



FRANKLIN TEMPLETON
INVESTMENTS

TEMPLETON EMERGING MARKETS SMALLER COMPANIES FUND

A SUB-FUND OF LUXEMBOURG-DOMICILED SICAV

August 31, 2012

INVESTMENT OBJECTIVE

The Fund aims to achieve long-term capital appreciation by investing primarily in equity securities and depository receipts of small-cap companies registered or performing a substantial part of their business in emerging markets or holding a substantial part of their participations in small-cap companies registered in emerging markets. Emerging markets 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 Emerging Markets Small Cap Index (Index). If the market capitalisation of companies allowed by the Index falls below USD 2 billion, a security held by the Fund will only qualify for additional purchases if its market capitalisation does not exceed USD 2 billion.

FUND MANAGER AND LOCATION

Mark Mobius, Singapore
Dennis Lim, Singapore
Tom Wu, Hong Kong

FUND DATA¹

Base Currency of Fund: US Dollar

Portfolio Size: \$216.85 million

Date of Launch: October 18, 2007

Purchase of Shares:

Min Initial Investment \$5,000.00

Min Subsequent Investment \$1,000.00

Primary Fund Benchmark/Index:

MSCI Emerging Markets Small Cap Index

Morningstar™ Workstation Category:

Global Emerging Markets Equity

Dividend Frequency: Annually

Investment Management Fee (% p.a.):²

1.60%

| Share Class | Date Paid | Amount |
|-------------|-----------|--------|
| A(Ydis)USD | 07/09/12 | \$0.03 |

FUND AWARDS AND RATINGS

Morningstar™ Overall Rating:⁴ ★★★★★

Morningstar™ Style Box:⁴

STYLE

Value Blend Growth

SIZE

Large

Medium

Small

☒ **Current**

Client Services

Global (727) 299-5042

U.S. (800) 239-3894

Email: stpcds@templeton.com

Offshore Sales Support Team

U.S. (800) 233-9796

Canada (877) 389-0076

Web www.templetonoffshore.com

Address

100 Fountain Parkway

PO Box 33030

St. Petersburg, Florida 33716

ASSET ALLOCATION¹

| EQUITY | FIXED INCOME | CASH | # OF ISSUES |
|--------|--------------|-------|-------------|
| 97.39% | 0.00% | 2.61% | 65 |

PERFORMANCE IN SHARE CLASS CURRENCY AS OF AUGUST 31, 2012

| | 1-MO | 3-MO | 6-MO | 1-YR | 3-YR* | 5-YR* | 10-YR* | SINCE LAUNCH | SINCE LAUNCH* |
|------------|------|------|-------|-------|-------|-------|--------|--------------|---------------|
| A(Ydis)USD | 4.38 | 7.00 | -7.54 | -5.30 | 7.04 | - | - | -24.20 | -5.53 |
| A(acc)USD | 4.41 | 7.06 | -7.56 | -5.25 | 6.98 | - | - | -24.20 | -5.53 |
| C(acc)USD | 4.46 | 6.91 | -7.76 | -5.75 | 6.44 | - | - | -18.00 | -4.29 |
| N(acc)USD | 4.51 | 6.93 | -7.72 | -5.60 | 6.52 | - | - | -25.90 | -5.97 |
| A(acc)EUR | 2.25 | 5.25 | -2.05 | 8.29 | 11.79 | - | - | -13.80 | -3.00 |

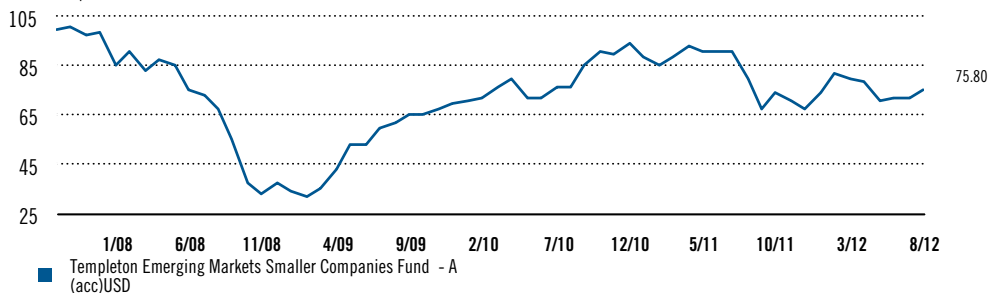
*Annualized Performance

CALENDAR YEAR PERFORMANCE AS OF AUGUST 31, 2012

| | NAV | YTD | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|------------|--------|-------|--------|-------|-------|--------|------|------|------|------|
| A(Ydis)USD | \$7.38 | 11.68 | -28.16 | 34.10 | 87.04 | -62.11 | - | - | - | - |
| A(acc)USD | \$7.58 | 11.63 | -28.15 | 34.23 | 86.74 | -62.07 | - | - | - | - |
| C(acc)USD | \$8.20 | 11.26 | -28.52 | 33.37 | 85.82 | - | - | - | - | - |
| N(acc)USD | \$7.41 | 11.43 | -28.50 | 33.43 | 85.87 | -62.24 | - | - | - | - |
| A(acc)EUR | €8.62 | 14.93 | -25.67 | 43.53 | 82.60 | -60.43 | - | - | - | - |

TOTAL PERFORMANCE IN US DOLLAR AS OF AUGUST 31, 2012

*Since inception at NAV with an initial 100 USD investment and all dividends reinvested.



PORTFOLIO COMPOSITION (% OF TOTAL)¹

TOP 10 ISSUERS³

| SECURITY NAME | % |
|---|------|
| DELTA ELECTRONICS THAI PCL | 3.45 |
| APOLLO TYRES LTD | 3.40 |
| FEDERAL BANK LTD | 3.10 |
| PANIN FINANCIAL TBK PT | 2.98 |
| SIMPLO TECHNOLOGY CO LTD | 2.96 |
| BEIJING CAPITAL LAND LTD | 2.89 |
| SELCUK ECZA DEPOSU TICARET VE SANAYI AS | 2.61 |
| MARFRIG ALIMENTOS SA | 2.60 |
| NOVATEK MICROELECTRONICS LTD | 2.51 |
| REDINGTON INDIA LTD | 2.51 |

FUND CHARACTERISTICS

| STATISTICS | |
|---------------------------------------|--------|
| Price to Earnings Ratio | 7.91x |
| Price to Book Value Ratio | 0.94x |
| Price to Cash Flow Ratio | 6.61x |
| 3 Yrs Annualized Std Deviation - Fund | 22.01% |
| SHARE CLASS | YIELD |
| A(Ydis)USD | 0.48 |

COUNTRY BREAKDOWN¹

| COUNTRY BREAKDOWN | % |
|----------------------|-------|
| India | 21.73 |
| China | 19.71 |
| South Korea | 11.81 |
| Turkey | 7.15 |
| Taiwan | 5.47 |
| Hong Kong | 4.94 |
| Thailand | 4.51 |
| Egypt | 3.53 |
| Other | 18.55 |
| Cash/Cash Equivalent | 2.61 |

INDUSTRY BREAKDOWN¹

| INDUSTRY BREAKDOWN | % |
|--|-------|
| Technology Hardware & Equipment | 13.96 |
| Food Beverage & Tobacco | 12.16 |
| Materials | 9.92 |
| Capital Goods | 7.68 |
| Pharmaceuticals & Biotechnology | 7.51 |
| Automobiles & Components | 5.11 |
| Real Estate | 4.50 |
| Semiconductors & Semiconductor Equipment | 4.44 |
| Other | 32.11 |
| Cash/Cash Equivalent | 2.61 |

CURRENCY BREAKDOWN¹

| CURRENCY BREAKDOWN | % |
|--------------------|-------|
| Hong Kong Dollar | 23.29 |
| Indian Rupee | 20.11 |
| S Korean Won | 11.81 |
| US Dollar | 11.13 |
| Turkish Lira | 7.15 |
| Taiwan Dollar | 5.47 |
| Thailand Baht | 4.51 |
| Indo Rupiah | 2.98 |
| Brazilian Real | 2.95 |
| Other | 10.60 |

FUND IDENTIFIERS

| SHARE CLASS* | INCEPTION DATE | CUSIP | BLOOMBERG | ISIN |
|--------------|----------------|-----------|-----------|--------------|
| A(Ydis)USD | 10/18/2007 | L4058Y741 | TSCAYDSLX | LU0300738605 |
| A(acc)USD | 10/18/2007 | L4058Y758 | TEMCAULX | LU0300738514 |
| C(acc)USD | 02/21/2008 | L40592674 | TSCCAUSLX | LU0343523212 |
| N(acc)USD | 10/18/2007 | L4058Y774 | TSCNACULX | LU0300739322 |
| A(acc)EUR | 10/18/2007 | L4058Y733 | TSCAEURLX | LU0300743431 |

* (Mdis) - monthly distribution; (Qdis) - quarterly distribution; (Ydis) - yearly distribution; (acc) - accumulation

WHAT ARE THE RISKS

All Fund investments in the securities issued by corporations, governments, and public-law entities in different nations and denominated in different currencies involve certain risks. These risks are typically increased in developing countries and emerging markets. Such risks can have adverse effects on portfolio holdings. Investors in Funds investing in emerging markets should in particular be informed that the liquidity of securities issued by corporations and public-law entities in emerging markets may be substantially smaller than with comparable securities in industrialized countries. Small-cap company funds often experience sharper price fluctuation than stocks in Large-cap companies. The Fund may be subject to a variety of risks in addition to those described herein. Please consult the Prospectus for a full discussion of these risks.

DISCLAIMERS

1. Portfolio Composition and Asset Allocation data as of July 31, 2012 (Negative currency positions, if any, may occur due to hedging, unsettled payables, and derivatives holdings).
 2. Investment Management Fee is a monthly fee equivalent to a percentage of the Fund's adjusted daily net assets received by the Investment Manager for each Class of Shares, except for the I shares classes. For a full description of all fees and charges that an investor may incur, including the initial sales charges and maintenance and company charges attributable to a class of shares of the Fund, please consult the current Prospectus of FTIF.
 3. The portfolio manager for the Fund reserves the right to withhold release of information with respect to holdings that would otherwise be included in a top 10 holdings list.
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