

Luxembourg, July 20th, 2017

**Subject: Merger of FTIF – Franklin Global High Income Bond Fund into FTIF – Franklin High Yield Fund.**

Dear Shareholder,

The purpose of this letter is to inform you about the merger of FTIF – Franklin Global High Income Bond Fund (the "**Merging Sub-Fund**") into FTIF - Franklin High Yield Fund (the "**Receiving Sub-Fund**").

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

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

**1. Rationale and background for the merger**

The Merging Sub-Fund was originally launched on 13 July 2012 and on 30 June 2017 it was valued at USD 46,927,608. The small size and reduced demand for the Franklin Global High Income Bond Fund makes it economically unattractive to run as an independent entity.

The Merging Sub-Fund and Receiving Sub-Fund share similarities in their investment objective, Investment Manager, risk management processes and management fee structures. Both Sub-Funds carry the same risk rating indicator (synthetic risk and reward indicator).

Even though the Merging Sub-Fund has a more globally diversified portfolio compared to the Receiving Sub-Fund, it currently has a very high weighting to U.S. securities, thus sharing a significant portfolio overlap with the Receiving Sub-Fund. In addition, the Receiving Sub-Fund has a longer track record and has displayed superior performance across all time periods.

The Receiving Sub-Fund was originally launched on 1 March 1996 and on 30 June 2017 it was valued at USD 2,466,883,234.

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

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

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

**2. Impact on shareholders and shareholders' rights**

Holders of shares in the Receiving Sub-Fund who do not wish to participate in the Merger, may redeem their shares or switch their holding, free from any charge, until 12 October 2017 (before local dealing cut-off time), into any other sub-fund of FTIF, details of which are disclosed in the current prospectus of FTIF (provided that such other sub-funds have obtained recognition for marketing in the applicable jurisdiction).

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

As from 13 October 2017, Shareholders in the Receiving Sub-Fund may continue to redeem or switch out their shares in accordance with the provisions of the current prospectus of FTIF.

It is not contemplated that the remaining assets in the portfolio of the Merging Sub-Fund or of the Receiving Sub-Fund be rebalanced before the Merger.

The Merger of the Merging Sub-Fund into the Receiving Sub-Fund is not expected to entail a dilution effect on the Receiving Sub-Fund.

As the investment manager of the Receiving Sub-Fund has determined that a portion of the Merging Sub-Fund's portfolio (comprising non-USD denominated debt securities) is not appropriate for the Receiving Sub-Fund, the Merger will be organised so that only USD denominated debt securities (comprising approximately 70% of the Merging Sub-Fund's portfolio) will be transferred in kind to the Receiving Sub-Fund. The residual portion of the Merging Sub-Fund's portfolio will be sold down to cash and transferred as cash to the Receiving Sub-Fund. Depending on the growth of the Merging Sub-Fund's portfolio and changes to the underlying investments within the Merging Sub-Fund's portfolio, the above percentage splits may vary (by up to 10%) depending on the performance of the Merging Sub-Fund's portfolio in the lead up to the Effective Date. To the extent that the disposal of the residual assets of the Merging Sub-Fund is undertaken, this will commence seven (7) calendar days prior to the Effective Date of the Merger at the earliest.

In accordance with the standard valuation policy, and in order to protect the interests of remaining shareholders, in the event of a significant redemption from the Receiving Sub-Fund, a swing pricing mechanism may be adopted and applied to the value of the shares. Please refer to the Prospectus last visaed by CSSF dated June 2017, as amended, of the Company (the "Prospectus") for the details in respect of swing pricing.

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

Merging Share Class	ISIN	Receiving Share Class	ISIN
Franklin Global High Income Bond Fund A(acc) USD	LU0800342296	Franklin High Yield Fund A(acc) USD	LU0131126228
Franklin Global High Income Bond Fund A(Mdis) SGD-H1	LU0800342619	Franklin High Yield Fund A(Mdis) SGD-H1	LU0323421593
Franklin Global High Income Bond Fund A(acc) EUR	LU0800342965	Franklin High Yield Fund A(acc) EUR*	*
Franklin Global High Income Bond Fund A(Mdis) USD	LU0800342379	Franklin High Yield Fund A(Mdis) USD	LU0065014192
Franklin Global High Income Bond Fund A(acc) HKD**	LU0800342700		
Franklin Global High Income Bond Fund A(Mdis) HKD**	LU0800342882		
Franklin Global High Income Bond Fund I(acc) EUR***	LU0800343005	Franklin High Yield Fund I(acc) EUR-H1***	LU0727124397
Franklin Global High Income Bond Fund I(acc) USD	LU0800342452	Franklin High Yield Fund I(acc) USD	LU0366776432
Franklin Global High Income Bond Fund N(acc) EUR	LU0800343187	Franklin High Yield Fund N(acc) EUR*	*
Franklin Global High Income Bond Fund N(Mdis) USD	LU1129995822	Franklin High Yield Fund N(Mdis) USD	LU0889566138
Franklin Global High Income Bond Fund Y(Mdis) USD	LU1379820993	Franklin High Yield Fund Y(Mdis) USD	LU1244548910

\* Share class to be launched on Effective Date.

\*\* The reference currency of the share class will change after the merger (HKD to USD) and the appropriate exchange rate will be applied.

\*\*\* The receiving share class is currency hedged in order to reduce the currency exchange risk (EUR to USD).

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

Receiving Share Class	ISIN
Franklin High Yield Fund A (Mdis) AUD-H1	LU0889565247
Franklin High Yield Fund B (Mdis) USD	LU0098868697
Franklin High Yield Fund C (Acc) USD	LU0152906094
Franklin High Yield Fund I (Mdis) USD	LU0152908892
Franklin High Yield Fund N (Acc) USD	LU0109402817
Franklin High Yield Fund Z (Mdis) USD	LU0563143188

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

Merging Sub-Fund Share Class Name	Initial Charge	Investment Management Fee	Management Company Fee	Maintenance Fee	Other Fees (including Custodian Fee)	Ongoing Charges Ratio (OCR)
Franklin Global High Income Bond Fund A(Mdis) USD	5.75%	0.80%	0.20%	0.40%	0.15%	1.55%
Franklin Global High Income Bond Fund A(acc) USD	5.75%	0.80%	0.20%	0.40%	0.16%	1.56%
Franklin Global High Income Bond Fund A(Mdis) SGD-H1	5.75%	0.80%	0.20%	0.40%	0.16%	1.56%
Franklin Global High Income Bond Fund A(acc) EUR	5.75%	0.80%	0.20%	0.40%	0.15%	1.55%
Franklin Global High Income Bond Fund A(acc) HKD*	5.75%	0.80%	0.20%	0.40%	0.13%	1.53%
Franklin Global High Income Bond Fund A(Mdis) HKD*	5.75%	0.80%	0.20%	0.40%	0.17%	1.57%
Franklin Global High Income Bond Fund I(acc) EUR	0.00%	0.60%	0.20%	0.00%	0.10%	0.90%
Franklin Global High Income Bond Fund I(acc) USD	0.00%	0.60%	0.20%	0.00%	0.10%	0.90%
Franklin Global High Income Bond Fund N(acc) EUR	3.00%	0.80%	0.20%	1.00%	0.15%	2.15%
Franklin Global High Income Bond Fund N(Mdis) USD	3.00%	0.80%	0.20%	1.00%	0.15	2.15%
Franklin Global High Income Bond Fund Y(Mdis) USD	0.00%	0.00%	0.00%	0.00%	0.07%	0.07%

Receiving Sub-Fund Share Class Name	Maximum Initial Charge	Investment Management Fee	Management Company Fee	Maintenance Fee	Other Fees (including Custodian Fee)	Ongoing Charges Ratio (OCR)
Franklin High Yield Fund A(Mdis) USD	5.75%	0.80%	0.20%	0.40%	0.14%	1.54%
Franklin High Yield Fund A(acc) USD	5.75%	0.80%	0.20%	0.40%	0.14%	1.54%
Franklin High Yield Fund A(Mdis) SGD-H1	5.75%	0.80%	0.20%	0.40%	0.14%	1.55%
Franklin High Yield Fund A(acc) EUR*	5.75%	0.80%	0.20%	0.40%	0.15%	1.55%
Franklin High Yield Fund I(acc) EUR-H1	0.00%	0.60%	0.20%	0.00%	0.08%	0.88%
Franklin High Yield Fund I(acc) USD	0.00%	0.60%	0.20%	0.00%	0.09%	0.89%
Franklin High Yield Fund N(acc) EUR*	3.00%	0.80%	0.20%	1.00%	0.15%	2.15%
Franklin High Yield Fund N(Mdis) USD	3.00%	0.80%	0.20%	1.00%	0.12%	2.12%
Franklin High Yield Fund Y(Mdis) USD	0.00%	0.00%	0.00%	0.00%	0.05%	0.05%

\* As the share class has no historical data available, the OCR and Other Fees have been estimated based on a representative model portfolio.

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

The Receiving Sub-Fund and the Merging Sub-Fund share the same investment process and the same risk management process. In addition, the Sub-Funds share similar investment objective, some of the same investment management teams within Franklin Templeton Group and the same management fee structure. However, The Merging Sub-Fund has a more globally diversified portfolio, whereas the Receiving Sub-Fund invests in debt securities issued principally by U.S. or non-U.S. issuers, with a current focus on debt securities issued by corporations located in the U.S.

### 4. Merger Procedure

The Merger will become effective as of 20 October 2017 at midnight (Luxembourg time) (the “Effective Date”).

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

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

#### **5. Costs of the Merger**

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

#### **6. Tax impact**

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

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

#### **7. Availability of Documents**

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

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

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

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

On behalf of Franklin Templeton Investment Funds,



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William Lockwood  
Director