

Luxembourg, May 17, 2022

**Amendment to the investment policy of one sub-fund of Franklin Templeton Investment Funds**

Dear Shareholder,

We would like to inform you that the board of directors of Franklin Templeton Investment Funds (the “**Company**”) has decided, in light of investors’ demand, to amend the investment policy of the Franklin K2 Alternative Strategies Fund (the “**Fund**”) to have it reclassified from Article 6 to Article 8 of the Sustainable Finance Disclosure Regulation (“**SFDR**”) in order to better reflect the ESG methodology applied to the Fund, and to introduce several other changes, as further described below.

- With effect from June 18, 2022, the Fund will be reclassified as Article 8 under the SFDR to integrate an ESG methodology further to clients’ demand and its investment policy will be amended to add the following wording after the fifth paragraph:

*“The Fund seeks to promote broad environmental (E) characteristics (climate change, natural capital, pollution & waste) and social (S) characteristics (human capital, product liability, stakeholder opposition). The ESG assessment framework, which is applied to at least 90% of the Fund’s portfolio, is binding for the portfolio construction.*

*At the portfolio level, the Fund will target an aggregate portfolio’s rating equal or above BBB and a scoring of 5.0 or higher as measured by MSCI ESG scores. A rating of BBB corresponds to a scoring from 4.286 to 5.714 (by the Final Industry-Adjusted Company Score), and therefore, a scoring of 5.0 corresponds to the median of the rating BBB. Further information on the MSCI ESG Ratings Methodology can be found on <https://www.msci.com/our-solutions/esg-investing/esg-ratings>. However, the Fund may hold assets below this rating and/or scoring, in which case, (i) if the Fund’s rating falls below BBB, the Investment Manager will rebalance across the Investment Co-Managers’ respective portion of assets to achieve a Fund score of BBB or better within 90 days and (ii) if the Fund’s score falls below 5.0, the Investment Manager will identify which portfolio assets are contributing to lower ESG scores and will engage conversation with the relevant Investment Co-Manager over the next quarter. If over time, the Investment Co-Managers’ score does not improve, the Investment Manager will allocate away from the Investment Co-Manager taking due account of the interests of the Shareholders. The weighted average base ESG score of the assets in the Fund’s portfolio is higher than the average base ESG score of the Fund’s investment universe.*

*At the Investment Co-Managers level, the Investment Manager performs an ESG assessment on the appointed Investment Co-Managers by applying a proprietary ESG rating methodology to each of them including a review of the Investment Co-Managers’ investment integration and relevance to investment performance of environmental and social factors and an evaluation of the potential areas for development and future initiatives of the Investment Co-Managers. Based on this qualitative assessment, the Investment Manager rates the Investment Co-Managers on compliance observance, investment integration and momentum. The ESG assessment of the Investment Co-Managers is monitored in quarterly meetings and annual operational due diligence visits. Additionally, the Investment Manager reviews at the firm level the Co-Investment Managers’ ESG affiliations (e.g. UNPRI signatory status) as well as in-house ESG capabilities.*

*The Investment Manager monitors trends in ESG factors in the portfolio starting with the individual positions and then rolling up to each Co-Investment Manager that hold them to evaluate which positions and Co-Investment Managers are impacting the overall Fund’s ESG score.”*

In addition, with effect from June 18, 2022, investments in securities issued by private companies, Private Investments in Public Equity (PIPEs) and special purpose acquisition companies (SPACs) will be introduced and investments in bank loans will be removed from the investment policy. Therefore, the eleventh paragraph will be amended as follows:

*“The Fund may also invest up to 10% of its net assets in units of UCITS and other UCIs ~~and up to 10% of its net assets in bank loans that qualify as Money Market Instruments~~. The Fund may also, in accordance with the investment restrictions, invest (i) up to 10% of its net assets in securities issued by private companies and Private Investments in Public Equity (PIPEs) and (ii) up to 5% of its net assets in special purpose acquisition companies (SPACs) provided that the contemplated PIPEs and SPACs qualify as transferable securities under paragraphs (1) or (2) a) of Article 41 of the Law of 17 December 2010.”*

- Finally, the seventh paragraph is amended to clarify that investments in distressed securities will not exceed 10% of the Fund's net assets:

*"The Fund invests in equity and equity-related securities of companies located anywhere and of any capitalisation size. Debt securities which may be acquired by the Fund shall include all varieties of fixed and floating-rate income securities of any maturity or credit rating (including investment grade, non-investment grade, low-rated, unrated securities and securities in default) of corporate and sovereign issuers worldwide, and may include, inter alia, high yield ("junk") bonds and distressed debt securities (securities of companies that are, or are about to be, involved in reorganisations, financial restructurings, or bankruptcy). **Investments in distressed securities shall not exceed 10% of the Fund's net assets.** The Fund may engage in active and frequent trading as part of its investment strategies."*

In the context of the above, please note that (i) the Fund's Investor Profile sub-section will be updated, (ii) "Distressed Securities risk", "Equity risk", "PIPEs risk", "Private Companies risk", "SPACs risk" and "Sustainability risk" will be added to the risk considerations of the Fund and (iii) the following Taxonomy Regulation sub-section will be added in the Fund's factsheet:

#### ***"Taxonomy Regulation***

***In line with its ESG methodology, the Fund promotes environmental, social and governance characteristics. Although the Fund does not commit to make investments in taxonomy-aligned environmentally sustainable activities contributing to climate change mitigation and climate change adaptation objectives, it cannot be excluded that the Fund's underlying investments may incidentally include investments which aim at having a positive impact on the environment through their focus on climate change mitigation and climate change adaptation and which may be but are not necessarily taxonomy-aligned. Investors should note that the "do no significant harm" principle under Taxonomy Regulation applies only to those investments underlying the Fund that take into account the EU criteria for environmentally sustainable economic activities. The investments underlying the Fund which are not in taxonomy-aligned environmentally sustainable activities do not take into account the EU criteria for environmentally sustainable economic activities under the Taxonomy Regulation."***

There will be no material impact on the way the Fund is managed, its risk or liquidity profile or SRRI nor on the fees charged.

The new investment policy will be reflected in an updated version of the prospectus of the Company, a copy of which will be available online or at the registered office of the Company, upon request. All other features of the Fund remain the same.

#### **What you need to do**

You do not need to do anything if you are satisfied with the change. You also have the option to switch your shares into other funds of the Company provided that such funds are available for distribution in your country. You may also request a redemption of your investment. Should you wish to proceed with either option, please refer to the latest prospectus terms. Such requests of switch or redemption will be executed free of charge, provided that they are received at the latest by June 18, 2022.

#### **Need more information**

Your dedicated Client Services Team will be happy to help with any general questions about Franklin Templeton. Just call your local Client Service Team, visit our website at [www.franklintempleton.lu](http://www.franklintempleton.lu) or if you need advice about your investment please speak to a financial adviser.

We thank you for choosing to trust Franklin Templeton with your investments.

Best Regards,



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