bond Index Hedged' to the '50% MSCI World Index/ 50% Barclays Global Aggregate Bond Index USD Hedged'

**Global Opportunities Fund**

From the 'MSCI AC World Index' to the 'MSCI ACWI'

**World Financials Fund**

From the 'MSCI ACWI World Financials Index' to the 'MSCI ACWI Financials Index'

**World Healthscience Fund**

From the 'MSCI World Healthcare Index' to the 'MSCI World Health Care Index'

**2. Changes of investment objectives and policies and appointment of sub-adviser****2.1 Peoples Republic of China ("PRC") Access**

Certain Funds (mainly the Asia focused but also certain emerging market and global funds) invest indirectly in the PRC mainly through H Shares (Shares of PRC companies listed on the Hong Kong Stock Exchange) and Dim Sum bonds (bonds issued outside of the PRC but denominated in Chinese offshore Renminbi (CNH), rather than the local currency). In order to gain more cost efficient and diversified exposure to the PRC, the investment policies of the relevant Funds will be amended from the Effective Date to permit the Funds to access PRC onshore investments via two programmes (where relevant):

1. Renminbi Qualified Foreign Institutional Investor ("RQFII")
2. Shanghai Hong Kong Stock Connect (the "Stock Connect").

Please refer to Appendix C for a schedule of the Funds proposing to use Stock Connect and/or RQFII and the limits in respect of the Funds' assets under management that can be invested through the programmes.

*RQFII*

The RQFII programme applies to qualified foreign institutional investors ("Qualified Investors") who raise Renminbi outside PRC for investment in the securities market in the PRC. Upon obtaining an RQFII licence from the China Securities Regulatory Commission and a Renminbi denominated investment quota ("RQFII Quota") from China's State Administration of Foreign Exchange ("SAFE"), a Qualified Investor can invest in the securities market of the PRC via the RQFII Quota allocated to the Qualified Investor. The Qualified Investor will assume dual roles as the relevant investment adviser / sub-adviser to the relevant Funds and the RQFII licence holder.

*Appointment of sub-adviser*

BlackRock Asset Management North Asia Limited ("BAMNA") has obtained an RQFII licence and will act as the Qualified Investor for the relevant Funds upon obtaining requisite RQFII Quota from SAFE. In this regard, BAMNA needs to be an investment adviser / sub-adviser to the relevant Funds. BAMNA is currently a sub-adviser to all Funds proposing to use RQFII except the Asian Tiger Bond Fund, Emerging Markets Local Currency Bond Fund and Asian Local Bond Fund. The Asian Tiger Bond Fund and Asian Local Bond Fund are currently being managed by BlackRock (Singapore) Limited as its investment adviser and the Emerging Markets Local Currency Bond Fund is currently being managed by BlackRock (Singapore) Limited, BlackRock Investment Management (UK) Limited and BlackRock Financial Management, Inc. as its investment advisers.

In order to allow the Asian Tiger Bond Fund, Asian Local Bond Fund and the Emerging Markets Local Currency Bond Fund the flexibility to invest directly in the PRC once requisite RQFII Quota has been obtained by BAMNA, on the Effective Date BAMNA will be appointed as sub-adviser to these Funds.

BAMNA is regulated by the SFC and currently act as investment sub-adviser of other SFC-authorized funds\*. The proposed changes will not result in any increase in the fees and expenses borne by the relevant Funds and / or their shareholders.

\* The SFC's authorisation is not a recommendation or endorsement of the Company or its sub-funds nor does it guarantee the commercial merits of the Company or its sub-funds or their performance. It does not mean the Company or its sub-funds are suitable for all investors nor is it an endorsement of their suitability for any particular investor or class of investors.

As of the date of this letter, BAMNA has yet to obtain RQFII Quota from SAFE for allocation to the Funds set out in Appendix C and such Funds cannot invest via RQFII Quota until such RQFII Quota has been obtained.

#### *Stock Connect*

The Stock Connect aims to achieve mutual stock market access between the PRC and Hong Kong. The Stock Connect commenced trading on 17 November 2014. Under the Stock Connect programme the Stock Exchange of Hong Kong and Shanghai Stock Exchange established mutual order-routing systems to enable investors in their respective markets to trade designated shares listed in the other's market subject to rules and regulations issued from time to time and cross boundary investment quotas.

#### *Risks associated with Investing via RQFII and Stock Connect*

Please note that investments via the Stock Connect and RQFII programmes involve additional risks in addition to the general risks applicable to investing in the PRC. For example, both programmes require use of a quota to invest in the PRC and to the extent there is no quota available to the relevant Fund it may not be able to effectively pursue its investment strategy. In addition both programmes are relatively new and the current regulations are untested and there is no certainty as to how they will be applied. In this regard any changes may adversely affect the relevant Fund's ability to invest in the PRC directly through the relevant programme. Risks applicable to investing in the PRC and specific risks regarding the Stock Connect and RQFII will be set out fully in the Prospectus from the Effective Date.

Investments via the Stock Connect and RQFII are not expected to materially affect the overall risk profile of the relevant Funds or change their expected levels of leverage.

## **2.2 Global Enhanced Equity Yield Fund – Dividend Clarification**

For clarification purposes, the investment objective and policy of the Global Enhanced Equity Yield Fund in the Prospectus will be amended to reflect that the Fund currently distributes income gross of expenses. "The Fund distributes income gross of expenses" will be included to reflect this. There will be no change to the current distribution policy of the Fund or how the Fund is currently managed.

## **3. Changes to expected levels of leverage**

The Funds may use derivatives to hedge market, interest rate and currency risks, and for the purposes of efficient portfolio management. Leverage is a Fund's investment exposure gained through the use of derivatives. The expected level of leverage of each Fund is calculated using the sum of the notional values of all of the derivatives held by the relevant Fund, without netting. Please refer to the "Risk Management" and "Leverage" sections in the Prospectus for further details of the Company's risk management policy and leverage calculation.

The expected level of leverage is not a limit and may vary over time. The expected levels of leverage of certain Funds will be revised from their current levels. Please refer to Appendix A attached for details of the relevant Funds, the changes to the expected levels of leverage as well as the rationale for the changes. There will be no changes to the investment objectives, policies, overall risk profiles or how the relevant Funds are currently managed as a result of these changes to the expected levels of leverage.

## **4. Change to Risk Management Measure**

The risk management measure for the Euro Short Duration Bond Fund will change from Relative Value at Risk ("Relative VaR") using the Barclays Euro-Aggregate 500mm 1-3 Years Index as the appropriate benchmark index to Absolute Value at Risk ("Absolute VaR"). The Relative VaR measurement requires the Value at Risk ("VaR") of a fund to be compared with the VaR of an appropriate benchmark or reference portfolio, with the VaR of such fund limited to twice the VaR of its benchmark. In contrast, Absolute VaR is commonly used for funds where a benchmark or reference portfolio is not appropriate for risk measurement purposes. The regulations specify that the VaR measure for such a fund must not exceed 20% of that fund's net asset value.

The VaR of the current benchmark of the Euro Short Duration Bond Fund has been greatly reduced by market conditions. The global exposure of the Euro Short Duration Bond Fund is limited by reference to its benchmark and as a result it has become increasingly difficult for the Investment Adviser to manage the Euro Short Duration Bond Fund in line with its investment objective of maximising total returns. Relative VaR is not an appropriate risk management measure for the Euro Short Duration Bond Fund in the current environment, and by changing to Absolute VaR, an increased VaR measure can be used allowing the Euro Short Duration Bond Fund to seek greater global exposure. Similarly, the change in risk management measure will provide consistency with the US Dollar Short Duration Bond Fund which runs a comparable short duration strategy (with a US focus) and uses Absolute VaR as its risk management measure.

This change is not expected to materially affect the overall risk profile of the Euro Short Duration Bond Fund, change its expected level of leverage or how it is currently managed.

## 5. Changes to Fees

### 5.1 Management Fee reduction

The annual rate of Management Fees of the Euro Corporate Bond Fund and the Natural Resources Growth & Income Fund will be reduced following a review of these Funds. Please refer to Appendix B attached for details of the relevant Funds and the changes to the annual rate of Management Fees.

### 5.2 Other Fees – legal costs associated with European Union withholding tax reclaims

Since 2008, the Company has been filing European Union (“EU”) withholding tax reclaims in a number of investment markets where it has suffered withholding tax that is considered to be contrary to EU law. To date, the legal costs of filing these withholding tax reclaims have been paid out of the Administration fee received by BlackRock (Luxembourg) S.A. (the Company’s management company). In recent years the Company has had a good degree of success with its reclaims and the tax recovered has substantially outweighed the associated legal costs of filing such reclaims. In this regard, from 20 July 2015, the legal costs associated with filing EU withholding tax reclaims will no longer be paid out of the Administration Fee, but will instead be paid for directly by the Company.

Such costs will be allocated between the relevant Funds on a pro rata basis and may result in an immaterial increase in the fees applied to the relevant Funds to the extent a reclaim is not successful.

## Impact on Shareholders

Shareholders who do not agree with these changes may redeem their Shares free of any redemption charges at any time prior to the Effective Date, in accordance with the provisions of the Prospectus. Redemption proceeds will be paid to Shareholders on the third Business Day after the relevant Dealing Day, provided that the relevant documents (as described in the Prospectus) have been received.

## General Information

Updated versions of the Prospectus, Key Investor Information Documents (not relevant for Hong Kong shareholders), Information for Residents of Hong Kong and Product Key Facts Statements of the relevant Funds will be available to shareholders in due course. Copies of the Company’s Articles of Incorporation, annual and semi-annual reports are also available free of charge upon request from your local representative or for Hong Kong shareholders on +852 3903-2688 or at the office of the Hong Kong Representative at the address stated below.

The Directors accept responsibility for the contents of this letter. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that this is the case) the information contained in this letter is in accordance with the facts and does not omit anything likely to affect the impact of such information.

If you would like any further information, please call +44(0)20 7743 3300. For Hong Kong shareholders please contact your Hong Kong Representative, BlackRock Asset Management North Asia Limited, at 16/F Cheung Kong Center, 2 Queen’s Road, Central, Hong Kong or by telephone on +852 3903-2688.

Yours faithfully



Nicholas C.D. Hall  
Chairman



## Appendix A

FUND	CURRENT EXPECTED LEVEL OF LEVERAGE	EXPECTED LEVEL OF LEVERAGE IN PROPOSED PROSPECTUS	RATIONALE FOR CHANGE
Emerging Europe Fund	5%	10%	The typical leverage for this Fund is normally higher than the currently quoted value due to a greater use of foreign exchange derivatives and occasionally index futures to equitize cash.
Emerging Markets Equity Income Fund	5%	10%	The typical leverage for this Fund is normally higher than the currently quoted value due to a greater use of foreign exchange derivatives and occasionally index futures to equitize cash.
Fixed Income Global Opportunities Fund	340%	500%	The typical leverage for this Fund is expected to become higher than the currently quoted value due mainly to anticipated greater use of derivatives linked to short term interest rates.
Global Allocation Fund	80%	140%	The typical leverage for this Fund is expected to become higher than the currently quoted value due mainly to anticipated greater use of derivatives linked to short term interest rates.
Global Dynamic Equity Fund	60%	100%	The typical leverage for this Fund is expected to become higher than the currently quoted value due mainly to anticipated increase in use of equity options and futures.
India Fund	0%	5%	The typical leverage for this Fund is normally higher than the currently quoted value as the Fund occasionally uses foreign exchange derivatives resulting in non-zero average leverage.
Japan Small & MidCap Opportunities Fund	0%	5%	The typical leverage for this Fund is normally higher than the currently quoted value as the Fund occasionally uses foreign exchange derivatives resulting in non-zero average leverage.
Japan Flexible Equity Fund	0%	5%	The typical leverage for this Fund is normally higher than the currently quoted value as the Fund occasionally uses foreign exchange derivatives resulting in non-zero average leverage.
North American Equity Income Fund	0%	5%	The typical leverage for this Fund is normally higher than the currently quoted value as the Fund occasionally uses foreign exchange derivatives resulting in non-zero average leverage.
Renminbi Bond Fund	20%	60%	The typical leverage for this Fund is normally higher than the currently quoted value as the Fund uses foreign exchange derivatives.
US Basic Value Fund	0%	5%	The typical leverage for this Fund is normally higher than the currently quoted value as the Fund occasionally uses foreign exchange derivatives resulting in non-zero average leverage.
US Small & MidCap Opportunities Fund	0%	5%	The typical leverage for this Fund is normally higher than the currently quoted value as the Fund occasionally uses foreign exchange derivatives resulting in non-zero average leverage.



## Appendix B

EURO CORPORATE BOND FUND	CURRENT MANAGEMENT FEE	NEW MANAGEMENT FEE
Class A	0.90%	0.80%
Class C	0.90%	0.80%
Class D	0.45%	0.40%
Class E	0.90%	0.80%
Class I	0.45%	0.40%
Class J	0.00%	0.00%
Class X	0.00%	0.00%

NATURAL RESOURCES GROWTH & INCOME FUND	CURRENT MANAGEMENT FEE	NEW MANAGEMENT FEE
Class A	1.75%	1.50%
Class C	1.75%	1.50%
Class D	1.00%	0.75%
Class E	1.75%	1.50%
Class I	1.00%	0.75%
Class J	0.00%	0.00%
Class X	0.00%	0.00%

Please note that Classes D, E, I, J and X shares of the Funds referred to above are not available to the public in Hong Kong.

## Appendix C

### Funds and Maximum Investment under RQFII / Stock Connect

Fund	Access Programme	Max Investment
ASEAN Leaders Fund	Stock Connect and RQFII	10%
Asia Pacific Equity Income Fund	Stock Connect and RQFII	10%
Asian Dragon Fund	Stock Connect and RQFII	10%
Asian Growth Leaders Fund	Stock Connect and RQFII	10%
China Fund	Stock Connect and RQFII	10%
Pacific Equity Fund	Stock Connect and RQFII	10%
Emerging Markets Equity Income Fund	Stock Connect	10%
Emerging Markets Fund	Stock Connect	10%
Global Allocation Fund	Stock Connect	10%
Global Dynamic Equity Fund	Stock Connect	10%
Global Multi-Asset Income Fund	Stock Connect	10%
Global Opportunities Fund	Stock Connect	10%
Global SmallCap Fund	Stock Connect	10%
World Financials Fund	Stock Connect	10%
World Healthscience Fund	Stock Connect	10%
Asian Local Bond Fund	RQFII	10%
Asian Tiger Bond Fund	RQFII	10%
Emerging Markets Local Currency Bond Fund	RQFII	10%
Renminbi Bond Fund	RQFII	No Limit

**This letter is important and requires your immediate attention.**

**If you are in any doubt about the contents of this letter, you should seek independent professional advice.**

19 June 2015

Dear Investor,

**Franklin Templeton Investment Funds (the “Company”)**

The purpose of this letter is to inform you of revisions to the Explanatory Memorandum dated December 2010, as amended, of the Company (the “**Current Explanatory Memorandum**”) in respect of:

- (1) the disclosure of the Management Company’s (Franklin Templeton Investment Services S.à r.l.) policy in relation to soft closures;
- (2) the disclosure of the Company’s policy in relation to the payment of redemption monies to foreign bank accounts;
- (3) clarifications on the amount of maintenance charge that is payable for each share class of the Funds and on the use of the maintenance charge by the Principal Distributor (Franklin Templeton Investment Services S.à r.l.) (which will take effect on 31 July 2015);
- (4) changes to the investment restrictions of the Company relating to the use of financial derivative instruments and techniques and instruments relating to transferable securities and money market instruments;
- (5) changes to the investment policies of certain of the sub-funds of the Company (the “**Funds**”) (which will take effect on 31 July 2015);
- (6) the addition of risk disclosures on collateralised debt obligations and concentration;
- (7) increases in the expected levels of leverage of the Templeton Emerging Markets Bond Fund, the Templeton Global Bond Fund and the Templeton Global Total Return Fund;
- (8)(I) a change in the investment manager of Templeton Global Smaller Companies Fund (which will take effect on 31 July 2015); and
- (8)(II) the stepping down of a co-investment manager of the Franklin Mutual European Fund (which will take effect on 31 July 2015).

Unless otherwise specified herein, capitalized terms used herein shall have the meanings assigned to such terms in the Current Explanatory Memorandum.

**1. Disclosure of the Management Company's policy in relation to soft closures**

To inform investors of the Management Company's policy in relation to soft closures, the following paragraph will be inserted immediately before the heading "MINIMUM INVESTMENT" on page 4 of the Current Explanatory Memorandum:

***"FUND SOFT CLOSURE***

*A Fund, or Share Class, may be closed to new investors or to all new subscriptions or switches in (but not to redemptions or switches out) if, in the opinion of the Management Company, closing is necessary to protect the interests of existing Shareholders. Without limiting the circumstances where closing may be appropriate, one such circumstance would be where the Fund has reached a size such that the capacity of the market and/or the capacity of the relevant Investment Manager has been reached, and where to permit further inflows would be detrimental to the performance of the Fund. Any Fund, or Share Class, may be closed to new investors or all new subscriptions or switches in without notice to Shareholders.*

*Notwithstanding the above, the Management Company may allow, at its discretion, the continuation of subscriptions from regular savings schemes on the basis that these types of flows present no challenge with respect to capacity. Once closed, a Fund or a Share Class will not be re-opened until, in the opinion of the Management Company, the circumstances which required closure no longer prevail. Shareholders and potential investors should contact the Hong Kong Representative for the current status of Funds or Share Classes."*

**2. Disclosure of the Company's policy in relation to the payment of redemption monies to foreign bank accounts**

To inform investors of the Company's policy in relation to the payment of redemption monies to foreign bank accounts, the following sentence will be inserted immediately following the fifth sentence of the second paragraph under the heading "REDEMPTIONS – Instructions and Payments" on page 68 of the Current Explanatory Memorandum:

*"Investors should note that if their redemption instruction is accompanied by a request to pay the sale proceeds into a bank account located in a country other than the investor's country of residence, the Company reserves the right to delay the execution of the transaction or the release of the payment proceeds, until additional information or documentation is received that provides additional investor protection to the satisfaction of the Company. This procedure is subject to the requirements of the Securities and Futures Commission's Code on Unit Trusts and Mutual Funds, including the maximum interval of one calendar month between the receipt of a properly documented redemption request and the payment of the redemption money."*

Investors should note that the Company is subject to the requirements of the Securities and Futures Commission's ("SFC") Code on Unit Trusts and Mutual Funds (the "SFC Code"), including the requirements under Chapter 6.14 of the SFC Code which requires redemption proceeds to be paid to the relevant redeeming Shareholder within one calendar month from the receipt of a properly documented redemption request.

**3. Clarifications on the amount of maintenance charge that is payable for each share class of the Funds and on the use of the maintenance charge by the Principal Distributor (Franklin Templeton Investment Services S.à r.l.)**

In addition to various other ongoing fees and charges, Class A Shares, Class B Shares and Class N Shares of the Company are subject to a maintenance charge as disclosed in the section headed "CHARGES AND EXPENSES" on pages 72 to 80 of the Current Explanatory Memorandum. This

charge is paid to the Principal Distributor of the Company, Franklin Templeton International Services S.à r.l., as compensation for its expenses in connection with shareholder liaison and administration of the Shares.

The Principal Distributor will generally pay part or all of the maintenance charge that it receives from the Company to various third party sub-distributors, intermediaries or brokers/dealers in connection with their provision of shareholder liaison and administration services in respect of the Shares. For the avoidance of doubt, the maintenance charge is not a commission payable to sales agents arising out of dealings in Shares and is not an expense arising out of any advertising or promotional activities in connection with the Company.

In the case of Class N Shares, the maintenance charge is currently described as a “distribution charge” (see the section headed “CHARGES AND EXPENSES – Class N Shares” on pages 78 and 79 of the Current Explanatory Memorandum for details). The “distribution charge” which is currently applicable to Class N Shares will be renamed as a “maintenance charge” for consistency with the description of the corresponding charge in respect of Class A Shares and Class B Shares.

Except for the Class B Shares of the Franklin U.S. Government Fund, the annual maintenance charge for Class A Shares, Class B Shares and Class N Shares is currently charged at the highest level indicated in the Current Explanatory Memorandum. The annual maintenance charge for Class B Shares of the Franklin U.S. Government Fund is currently charged at 0.50%, which is a lower rate than the maximum level of 0.75% indicated in the Current Explanatory Memorandum. For clarification and to provide additional disclosure on the use of maintenance charges by the Principal Distributor, the section of the Current Explanatory Memorandum on “CHARGES AND EXPENSES” will be revised and restated as set out below.

- (a) All references to “up to” and “(up to)” in the tables on Annual Management Fees for Class A Shares, Class B Shares and Class N Shares on pages 72 to 73, page 74 and pages 78 to 79 respectively, will be deleted.
- (b) Page 4 of the 2014 Third Addendum dated October 2014 to the Current Explanatory Memorandum will be amended to clarify that the annual maintenance charge for Class A Shares of the Franklin U.S. Focus Fund is 0.50% and that the aggregate of the annual management fee and the annual maintenance charge for Class A Shares of the Franklin U.S. Focus Fund is 1.50%.
- (c) Page 8 of the 2014 Addendum dated March 2014 to the Current Explanatory Memorandum will be amended to clarify that the annual maintenance charge for Class A Shares of the Franklin Global High Income Bond Fund is 0.40% and that the aggregate of the annual management fee and the annual maintenance charge for Class A Shares of the Franklin Global High Income Bond Fund is 1.20%.
- (d) Page 10 of the 2014 Addendum dated March 2014 to the Current Explanatory Memorandum will be amended to clarify that the annual maintenance charge for Class A Shares of the Franklin Global Listed Infrastructure Fund is 0.50% and that the aggregate of the annual management fee and the annual maintenance charge for Class A Shares of the Franklin Global Listed Infrastructure Fund is 1.50%.
- (e) Page 2 of the 2013 Addendum dated April 2013 to the Current Explanatory Memorandum relating to the Franklin Global Convertible Securities Fund will be amended to clarify that the annual maintenance charge for Class A Shares of the Franklin Global Convertible Securities Fund is 0.50% and that the aggregate of the annual management fee and the annual maintenance charge for Class A Shares of the Franklin Global Convertible Securities Fund is 1.25%.
- (f) Page 3 of the 2013 Addendum dated April 2013 to the Current Explanatory Memorandum relating to the Templeton Asian Dividend Fund will be amended to clarify that the annual maintenance charge for Class A Shares of the Templeton Asian Dividend Fund is 0.50% and

that the aggregate of the annual management fee and the annual maintenance charge for Class A Shares of the Templeton Asian Dividend Fund is 1.85%.

- (g) Page 2 of the 2011 Second Addendum dated October 2011 to the Current Explanatory Memorandum will be amended to clarify that the annual maintenance charge for Class A Shares of the Templeton Emerging Markets Balanced Fund is 0.50% and that the aggregate of the annual management fee and the annual maintenance charge for Class A Shares of the Templeton Emerging Markets Balanced Fund is 1.80%.
- (h) The table appearing under the heading “CHARGES AND EXPENSES – CLASS B SHARES – Annual Management Fee” on page 74 of the Current Explanatory Memorandum shall be amended to clarify that the annual maintenance charge for Class B Shares of the Franklin U.S. Government Fund is 0.50%.
- (i) The paragraph appearing under the heading “CHARGES AND EXPENSES – CLASS A SHARES – Maintenance Charge” on page 73 of the Current Explanatory Memorandum shall be amended as follows:

*“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 ~~Sshareholders~~ liaison and administration of the Shares. The charge is accrued daily and paid monthly to the Principal Distributor.*

*The Principal Distributor will generally pay part or all of this maintenance charge to various third party sub-distributors, intermediaries or brokers/dealers.”*

- (j) The paragraphs appearing under the heading “CHARGES AND EXPENSES – CLASS B SHARES – Maintenance Charge” on page 75 of the Current Explanatory Memorandum shall be amended as follows:

*“~~In addition, i~~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 ~~s~~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. The Principal Distributor will generally pay part or all of this maintenance charge to various third party sub-distributors, intermediaries or brokers/dealers.”*~~

- (k) The references to “Distribution Charge” in the table on Annual Management Fees for Class N Shares on pages 78 to 79 of the Current Explanatory Memorandum shall be replaced with “Maintenance Charge” and the third paragraph appearing under the heading “CHARGES AND EXPENSES – CLASS N SHARES – Annual Management Fees” on page 79 of the Current Explanatory Memorandum Changes shall be amended as follows:

*“In addition to any other terms, Class N Shares are subject to a ~~distribution~~ maintenance charge of ~~up to~~ 1.25% per annum of the applicable average net asset value, deducted and paid to the Principal Distributor for any expenses incurred by it in connection with providing distribution and Sshareholder liaison and administration of the Shares ~~services to the Company~~. This charge is accrued daily and is deducted and paid monthly to the Principal Distributor.*

*The Principal Distributor will generally pay part or all of this maintenance charge to various third party sub-distributors, intermediaries or brokers/dealers.”*

**4. Changes to the investment restrictions of the Company relating to the use of financial derivative instruments and techniques and instruments relating to transferable securities and money market instruments**

For the purpose of complying with legal and regulatory requirements, the following paragraph shall be inserted immediately after the sixth paragraph of the section “INVESTMENT RESTRICTIONS – 3. Financial derivative instruments” as set out on page 7 of the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum:

*“In accordance with the criteria laid down in the preceding paragraph, a Fund may be fully collateralised in different 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, by any other State of the OECD, by Singapore or any member state of the G20, provided that such Fund holds securities at least from six different issues and that any single issue must not account for more than 30% of such Fund’s net assets.”*

For the purpose of complying with legal and regulatory requirements, the following amendments shall be made to the section on “INVESTMENT RESTRICTIONS – 4. Use of techniques and instruments relating to transferable securities and money market instruments” as set out on pages 63 and 64 of the Current Explanatory Memorandum and as amended by the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum:

- (a) the first paragraph of the section shall be amended as follows (with changes marked up):

*“To the maximum extent allowed by, and within the limits set forth in, the Law of 17 December 2010 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 Luxembourg Law of 20 December 2002 on undertakings for collective investment and of (ii) CSSF Circulars 08/356 and ~~13/559~~14/592 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.”; and*

- (b) the following paragraph will be inserted as a new paragraph immediately following the end of the fifth paragraph as set out on page 8 of the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum:

*“In accordance with the criteria laid down in the precedent paragraph, a Fund may be fully collateralised in different 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, by any other State of the OECD, by Singapore or any member state of the G20, provided that such Fund holds securities at least from six different issues and that any single issue must not account for more than 30% of such Fund’s net assets.”*

**5. Revisions to investment policies of certain Funds**

For clarification purposes, the investment policies of the following Funds will be revised and restated as set out below. The relevant revisions are marked up for your ease of comparison.

Rest assured, there will be no change to the way that the Funds are currently managed or to the investment strategy of the Funds, or to the fee levels of the Funds.

## **I. Franklin Euro Government Bond Fund**

The following new paragraph will be added immediately following the fourth paragraph of the investment objective and policy of the Franklin Euro Government Bond Fund, as set out on page 28 of the Current Explanatory Memorandum and amended by the 2014 Third Addendum dated October 2014 to the Current Explanatory Memorandum:

*“The Fund may also utilise financial derivative instruments for hedging purposes and/or efficient portfolio management. These financial derivative instruments may be dealt on either (i) regulated markets, such as futures contracts (including those on government securities), as well as options or (ii) over-the-counter such as currency, exchange rate, and interest rate related swaps and forwards.”*

The revisions are to clarify that the Fund may utilise certain financial derivative instruments for hedging and/or efficient portfolio management purposes. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

For details of the relevant risk considerations pertaining to the Fund’s use of derivatives, please refer to the sub-section “Derivative risk” of the “Risk Considerations” section on page 41 of the Current Explanatory Memorandum of the Company.

## **II. Franklin Euro High Yield Fund**

The second sentence of the second paragraph of the investment objective and policy of the Franklin Euro High Yield Fund, as set out on page 28 of the Current Explanatory Memorandum and amended by the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum, will be revised and restated as set out below.

*“These financial derivative instruments may include, inter alia, swaps such as credit default swaps or fixed income related 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 may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes.”*

The revisions are to clarify that the Fund may utilise certain financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

For details of the relevant risk considerations pertaining to the Fund’s use of derivatives, please refer to the sub-section “Derivative risk” of the “Risk Considerations” section on page 41 of the Current Explanatory Memorandum of the Company.

## **III. Franklin Global Convertible Securities Fund**

The second paragraph of the investment objective and policy of Franklin Global Convertible Securities Fund on page 1 of the 2013 Addendum dated April 2013 to the Current Explanatory Memorandum relating to (amongst other things) the Franklin Global Convertible Securities Fund and amended by the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum, will be revised and restated as set out below.

(a) Changes to the first and second sentences of the second paragraph:-

*“The Fund seeks to achieve its investment objectives by investing primarily\* in convertible securities (including low-rated, unrated, investment grade, and/or non-investment grade securities ~~and/or securities in default~~) of corporate issuers globally.*



*The Fund may also invest in other securities, such as common or preferred stocks and non-convertible debt securities (including low-rated, unrated, investment grade, and/or non-investment grade securities and/or securities in default). The Fund may continue to hold securities subsequent to issuer default (“securities in default”).”*

- (b) Changes to the sixth sentence of the second paragraph:-

*“These financial derivative instruments may be dealt ~~in~~ either on regulated markets or over-the-counter, and may include, inter alia, forwards and cross forwards as well as options.”*

- (c) Changes to the last sentence of the second paragraph:-

*“The Fund may also invest up to 10% of its net assets in securities in default and up to 10% of its net assets in units of UCITS and other UCIs.”*

The revisions are to clarify (amongst other things) that the Fund may continue to hold securities subsequent to issuer default and up to 10% of its net assets may be invested in securities in default.

The first paragraph of the risk disclosure pertaining to “Defaulted Debt Securities risk” under the section “INVESTMENT CONSIDERATIONS – Risk Considerations” on page 41 of the Current Explanatory Memorandum shall be revised to reflect the continuing holding of securities in default by the Fund:

***“Defaulted Debt Securities risk***

*Some Funds may invest in debt securities on which the issuer is not currently making principal or interest payments (defaulted debt securities) or continue to hold securities after the issuer has defaulted on principal or interest payments. These Funds may buy or continue to hold 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.”*

**IV. Franklin Global High Income Bond Fund**

The second sentence of the first paragraph of the investment policy of Franklin Global High Income Bond Fund on page 7 of the 2014 Addendum dated March 2014 to the Current Explanatory Memorandum will be revised and restated as set out below.

*“For the purpose of this Fund, debt securities shall include all varieties of fixed and floating-rate income securities, bonds, mortgage- and other asset-backed securities, convertible securities, collateralised loan obligations (“CLOs”), collateralised debt obligations (“CDOs”) and structured notes (including credit-linked notes).”*

The revisions are to clarify that the Fund’s investments in debt securities may include collateralised debt obligations.

For details of the relevant risk considerations pertaining to the Fund’s investment in collateralised debt obligations, please refer to section 6 of this notice.

## V. Franklin Global Real Estate Fund<sup>1</sup>

The second paragraph of the objective and policy of the Franklin Global Real Estate Fund on page 11 of the Current Explanatory Memorandum will be revised and restated as set out below.

*“The Investment Manager seeks to achieve its investment objective by investing in real estate investment trusts (“Real Estate Investment Trusts” or “REITs”) and other real estate and real estate-related companies (including small to mid-sized companies) whose principal business is financing, dealing, holding, developing and managing real estate and which are located around the world, including emerging markets. “REITs” are companies the shares of which are listed on a stock exchange, which invest a significant portion of their net 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.*

*The Fund may also utilise various financial derivative instruments for currency hedging and/or efficient portfolio management (such as but not limited to currency forwards and cross forwards, interest rate futures and swaps as well as options).*

*The Fund may distribute income gross of expenses.”*

The revisions are to clarify that “REITs” invest a significant portion of their net assets directly in real estate and that the Fund may: (i) invest in real estate and real estate-related companies (including small to mid-sized companies), including companies located in emerging markets; (ii) utilise certain financial derivative instruments for currency hedging and/or efficient portfolio management purposes and (iii) distribute income gross of expenses. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

For details of the relevant risk considerations pertaining to the Fund’s use of derivatives, please refer to the sub-section “Derivative risk” of the “Risk Considerations” section on page 41 of the Current Explanatory Memorandum of the Company. For details of the relevant risk considerations pertaining to the Fund’s dividend policy, please refer to the sub-section “Dividend Policy risk” under paragraph 2(v) on page 5 of the 2013 Addendum dated April 2013 to the Current Explanatory Memorandum.

The fifth paragraph of the objective and policy of the Franklin Global Real Estate Fund on page 11 of the Current Explanatory Memorandum will be revised and restated as set out below.

*“The Fund is suitable for investors seeking ~~interest~~dividend income and capital appreciation ~~and seeking to by~~ investing in companies across a wide range of real estate sectors and countries and planning to hold their investments for the medium to long term.”*

The revisions are to clarify that the Fund is suitable for investors seeking dividend income.

## VI. Franklin High Yield Fund

The second sentence of the second paragraph of the objective and policy of the Franklin High Yield Fund on page 12 of the Current Explanatory Memorandum and amended by the 2014 Second

---

<sup>1</sup> This Fund is authorised by the SFC under the SFC Code but not the Code on Real Estate Investment Trusts. SFC authorization is not a recommendation or endorsement of a product nor does it guarantee the commercial merits of a product 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.

Addendum dated April 2014 to the Current Explanatory Memorandum will be revised and restated as set out below.

*“The Fund may utilise financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. These financial derivative instruments may include, inter alia, swaps such as credit default swaps or fixed income related total return swaps, forwards, futures contracts, as well as options on such contracts dealt in either on regulated markets or over-the-counter.”*

The revisions are to clarify that the Fund may utilise certain financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

For details of the relevant risk considerations pertaining to the Fund’s use of derivatives, please refer to the sub-section “Derivative risk” of the “Risk Considerations” section on page 41 of the Current Explanatory Memorandum of the Company.

## **VII. Franklin Income Fund**

The following new paragraph will be added at the end of the objective and policy of the Franklin Income Fund on page 13 of the Current Explanatory Memorandum:

*“The Fund may distribute income gross of expenses.”*

The revisions are to clarify that the Fund may distribute income gross of expenses. For details of the relevant risk considerations pertaining to the Fund’s dividend policy, please refer to the sub-section “Dividend Policy risk” under paragraph 2(v) on page 5 of the 2013 Addendum dated April 2013 to the Current Explanatory Memorandum.

## **VIII. Franklin Natural Resources Fund**

The first sentence of the second paragraph of the objective and policy of the Franklin Natural Resources Fund on page 17 of the Current Explanatory Memorandum will be revised and restated as set out below.

*“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-sized companies.”*

The revisions are to clarify that the Fund does not intend to invest primarily in debt securities. As stated in the current investment policy of the Fund, the Fund may invest in debt securities of any type of US or non-US issuer on an ancillary basis.

## **IX. Franklin World Perspectives Fund**

The first and fourth sentences of the second paragraph of the objective and policy of the Franklin World Perspectives Fund on page 21 of the Current Explanatory Memorandum and amended by the 2011 Addendum dated June 2011 and the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum will be revised and restated as set out below.

(First sentence) *“The Fund seeks to achieve this objective by investing in equity and equity-related transferable securities (including equity-linked notes, such as participatory notes) across the world.”*

(Fourth sentence) *“The Fund may also invest in financial derivative instruments for hedging purposes and/or efficient portfolio management, which may include, inter alia, swaps such as credit default swaps, forwards, futures contracts, as well as options on such contracts dealt on either regulated markets or over-the-counter.”*

The revisions are to clarify that: (i) the equity-related transferable securities that the Fund may invest in may include equity-linked notes such as participatory notes; and (ii) the Fund may utilise certain financial derivative instruments for hedging and/or efficient portfolio management purposes. The Fund does not intend to invest in financial derivative instruments for investment purposes both before and after the revisions.

For details of the relevant risk considerations pertaining to the Fund’s use of derivatives and investments in equity-linked notes and participatory notes, please refer to the sub-section “Derivative risk” of the “Risk Considerations” section on page 41 of the Current Explanatory Memorandum of the Company, to paragraph 4(B) headed “Structured Notes risk” on page 11 of the 2014 Addendum dated March 2014 to the Current Explanatory Memorandum and to paragraph 7(B) headed “Participatory Notes Risk” on page 9 of the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum.

#### **X. Templeton Asian Smaller Companies Fund**

The last sentence of the second paragraph of the investment objective and policy of the Templeton Asian Smaller Companies Fund, as set out on page 24 of the Current Explanatory Memorandum and amended by the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum, will be revised and restated as set out below.

*“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 initial purchase of~~ less than within the range of the market capitalisations of companies included in the MSCI AC Asia ex-Japan Small Cap Index (“Index”). Once a security qualifies for initial purchase, it continues to qualify for additional purchases as long as it is held by the Fund; however, if the maximum market capitalisations of companies allowed by the Index falls below USD 2 billion, the security will only qualify for additional purchases if its market capitalisation does not exceed USD 2 billion.”*

The revisions are to clarify that for the purpose of the Fund’s investment objective, Asian small-cap companies are those having a market capitalisation at the time of initial purchase within the range of the market capitalisations of companies included in the MSCI AC Asia ex-Japan Small Cap Index (“Index”). Once a security qualifies for initial purchase, it continues to qualify for additional purchases as long as it is held by the Fund; however, if the maximum market capitalisations of companies allowed by the Index falls below USD 2 billion, the security will only qualify for additional purchases by the Fund if its market capitalisation does not exceed USD 2 billion.

#### **XI. Templeton Eastern Europe Fund**

The first paragraph of the objective and policy of the Templeton Eastern Europe Fund on page 25 of the Current Explanatory Memorandum will be revised and restated as set out below.

*“The Fund’s investment objective is capital appreciation, which it seeks to achieve by investing primarily in listed equity 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 revisions are to clarify that the Fund intends to invest primarily in listed equity securities. For details of the relevant risk considerations pertaining to the Fund’s investments in listed equity securities, please refer to the sub-section “Equity risk” of the “Risk Considerations” section on page 42 of the Current Explanatory Memorandum of the Company.

## **XII. Templeton Emerging Markets Fund**

The third paragraph of the objective and policy of the Templeton Emerging Markets Fund on page 26 of the Current Explanatory Memorandum will be revised and restated as set out below.

*“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, participatory notes, securities convertible into common stock, and corporate and government debt obligations,~~which are US dollar and non-US dollar denominated.~~”*

The revisions are to clarify that the Fund may invest in participatory notes and to remove an unnecessary elaboration that the Fund’s investments in securities are US dollar and non-US dollar denominated.

For details of the relevant risk considerations pertaining to the Fund’s investment in participatory notes, please refer to paragraph 7(B) headed “Participatory Notes Risk” on page 9 of the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum.

## **XIII. Templeton Emerging Markets Balanced Fund**

The first sentence of the third paragraph of the investment objective and policy of the Templeton Emerging Markets Balanced Fund, as set out on the 2011 Second Addendum dated October 2011 to the Current Explanatory Memorandum and amended by the 2013 Third Addendum dated June 2013 to the Current Explanatory Memorandum and the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum, will be revised and restated as set out below.

*“The Fund may also utilize financial derivative instruments for hedging, efficient portfolio management and/or investment purposes.”*

The revisions are to clarify that the Fund may utilise certain financial derivative instruments for hedging, efficient portfolio management and/or investment purposes. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

For details of the relevant risk considerations pertaining to the Fund’s use of derivatives, please refer to the sub-section “Derivative risk” of the “Risk Considerations” section on page 41 of the Current Explanatory Memorandum of the Company.

## **XIV. Templeton Emerging Markets Smaller Companies Fund**

The second sentence of the first paragraph, and the second paragraph, of the objective and policy of the Templeton Emerging Markets Smaller Companies Fund on page 27 of the Current Explanatory Memorandum will be revised and restated as set out below.

*“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~~ initial purchase within the range of the market capitalisations of companies included in the MSCI Emerging Markets Small Cap Index (Index). Once a security qualifies for initial purchase, it continues to qualify for additional purchases as long as it is held by the Fund; however, if the maximum market capitalisations of companies allowed by the Index falls below USD 2 billion, the security will only qualify for additional purchases if its market capitalisation does not exceed USD 2 billion.*

*On an ancillary basis, the Fund may also invest in participatory notes, 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.”*

The revisions are to: (i) elaborate on the criteria to be met by Emerging Market small cap companies in order to be eligible for initial and additional purchases by the Fund, and (ii) to clarify that the Fund may invest in participatory notes.

For details of the relevant risk considerations pertaining to the Fund’s investment in participatory notes, please refer to paragraph 7(B) headed “Participatory Notes Risk” on page 9 of the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum.

#### **XV. Templeton Frontier Markets Fund**

The first sentence of the third paragraph of the investment objective and policy of the Templeton Frontier Markets Fund, as set out on pages 30 and 31 of the Current Explanatory Memorandum and amended by the 2011-12 Addendum dated January 2013 to the Current Explanatory Memorandum, will be revised and restated as set out below.

*“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 participatory notes and other types of transferable securities, including equity, equity-related and fixed income securities of issuers worldwide as well as in financial derivative instruments for hedging and/or efficient portfolio management purposes.”*

The revisions are to clarify that the Fund’s investments in transferable securities may include participatory notes and equity-related securities.

For details of the relevant risk considerations pertaining to the Fund’s investment in participatory notes, please refer to paragraph 7(B) headed “Participatory Notes Risk” on page 9 of the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum.

#### **XVI. Templeton Global Balanced Fund**

The following new paragraph will be added immediately following the second paragraph of the investment objective and policy of the Templeton Global Balanced Fund, as set out on page 32 of the Current Explanatory Memorandum:

*“The Fund may also utilise financial derivative instruments for hedging purposes and/or efficient portfolio management. These financial derivative instruments may be dealt on either (i) regulated markets, such as futures contracts (including those on government securities), as well as options or (ii) over-the-counter such as currency, exchange rate, and interest rate related swaps and forwards.”*

The revisions are to clarify that the Fund may utilise certain financial derivative instruments for hedging and/or efficient portfolio management purposes. The Fund does not intend to invest extensively in financial derivative instruments for investment purposes both before and after the revisions.

For details of the relevant risk considerations pertaining to the Fund’s use of derivatives, please refer to the sub-section “Derivative risk” of the “Risk Considerations” section on page 41 of the Current Explanatory Memorandum of the Company.

#### **XVII. Templeton Global Income Fund**

The following new paragraph will be added at the end of the objective and policy of the Templeton Global Fund on page 35 of the Current Explanatory Memorandum:

*“The Fund may distribute income gross of expenses.”*

The revisions are to clarify that the Fund may distribute income gross of expenses. For details of the relevant risk considerations pertaining to the Fund’s dividend policy, please refer to the sub-section “Dividend Policy risk” under paragraph 2(v) on page 5 of the 2013 Addendum dated April 2013 to the Current Explanatory Memorandum.

#### **XVIII. Templeton Global High Yield Fund**

The second sentence of the second paragraph of the investment objective and policy of the Templeton Global High Yield Fund, as set out in page 34 of the Current Explanatory Memorandum and amended by the 2014 Second Addendum dated April 2014 to the Current Explanatory Memorandum, will be revised and restated as set out below.

*“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 (including collateralised debt obligations) and convertible securities.”*

The revisions are to clarify that the mortgage and other asset-backed securities that the Fund may invest in may include, amongst other things, collateralised debt obligations. Rest assured, there will be no change to the way that the Fund is currently managed or to the investment strategy of the Fund.

For details of the relevant risk considerations pertaining to the Fund’s investment in collateralised debt obligations, please refer to section 6 of this notice.

#### **6. Addition of risk disclosures on collateralised debt obligations and concentration**

To draw investors’ attention to the relevant risk considerations pertaining to:

- (a) the Franklin Global High Income Bond Fund’s and the Templeton Global High Yield Fund’s investment in collateralised loan obligations and other collateralised debt obligations; and
- (b) the Franklin U.S. Focus Fund’s intention to maintain a portfolio with holdings in a relatively limited number of issuers,

the following new risk disclosures shall be added after the sub-section headed “Class Hedging risk” and before the sub-section headed “Convertible securities risk” under the section “INVESTMENT CONSIDERATIONS – Risk Considerations” on page 39 of the Current Explanatory Memorandum (as amended by the 2013 Addendum to the Current Explanatory Memorandum dated April 2013):-

#### ***“Collateralised Debt Obligations risk***

*Some funds (such as the Franklin Global High Income Bond Fund and the Templeton Global High Yield Fund) may invest in particular types of asset-backed security known as Collateralised Debt Obligation (CDOs) or (if loans are the underlying asset) Collateralised Loan Obligations (CLOs). The risks of an investment in a CDO or CLO depend largely on the type of collateral held by the special purpose entity (SPE) and the tranche of the CDO or CLO in which a Fund invests. In a typical CDO or CLO structure, there are multiple tranches with varying degrees of seniority, with the most senior tranche getting first access to the interest and principal payments from the pool of underlying assets, the next most senior getting second access, and so on down the line until the residual (or equity tranche) which has the last call on the interest and principal. The lower the priority of the tranche is, the greater the risk. Investment risk may also be affected by the performance of the collateral manager (the entity responsible for selecting and managing the pool of collateral securities held by the SPE trust), especially during a period of market volatility. CDOs or CLOs may be deemed*

to be illiquid securities and subject to a Fund's restrictions on investments in illiquid securities. A Fund's investment in CDOs or CLOs will not receive the same investor protection as an investment in registered securities. As a result of these factors, prices of CDO or CLO tranches can decline considerably.

In addition to the normal risks associated with debt securities and asset backed securities (e.g., interest rate risk, credit risk and default risk), CDOs and CLOs carry additional risks including, but not limited to: (i) the possibility that distributions from collateral securities will not be adequate to make interest or other payments; (ii) the quality of the collateral may decline in value or quality or go into default or be downgraded; (iii) a Fund may invest in tranches of a CDO or CLO that are subordinate to other classes; and (iv) the complex structure of the security may not be fully understood at the time of investment and may produce disputes with the issuer, difficulty in valuing the security or unexpected investment results, which may result in a substantial loss to the Fund.

### **Concentration risk**

Some Funds, such as the Franklin U.S. Focus Fund, may have an investment policy which specifically states an intention to maintain a portfolio with holdings in a relatively limited number of issuers (for example, the securities of 30 to 40 companies) even as the Fund increases in size, for the purpose of keeping the Fund concentrated in fewer issuers than the Fund might normally hold as part of a more highly diversified strategy. It should be noted that some Funds may have holdings in a relatively limited number of issuers by virtue of being relatively small in size, so the smaller number of holdings is simply a result of the Funds not having sufficiently large net asset values to invest efficiently in more issuers – bonds in particular tend to trade in relatively large lot sizes that makes it difficult for small bond funds to have a large number of holdings. Funds that by policy seek to maintain a smaller number of holdings, however, will remain less diversified even as they grow in size. By being less diversified, such Funds may be more volatile than broadly diversified Funds, or may be exposed to greater risk since underperformance of one or a few positions will have a greater impact in a less diversified Fund where there are fewer positions so each position will tend to be a larger percentage of total net assets. The relevant Funds may be adversely affected as a result of such greater volatility or risk.”

## **7. Increases in the expected levels of leverage of the Templeton Emerging Markets Bond Fund, the Templeton Global Bond Fund and the Templeton Global Total Return Fund**

Investors should note that the expected levels of leverage of the Templeton Emerging Markets Bond Fund, the Templeton Global Bond Fund and the Templeton Global Total Return Fund are estimated to increase to the levels detailed in the table below:

	<b><u>Previous</u> expected level of leverage based on “sum of notionals” approach</b>	<b><u>Current</u> expected level of leverage based on “sum of notionals” approach</b>	<b><u>Expected maximum</u> level of leverage based on “commitment” approach</b>
<b>Templeton Emerging Markets Bond Fund</b>	40%	70%	175%
<b>Templeton Global Bond Fund</b>	90%	110%	225%
<b>Templeton Global Total Return Fund</b>	80%	100%	225%



The current expected level of leverage (“sum of notionals” approach) and the expected maximum level of leverage (“commitment” approach) are not regulatory limits for the Funds in the table (as these Funds use relative VaR as their measure of global exposure, not the commitment approach) and should be used for indicative purposes only. The level of leverage in a Fund may be higher or lower than the expected level shown above at any time as long as the Fund remains in line with its risk profile and complies with its relative Value at Risk (VaR) limit. Under Luxembourg Law, absolute VaR limits are currently 20% of total net assets and relative VaR limits are currently twice or 200% of the benchmark VaR. The level of leverage in a Fund is not expected to exceed the maximum level indicated above but investors should note that there is possibility of higher leverage levels in certain circumstances, such as when trades are put in reaction to sudden high market volatility (to mitigate risk).

The expected level of leverage based on the “sum of notionals” approach is measured as the sum of notionals of all financial derivative contracts entered into by the relevant Fund expressed as a percentage of the relevant Fund’s net asset value. The leverage is a measure of the aggregate derivative usage and therefore does not take into account other physical assets directly held in the portfolio of the relevant Fund. The annual report of the Company will provide the actual level of leverage based on the “sum of notionals” approach over the applicable period and additional explanations on this figure.

The expected maximum level of leverage based on the commitment approach is calculated in line with the Committee of European Securities Regulators’ Guidelines on Risk Measurement and the Calculation of Global Exposure and Counterparty Risk for UCITS dated 28 July 2010 (Ref. CESR/10-788), and factors in the market value of the equivalent positions in the underlying assets of the financial derivative instruments held by a Fund (sometimes referred to as “notional exposure”), after taking into account netting and hedging arrangements where the market value of underlying security positions may be offset by other commitments related to the same underlying positions. Such netting and hedging arrangement are not applied to the “sum of notionals” approach, which factors in the notional amounts for all derivative contracts regardless of whether it is a hedge or not. However, the commitment approach does require that, in instances where neither leg of a forward currency transaction is denominated in the base currency of the Fund, both legs of the transaction need to be reflected in the commitment approach calculation, whereas under the “sum of notionals” approach only one leg would be included. For this reason, it is possible for the commitment approach figure to be higher than the “sum of notionals” figure despite the offsets allowed when netting and hedging arrangements are applied. Global exposure using the commitment approach is expressed as an absolute percentage of total net assets.

To draw investors’ attention to the relevant risk considerations pertaining to the expected levels of leverage of the Templeton Global Bond Fund and the Templeton Global Total Return Fund, the following new risk disclosure shall be added after the sub-section headed “Growth Stocks risk” under the section “INVESTMENT CONSIDERATIONS – Risk Considerations” on page 44 of the Current Explanatory Memorandum:

***“High Expected Leverage risk***

*Funds utilising financial derivative instruments extensively for investment purposes may have a net leverage exposure of over 100% of their net asset value to financial derivative instruments. Investors should note that the Templeton Global Bond Fund and the Templeton Global Total Return Fund are expected to have greater than 100% leverage (based on the commitment approach). Other Funds which use financial derivative instruments for investment purposes may also exceed this threshold in exceptional circumstances, for example, during times of heightened market uncertainty where a relevant Fund increases its use of derivatives in order to manage risk within the portfolio and protect against the potential effects of market events such as interest rate or currency movements or potential credit exposure. In adverse situations, this may result in significant or total loss to the relevant Fund(s).”*

Rest assured, there will be no change to the way that the Funds are currently managed or to the investment strategy of the Funds. For details of the relevant risk considerations pertaining to the Funds' use of derivatives, please refer to the sub-section "Derivative risk" of the "Risk Considerations" section on page 41 of the Current Explanatory Memorandum of the Company.

The Current Explanatory Memorandum of the Company shall be revised accordingly.

## **8. Changes in investment managers**

The Management Company has delegated the portfolio management of Templeton Global Smaller Companies Fund ("TGSCF") to its existing investment manager, Franklin Templeton Investments Corp. In addition, the Management Company has delegated the portfolio management of Franklin Mutual European Fund ("FMEF") to its existing co-investment managers, Franklin Mutual Advisers, LLC and Franklin Templeton Investment Management Limited.

The Management Company has decided to apply the following change to the investment manager of the TGSCF. Separately, the investment management structure of FMEF will change due to the stepping down of an existing co-investment manager. Rest assured, the change to the investment manager (in the case of the TGSCF) and the investment management structure (in the case of the FMEF) will have no impact on the investment objectives and policies of the TGSCF or the FMEF, nor the manner in which the TGSCF and the FMEF are being managed. The investment team at Franklin Templeton Investments has always managed assets based on a team approach and the TGSCF and the FMEF will continue to be managed according to the same principles. There will also be no change in the fee levels in respect of the TGSCF or the FMEF.

### **I. Templeton Investment Counsel, LLC will replace Franklin Templeton Investments Corp. as the investment manager of the TGSCF**

Due to a proposed change in the portfolio manager for the TGSCF, Franklin Templeton Investments Corp. will be replaced by Templeton Investment Counsel, LLC as the investment manager of the TGSCF.

As a result of the change, the list of Funds managed by Franklin Templeton Investments Corp. as set out under the section headed "MANAGEMENT AND ADMINISTRATION – Investment Managers" on page 87 of the Current Explanatory Memorandum shall be deleted in its entirety and the following list of Funds managed by Templeton Investment Counsel, LLC shall be inserted at the end of the same section on page 87 of the Current Explanatory Memorandum:

*"Templeton Investment Counsel, LLC manages the following Fund:*

Templeton Global Smaller Companies Fund".

With this change, Franklin Templeton Investments Corp. will cease to act as an investment manager of any of the Funds that are authorized by the SFC and accordingly, all references to "Franklin Templeton Investments Corp." shall be deleted from the Current Explanatory Memorandum.

### **II. Franklin Templeton Investment Management Limited will cease to be a co-investment manager of the FMEF**

Due to a proposed change in the portfolio manager for the FMEF, Franklin Templeton Investment Management Limited will cease to be a co-investment manager of the FMEF.

To reflect this change, paragraph 7 of the 2014 Third Addendum to the Current Explanatory Memorandum dated October 2014 will be deleted in its entirety.

As a result of the foregoing changes:

- Templeton Investment Counsel, LLC shall be included in the lists of Investment Managers in the second paragraph of the section headed “INTRODUCTION – Franklin Templeton Investment Funds” on page 2 of the Current Explanatory Memorandum and in the first paragraph of the section headed “MANAGEMENT AND ADMINISTRATION – Investment Managers” on page 86 of the Current Explanatory Memorandum (the “Investment Manager Lists”).
- The following paragraphs shall be inserted under the section headed “ADMINISTRATION – Investment Managers” on page 89 of the Current Explanatory Memorandum:

“TEMPLETON INVESTMENT COUNSEL, LLC  
300 S.E., 2nd Street  
Fort Lauderdale  
Florida 33301  
United States”

\* \* \* \* \*

The Management Company accepts full responsibility for the accuracy of the information contained in this letter as at the date of its publication and confirms, having made all reasonable enquiries, that to the best of its 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 2805 0111.

Yours faithfully,

For and on behalf of

**Franklin Templeton Investments (Asia) Limited**

富蘭克林鄧普頓投資(亞洲)有限公司



David Chang  
Director