



FRANKLIN TEMPLETON
INVESTMENTS

INVESTMENT OBJECTIVE

The Fund aims to earn a high level of current income and seeks capital appreciation when consistent with its principal objective of high current income, by investing principally either directly or through the use of financial derivative instruments in Euro-denominated or Non-Euro denominated Euro-hedged Fixed Income debt Securities of European or Non-European issuers with Non-investment grade ratings, or if unrated, their equivalent.

FUND MANAGER AND LOCATION

Patricia O'Connor, San Mateo, California
Piero del Monte, London, United Kingdom

FUND DATA¹

Base Currency of Fund: Euro

Portfolio Size: €545.17 million

Date of Launch: April 17, 2000

Purchase of Shares:

Min Initial Investment \$5,000.00

Min Subsequent Investment \$1,000.00

Primary Fund Benchmark/Index:

BofA Merrill Lynch Euro High Yield Constrained Index

Morningstar™ Workstation Category:

EUR High Yield Bond

Dividend Frequency: Annually

Investment Management Fee (% p.a.):²

0.80%

| Share Class | Date Paid | Amount |
|-------------------|-----------|--------|
| A(Mdis)USD | 07/16/12 | \$0.06 |
| B(Mdis)USD | 07/16/12 | \$0.05 |
| A(Mdis)EUR | 07/16/12 | €0.04 |
| A(Ydis)EUR | 07/09/12 | €0.38 |

FUND AWARDS AND RATINGS

Morningstar™ Overall Rating:⁴ ★★★★★

Morningstar™ Style Box:⁴

DURATION

Short Int Long

| | | |
|--|---|--|
| | | |
| | | |
| | | |
| | X | |

QUALITY

High
Medium
Low

☒ **Current**

Client Services

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St. Petersburg, Florida 33716

TEMPLETON EURO HIGH YIELD FUND

A SUB-FUND OF LUXEMBOURG-DOMICILED SICAV

August 31, 2012

ASSET ALLOCATION¹

| EQUITY | FIXED INCOME | CASH & CASH EQUIVALENTS | # OF ISSUES |
|--------|--------------|----------------------------|-------------|
| - | 90.71% | 9.29% | 156 |

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(Mdis)USD | 4.09 | 7.98 | -1.57 | 0.51 | - | - | - | 10.39 | 4.17 |
| B(Mdis)USD | 4.01 | 7.61 | -2.22 | -0.93 | - | - | - | 11.66 | 4.86 |
| A(Mdis)EUR | 1.88 | 6.08 | 4.23 | 14.76 | 10.42 | 4.20 | - | 18.62 | 3.38 |
| A(Ydis)EUR | 1.86 | 6.12 | 4.22 | 14.66 | 10.34 | 4.13 | 6.80 | 44.47 | 3.02 |
| A(acc)EUR | 1.85 | 6.08 | 4.23 | 14.77 | 10.39 | 4.15 | 6.82 | 72.08 | 4.98 |
| N(acc)EUR | 1.84 | 5.97 | 3.99 | 14.15 | 9.74 | 3.53 | 6.18 | 43.59 | 3.15 |

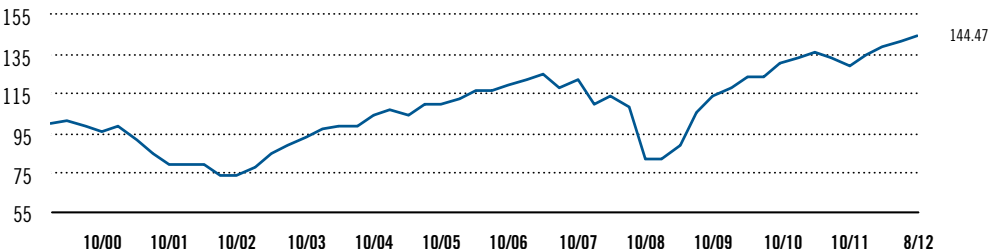
*Annualized Performance

CALENDAR YEAR PERFORMANCE AS OF AUGUST 31, 2012

| | NAV | YTD | 2011 | 2010 | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 |
|------------|---------|-------|-------|-------|-------|--------|-------|------|------|-------|
| A(Mdis)USD | \$9.53 | 10.71 | -5.82 | - | - | - | - | - | - | - |
| B(Mdis)USD | \$10.01 | 9.70 | -7.17 | - | - | - | - | - | - | - |
| A(Mdis)EUR | €5.99 | 14.04 | -2.74 | 12.79 | 48.53 | -34.13 | - | - | - | - |
| A(Ydis)EUR | €6.02 | 13.84 | -2.78 | 12.86 | 48.50 | -34.18 | -2.52 | 9.04 | 4.22 | 10.67 |
| A(acc)EUR | €14.30 | 13.94 | -2.79 | 12.95 | 48.44 | -34.19 | -2.50 | 8.99 | 4.26 | 10.69 |
| N(acc)EUR | €13.31 | 13.57 | -3.38 | 12.32 | 47.54 | -34.64 | -3.03 | 8.35 | 3.60 | 10.17 |

TOTAL PERFORMANCE IN EURO AS OF AUGUST 31, 2012

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



■ Templeton Euro High Yield Fund - A(Ydis)EUR

PORTFOLIO COMPOSITION (% OF TOTAL)¹

TEN LARGEST HOLDINGS³

| SECURITY NAME | % |
|---|------|
| Fiat Industrial Finance Europe, senior note, Reg S, 6.25%, 3/09/18 | 2.02 |
| Unitymedia Hessen/NRW, senior secured note, Reg S, 8.125%, 12/01/17 | 1.91 |
| Jaguar Land Rover PLC, senior bond, Reg S, 8.125%, 5/15/18 | 1.85 |
| Campofrio Food Group SA, senior note, Reg S, 8.25%, 10/31/16 | 1.58 |
| Ineos Group Holdings Ltd., senior note, Reg S, 7.875%, 2/15/16 | 1.32 |
| Viridian Group FundCo II, Reg S, 11.125%, 4/01/17 | 1.30 |
| Bakkavor Finance 2 PLC, senior secured note, Reg S, 8.25%, 2/15/18 | 1.29 |
| Lottomatica SPA, junior sub. bond, Reg S, 8.25%, 3/31/66 | 1.21 |
| Conti-Gummi Finance BV, senior note, Reg S, 6.50%, 1/15/16 | 1.18 |
| Jarden Corp., senior sub. note, 7.50%, 1/15/20 | 1.17 |

FIXED INCOME CHARACTERISTICS

| STATISTICS | |
|---------------------------------------|----------|
| Average Duration | 3.41 Yrs |
| Weighted Avg Yield to Maturity | 7.59% |
| Average Weighted Maturity | 4.92 Yrs |
| 3 Yrs Annualized Std Deviation - Fund | 9.54% |

SHARE CLASS

| | |
|------------|------|
| A(Mdis)USD | 7.70 |
| B(Mdis)USD | 6.21 |
| A(Mdis)EUR | 7.31 |
| A(Ydis)EUR | 6.38 |

COUNTRY BREAKDOWN¹

| COUNTRY BREAKDOWN | % |
|-------------------------|-------|
| United Kingdom | 20.51 |
| United States | 15.09 |
| Germany | 9.40 |
| Italy | 9.39 |
| Cash & Cash Equivalents | 9.29 |
| Luxembourg | 7.28 |
| France | 6.55 |
| Netherlands | 5.24 |
| Spain | 5.16 |
| Other | 12.09 |

CURRENCY BREAKDOWN¹

| CURRENCY BREAKDOWN | % |
|--------------------|--------|
| Euro | 100.39 |
| US Dollar | -0.62 |
| British Pound | 0.12 |
| Swiss Franc | 0.11 |

FUND IDENTIFIERS

| SHARE CLASS* | INCEPTION DATE | CUSIP | BLOOMBERG | ISIN |
|--------------|----------------|-----------|-----------|--------------|
| A(Mdis)USD | 03/31/2010 | L4058V234 | TEHYAMULX | LU0496363853 |
| B(Mdis)USD | 05/05/2010 | L4058V523 | TEHYBMULX | LU0496371013 |
| A(Mdis)EUR | 07/12/2007 | L4058V127 | TEMHYADLX | LU0300744835 |
| A(Ydis)EUR | 04/17/2000 | L4058R175 | TEMHYEILX | LU0109395268 |
| A(acc)EUR | 07/02/2001 | L4058S199 | TEMHYACLX | LU0131126574 |
| N(acc)EUR | 12/29/2000 | L4058R407 | TEMHYBXLX | LU0122613572 |

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

WHAT ARE THE RISKS

The risks associated with higher-yielding, lower-rated securities (commonly called junk bonds) include higher risk of default and loss of principal. Investment in foreign securities also involves special risks, including currency fluctuations, and political and economic uncertainty. In addition, interest rate movements will affect the Fund's share price and yield. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. 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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