AUGUST 31, 2013

ANNUAL REPORT

AND SHAREHOLDER LETTER



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TEMPLETON GROWTH FUND, INC.



Franklin • Templeton • Mutual Series

## Franklin Templeton Investments

### Gain From Our Perspective®

Franklin Templeton's distinct multi-manager structure combines the specialized expertise of three world-class investment management groups—Franklin, Templeton and Mutual Series.

#### SPECIALIZED EXPERTISE

Each of our portfolio management groups operates autonomously, relying on its own research and staying true to the unique investment disciplines that underlie its success.

**Franklin.** Founded in 1947, Franklin is a recognized leader in fixed income investing and also brings expertise in growth- and value-style U.S. equity investing.

**Templeton.** Founded in 1940, Templeton pioneered international investing and, in 1954, launched what has become the industry's oldest global fund. Today, with offices in over 25 countries, Templeton offers investors a truly global perspective.

**Mutual Series.** Founded in 1949, Mutual Series is dedicated to a unique style of value investing, searching aggressively for opportunity among what it believes are undervalued stocks, as well as arbitrage situations and distressed securities.

### TRUE DIVERSIFICATION

Because our management groups work independently and adhere to different investment approaches, Franklin, Templeton and Mutual Series funds typically have distinct portfolios. That's why our funds can be used to build truly diversified allocation plans covering every major asset class.

### **RELIABILITY YOU CAN TRUST**

At Franklin Templeton Investments, we continuously seek to provide investors with strong risk-adjusted returns over the long term, as well as the reliable, accurate and personal service that has helped us become one of the most trusted names in financial services.

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MUTUAL FUNDS | RETIREMENT PLANS | 529 COLLEGE SAVINGS PLANS | SEPARATELY MANAGED ACCOUNTS

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## Shareholder Letter

#### Dear Shareholder:

Many countries experienced growth during the 12 months ended August 31, 2013, supported by their central banks' monetary programs, and investor sentiment strengthened. Global developed market stocks, as measured by the MSCI World Index, generated robust gains in this environment. Although investor anxiety that the U.S. Federal Reserve Board would soon taper its asset purchase program contributed to short sell-offs, Treasury bill prices stabilized soon after. Stock performance also remained resilient amid lateperiod tension over potential military intervention in Syria. The U.S. dollar rose against most foreign currencies, long-term U.S. Treasury prices generally fell as yields rose, and developed and emerging market bonds declined.

We remain encouraged as the U.S. showed signs of continued economic growth and the eurozone economy expanded in the second quarter of 2013. With this positive economic environment, we believe companies generally should continue to deliver healthy earnings and cash flow, which have historically been favorable for stock prices. We also think equities look particularly interesting in an environment of low interest rates and declining stock market correlations, which we believe is encouraging for bottom-up investors. Keep in mind in all economic environments we remain committed to our long-term perspective and disciplined investment approach. First and foremost for us, this means conducting rigorous, fundamental analysis of securities with a continual emphasis on investment risk management.

Templeton Growth Fund's annual report goes into greater detail about prevailing conditions during the period. In addition, you will find performance data, financial information and a discussion about investment decisions. Please remember all securities markets fluctuate, as do mutual fund share prices.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

If you would like more frequent updates, franklintempleton.com provides daily prices, monthly performance figures, portfolio holdings and other information. You can also access your account, buy and sell shares, read timely articles and find helpful financial planning tools. We hope you will take advantage of these online services.

Historically, patient investors have achieved rewarding results by evaluating their goals, diversifying their assets globally and maintaining a disciplined investment program, all hallmarks of the Templeton investment philosophy developed more than 50 years ago. We continue to recommend investors consult their financial advisors and review their portfolios to design a long-term strategy and portfolio allocation that meet their individual needs, goals and risk tolerance. We firmly believe most people benefit from professional advice and that advice is invaluable as investors navigate changing market environments.

We thank you for investing with Franklin Templeton, welcome your questions and comments, and look forward to serving your investment needs in the years ahead.

Sincerely,

Norman J. Boersma, CFA

President and Chief Executive Officer - Investment Management Templeton Growth Fund, Inc.

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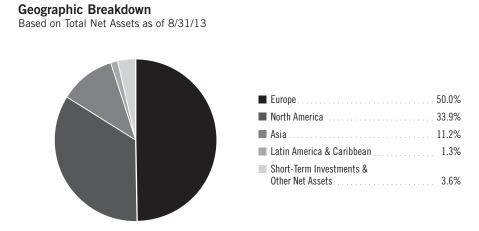
This letter reflects our analysis and opinions as of August 31, 2013. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.

# Annual Report

# Templeton Growth Fund, Inc.

Your Fund's Goal and Main Investments: Templeton Growth Fund seeks long-term capital growth. Under normal market conditions, the Fund invests primarily in equity securities of companies located anywhere in the world, including emerging markets.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. Please visit franklintempleton.com or call (800) 342-5236 for most recent month-end performance.



We are pleased to bring you Templeton Growth Fund's annual report for the fiscal year ended August 31, 2013.

### **Performance Overview**

Templeton Growth Fund – Class A delivered a +25.00% cumulative total return for the 12 months under review. In comparison, the MSCI World Index, which measures stock performance in global developed markets, posted a total return of +18.31%. The Fund's long-term relative results are shown in the Performance Summary beginning on page 11. For the 10-year period ended August 31, 2013, Templeton Growth Fund - Class A generated

1. Source: © 2013 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. As of 8/31/13, the Fund's Class A 10-year average annual total return not including the maximum sales charge was +6.36%, compared with the MSCI World Index's 10-year average annual total return of +7.70%. The index is unmanaged and includes reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 23.

a cumulative total return of +85.26%, compared with the MSCI World Index's +109.97% cumulative total return for the same period.<sup>1</sup> Please note index performance information is provided for reference and we do not attempt to track the index but rather undertake investments on the basis of fundamental research. You can find more performance data in the Performance Summary.

#### **Economic and Market Overview**

The 12 months under review encompassed a period of improving investor sentiment as reinvigorated policy support and economic recovery in the developed world offset a slowdown in emerging markets, sell-offs in bonds and commodities, and rising geopolitical tensions. Investors entered the period cautiously, given economic uncertainty and imminent leadership transitions in some of the world's largest economies. Ultimately, those transitions in the U.S., China and Japan proceeded smoothly and the drama of electoral politics was replaced by that of fiscal politics as U.S. lawmakers struck a deal on New Year's Day to partially avert \$600 billion of automatic tax hikes and spending cuts.

The stock market rally accelerated in 2013 amid redoubled central bank commitments, continued corporate earnings strength and increasing signs of economic progress, though the recovery remained uneven. U.S. growth and employment trends generally exceeded expectations and Europe emerged from recession, while Japan's growth improved but failed to meet analysts' expectations. Growth in China and emerging markets, however, tended to lag. Differences in global economic trends corresponded with increasingly divergent policy approaches. The U.S. Federal Reserve Board vowed to keep interest rates low until unemployment met its 6.5% target but sparked considerable volatility and a Treasury sell-off by suggesting it may taper monthly bond purchases should economic conditions warrant. The European Central Bank cut benchmark interest rates to a record low and pledged to maintain systemic support following a bank run in Cyprus and political turmoil in Greece, Spain, Portugal and Italy. Elsewhere, the Bank of Japan set an explicit inflation target and pledged to double bond purchases in an unprecedented wave of policy reform.

Emerging market central banks were less accommodative, with Brazil and India hiking interest rates amid rising inflation and China taking measures to curb real estate and credit speculation. Chinese tightening rattled credit markets, and a spike in interbank lending rates underscored concerns about the country's shadow banking system. Volatility soon engulfed the broader emerging market region as protests roiled Turkey and Brazil, civil war threatened Egypt and international military intervention looked possible in Syria. Regional asset prices tumbled as investors responded to rising bond

rates by unwinding highly leveraged emerging market carry trades.<sup>2</sup> In response, emerging market stocks recorded their biggest outflows on record and regional currencies sharply depreciated. Oil staged a late rally based on supply concerns related to geopolitical turmoil, while gold, which had recorded its biggest drop in four decades over the summer, recovered somewhat at period-end. Overall, risks remained elevated during the period, though policy stayed supportive, and increasingly divergent economic and political circumstances resulted in declining market correlations, which many bottom-up investors perceived as more favorable.

### **Investment Strategy**

Our investment strategy employs a bottom-up, value-oriented, long-term approach. We focus on the market price of a company's securities relative to our evaluation of the company's long-term earnings, asset value and cash flow potential. As we look worldwide, we consider specific companies, rather than sectors or countries, while doing in-depth research to construct a bargain list from which we buy. Before we make a purchase, we look at the company's price/earnings ratio, price/cash flow ratio, profit margins and liquidation value.

### Manager's Discussion

Considerable appreciation in global stock markets and a noticeable shift in investor behavior during the 12-month review period benefited the valueoriented Fund's performance. The Fund outperformed the benchmark MSCI World Index during the review period, and also on trailing two- and three-year horizons. Most encouragingly to us, incremental improvements in the global economy and a tentative calm in financial markets appeared to shift investors' focus away from broad economic and systemic concerns toward stock fundamentals. As investors appeared to view stocks as shares of actual businesses — and not just instruments to navigate short-term risk — the market began to value stocks accordingly. As a result, the stocks we believed to be trading at the largest discounts to their underlying business prospects enjoyed considerable share price appreciation as the markets aligned price with value. This benefited the value-focused Fund, and the robust performance enjoyed by the Fund during the past 12 months was largely attributable to stock selection.

As disciplined, bottom-up investors, we welcomed the more fundamentalsdriven market environment following an extended period of historically high

2. In a carry trade, an investor seeks to profit from an interest rate differential by borrowing low-yielding currencies and lending high-yielding currencies. The use of borrowed capital to facilitate the trade creates leverage for the borrower.

Top 10 Sectors/Industries Based on Equity Securities

8/31/13

	% of Total Net Assets
Pharmaceuticals	10.2%
Oil, Gas & Consumable Fuels	9.7%
Commercial Banks	9.6%
Diversified Financial Services	5.1%
Insurance	5.0%
Energy Equipment & Services	4.2%
Diversified Telecommunication Servi	ces 3.8%
Media	3.7%
Communications Equipment	3.6%
Capital Markets	3.3%

equity correlations that we believed favored investors with a short-term focus and obscured the skill of investors with the ability to select undervalued stocks. We have never attempted to forecast or make short-term bets on the market. As Sir John Templeton explained, "I never ask if the market is going to go up or down, because I do not know, and besides it does not matter. I search nation after nation for stocks, asking: 'Where is the one that is lowest priced in relation to what I believe it is worth?" We cannot predict the future; instead, we analyze individual securities to understand what assumptions investors are making about the long-term earnings power, cash flow capabilities and asset growth potential of businesses. To the limited extent that some investors have been attentive to business fundamentals (and not preoccupied with generalized market concerns), in our view they tended to consider only short-term business prospects, as evidenced by an average holding period for stocks that has fallen from more than seven years in the 1950s to barely over one year. We believe this creates an excellent opportunity for us to take advantage of situations where stock prices fail to accurately reflect long-term business prospects.

The Fund performed mostly in line with its benchmark since the global financial crisis began in 2008, gaining positive momentum in recent quarters. We believe this demonstrated that your patience as a shareholder has begun to pay off. Sir John Templeton knew the value of patience in his investment approach, as he knew to expect adversity. "The investor who selects stocks on the basis of long-term intrinsic value must expect certain problems," he wrote in a note to clients. "In the first place, he should expect usually to purchase stocks which are thoroughly unpopular. ... It is not easy to act contrary to popular opinion. In the second place, he should not expect that the stocks selected will immediately begin to show a profit."

This would certainly describe to us the challenges faced when we invested in European financials.<sup>3</sup> When we began materially increasing European financials exposure in 2010, some of the region's banks traded at a 70% discount to their tangible book values, a level that major financial institutions had not reached since U.S. banks did in the Great Depression. The sector's unpopularity resulted from economic risks to European stability and stock-specific risks, including earnings impairments, onerous regulatory requirements and solvency concerns. We were encouraged by European policymakers' efforts to effectively strengthen the regional financial system and by the fact that the bailout costs required to hold the eurozone together would likely be significantly less than the costs of a eurozone breakup. We also felt the stock-specific risks were overstated given the fundamental restructuring and balance sheet repair

<sup>3.</sup> The financials sector comprises capital markets, commercial banks, consumer finance, diversified financial services, insurance, and real estate management and development in the SOI.

undertaken at the corporate level. Our thorough fundamental sector analysis allowed us to identify what we believed were the most attractive bargain opportunities. These efforts generated solid results during the review period, and European financials holdings were among the largest contributors to relative performance.

French lender Credit Agricole was one of the Fund's leading financial sector performers. Cost-cutting initiatives and the disposal of troubled assets helped buoy earnings for France's third-largest bank. The company's remaining core businesses in French banking, insurance and asset management featured stable and attractive earnings profiles and collectively generated a 15% to 20% return on tangible equity. With sustainable returns and rebuilt capital levels in compliance with Basel III requirements, Credit Agricole, in our assessment, deserved to trade at a material premium to its tangible book value, not at the 27% discount reached at second-quarter end. Like Credit Agricole, many of our European financials holdings enjoyed enhanced capital reserves and improved returns on equity, which, we believed, in a weak loan growth environment could result in excess cash flows that are likely to be used for shareholder returns.<sup>4</sup> However, in our opinion, valuations still failed to reflect the sector's progress, creating additional appreciation potential.

Valuations, in our view, also remained selectively attractive in information technology (IT) and industrials, two economically sensitive sectors that contributed strongly to performance during the past 12 months.<sup>5</sup> Stock selection again drove relative returns. In the IT sector, certain software holdings benefited as global corporations invested in productivity-enhancing systems as a result of the global financial crisis. However, the software industry fell out of favor during the review period as budget cuts dampened government sector spending and competition from cloud computing specialists created uncertainty. In this environment, the Fund's deep value technology hardware holdings generated the bulk of sector performance, led by restructuring U.S. computer makers Dell<sup>6</sup> and Hewlett-Packard. Restructuring also abounded in the industrials sector, led by European airlines Deutsche Lufthansa (Germany) and International Consolidated Airlines Group (U.K.). Our analysis showed these companies

Top 10 Equity Holdings 8/31/13

Pfizer Inc.	
Pharmaceuticals, U.S.	2.0%
Microsoft Corp.  Software, U.S.	1.9%
GlaxoSmithKline  Pharmaceuticals, U.K.	1.8%
Total SA, B  Oil, Gas & Consumable Fuels, Fra	1.8% nce
Roche Holding AG  Pharmaceuticals, Switzerland	1.8%
Citigroup Inc.  Diversified Financial Services, U.S.	1.7% S.
ING Groep NV, IDR  Diversified Financial Services,  Netherlands	1.7%
International Consolidated Airlines Group SA Airlines, U.K.	1.7%
Amgen Inc.  Biotechnology, U.S.	1.7%
BNP Paribas SA  Commercial Banks, France	1.7%

<sup>4.</sup> Return on equity is an amount, expressed as a percentage, earned on a company's common stock investment for a given period. It is calculated by dividing common stock equity (net worth) over the average of the accounting period into net income for the period after preferred stock dividends but before common stock dividends. Return on equity tells common shareholders how effectually their money is being employed. Comparing percentages for current and prior periods also reveals trends, and comparison with industry composites reveals how well a company is holding its own against its competitors.

<sup>5.</sup> The information technology sector comprises communications equipment, computers and peripherals, office electronics, semiconductors and semiconductor equipment, and software in the SOI. The industrials sector comprises aerospace and defense; air freight and logistics; construction and engineering; construction materials; electrical equipment; electronic equipment, instruments and components; industrial conglomerates; and machinery in the SOI. 6. Sold by period-end.

<sup>7.</sup> This holding is not an index component.

have excellent cost and capacity discipline, and operational results enhanced profits despite anemic economic growth and muted passenger volume. Certain consumer discretionary companies also successfully navigated economic adversity, and after seeking to take advantage of valuation opportunities in recent years, we began to realize gains and reduce exposure to this sector.8 Japanese automobile manufacturer Mazda Motor was a top-performing sector stock, more than tripling in value after posting its first annual profit in five years amid strong new vehicle sales and favorable currency trends.

Often, knowing what to avoid is as important as knowing what to buy. For example, our caution in the materials and consumer staples sectors was rewarded during the review period.9 In contrast to other companies we have discussed, metals and mining firms in general have demonstrated what we viewed as poor cost discipline in the aftermath of the global financial crisis. Sector valuations remained unenticing to us, and significant industry overcapacity pressured returns and amplified the cyclical downturn experienced in an already volatile sector. Defensive consumer staples stocks faced more structural issues, with Internet and private label brand competition eroding pricing power. Although we found some opportunities, we believed valuations failed to sufficiently discount the sector's challenges and we remained underweighted. We found more attractive defensive opportunities in health care, a longstanding sector overweighting that notably contributed to performance as investors began to recognize major pharmaceuticals firms for successfully navigating patent expirations and establishing more stable revenue streams. 10

Energy and telecommunication services were the only sectors that detracted from relative performance, primarily because of overweighted allocations. 11 Energy stocks comprised many of the Fund's largest detractors, with Canadian oil and gas producer Talisman Energy's shares declining amid weak North American gas prices and falling output from the firm's North Sea projects. However, the company appeared to successfully shift its focus to more economical international projects, and depressed valuations suggested to us considerable upside potential. We believe the energy sector looked broadly undervalued after stocks declined during the past decade as production growth slowed and capital expenditures accelerated. We have become increasingly

<sup>8.</sup> The consumer discretionary sector comprises auto components, automobiles, media, multiline retail and specialty retail in the SOI.

<sup>9.</sup> The materials sector comprises chemicals, construction materials and metals and mining in the SOI. The consumer staples sector comprises food and staples retailing in the SOI.

<sup>10.</sup> The health care sector comprises biotechnology, health care equipment and supplies, life sciences tools and services, and pharmaceuticals in the SOI.

<sup>11.</sup> The energy sector comprises energy equipment and services; and oil, gas and consumable fuels in the SOI. The telecommunication services sector comprises diversified telecommunication services and wireless telecommunication services in the SOI.

focused on energy companies we viewed as positioned for robust production growth and offering high dividend yields to reduce our reliance on sector optimism or a "stronger for longer" oil price environment. Telecommunication services is another challenging sector where, in our view, attractive dividend yields and undemanding valuations failed to result in wider value recognition. However, our analysis indicated competitive pressures were easing as industry consolidation resulted in more rational economics, potentially unlocking value for patient shareholders.

Regionally, the Fund's European holdings outperformed owing to stock selection, particularly in the U.K. and Switzerland. Stock selection in the U.S. and Japan also notably contributed to relative performance. Although the Fund's regional allocations benefited performance overall, exposure to off-benchmark countries Brazil and China, along with an overweighting in Singapore, weighed on relative results.

We believe our long track record demonstrates how we have tried to use patience to reap rewards. Our disciplined, value-oriented approach to Europe serves as a good example. Concerns about political tensions, weak economic growth and sovereign debt burdens eased during the period as investors sought to take advantage of valuation opportunities in a region that made considerable progress toward stabilization. We continued to find opportunities we considered attractive bargains in the region. European stocks remained near multi-decade lows based on valuation and price performance relative to the U.S. and appeared as dependent on a global growth recovery as emerging market stocks were. We gained exposure to global growth trends through developed world multinational companies, many based in Europe and trading at significant discounts because of their domicile in mature markets. Valuations were less compelling to us in emerging markets, and our cautious underweighting was rewarded as developing market stocks experienced their worst sell-off in years. However, valuations became more interesting to us and we continued to monitor emerging markets for opportunities amid ongoing volatility.

Our investment philosophy recognizes that finding opportunities in a fast-changing and unpredictable world requires discipline, patience and a contrarian perspective. As Sir John Templeton wrote, "There is only one reason a share goes to a bargain price — because other people are selling. There is no other reason. To get a bargain price, you have got to look for where the public is most frightened and pessimistic." Stock markets recovered strongly in recent years, although considerable fear and pessimism remained, as reflected in global stock valuations that ended the period nearly one standard deviation below their long-term, cyclically adjusted average. Within this

**Top 10 Countries** Based on Equity Securities 8/31/13

	% of Total Net Assets
U.S.	32.5%
U.K.	12.8%
France	11.4%
Netherlands	5.5%
Switzerland	5.3%
Germany	5.0%
South Korea	3.6%
Italy	3.4%
Japan	3.2%
Singapore	2.5%

relatively cheap investment universe, we believe the Fund stands out as a compelling source of value. The Fund traded at a considerable discount to the MSCI World Index on all major valuation metrics and, in a low interest rate environment, offered a respectable 2.5% dividend yield. Considerable uncertainty remained and future volatility may be expected, but we believe the Fund is attractively positioned for long-term capital preservation and appreciation if investors refocus on value and fundamentals over time.

Thank you for your continued participation in Templeton Growth Fund. We look forward to serving your future investment needs.



Norman J. Boersma, CFA



Lisa F. Myers, J.D., CFA



Tuchen Aut

Tucker Scott, CFA

James Harper, CFA

Portfolio Management Team Templeton Growth Fund, Inc.

The foregoing information reflects our analysis, opinions and portfolio holdings as of August 31, 2013, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

# Performance Summary as of 8/31/13

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table and graphs do not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

### **Price and Distribution Information**

Class A (Symbol: TEPLX)		Change	8/31/13	8/31/12
Net Asset Value (NAV)		+\$4.09	\$22.13	\$18.04
Distributions (9/1/12-8/31/13)				
Dividend Income	\$0.3647			
Class C (Symbol: TEGTX)		Change	8/31/13	8/31/12
Net Asset Value (NAV)		+\$3.97	\$21.53	\$17.56
Distributions (9/1/12-8/31/13)				
Dividend Income	\$0.2236			
Class R (Symbol: TEGRX)		Change	8/31/13	8/31/12
Net Asset Value (NAV)		+\$4.05	\$21.91	\$17.86
Distributions (9/1/12-8/31/13)				
Dividend Income	\$0.3167			
Class R6 (Symbol: FTGFX)		Change	8/31/13	5/1/13
Net Asset Value (NAV)		+\$0.82	\$22.16	\$21.34
Advisor Class (Symbol: TGADX)		Change	8/31/13	8/31/12
Net Asset Value (NAV)		+\$4.09	\$22.15	\$18.06
Distributions (9/1/12-8/31/13)				
Dividend Income	\$0.4113			

### **Performance**

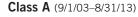
Cumulative total return excludes sales charges. Aggregate and average annual total returns and value of \$10,000 investment include maximum sales charges. Class A: 5.75% maximum initial sales charge; Class C: 1% contingent deferred sales charge in first year only; Class R/R6/Advisor Class: no sales charges.

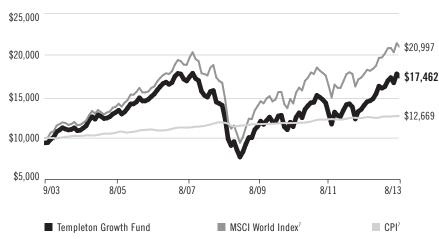
Cumulative Total Return¹         +25.00%         +25.15%         +85.26%           Average Annual Total Return²         +17.82%         +3.36%         +5.73%           Value of \$10,000 Investment³         \$11,782         \$11,795         \$17,462           Avg. Ann. Total Return (9/30/13)⁴         +20.71%         +7.10%         +6.27%           Total Annual Operating Expenses⁵         1.11%         ***         ***           Class C         1-Year         5-Year         10-Year           Cumulative Total Return¹         +24.07%         +20.62%         +71.99%           Average Annual Total Return²         +23.07%         +3.82%         +5.57%           Value of \$10,000 Investment³         \$12,307         \$12,062         \$17,199           Average Annual Total Return (9/30/13)⁴         +26.10%         +7.57%         +6.11%           Total Annual Operating Expenses⁵         1.86%         ***         10-Year           Cumulative Total Return¹         +24.72%         +23.64%         +80.79%           Average Annual Total Return²         +24.72%         +4.34%         +6.10%           Value of \$10,000 Investment³         \$12,472         \$12,364         \$18,079           Average Annual Total Return¹         +27.67%         +8.12%         +6.64%	Class A		1-Year	5-Year	10-Year
Value of \$10,000 Investment3         \$11,782         \$11,795         \$17,462           Avg. Ann. Total Return (9/30/13) <sup>4</sup> +20.71%         +7.10%         +6.27%           Total Annual Operating Expenses <sup>5</sup> 1.11%	Cumulative Total Return <sup>1</sup>		+25.00%	+25.15%	+85.26%
Avg. Ann. Total Return (9/30/13) <sup>a</sup> +20.71%         +7.10%         +6.27%           Total Annual Operating Expenses <sup>5</sup> 1.11%         5-Year         10-Year           Class C         1-Year         5-Year         10-Year           Cumulative Total Return <sup>1</sup> +24.07%         +20.62%         +71.99%           Average Annual Total Return <sup>2</sup> +23.07%         +3.82%         +5.57%           Value of \$10,000 Investment <sup>3</sup> \$12,307         \$12,062         \$17,199           Avg. Ann. Total Return (9/30/13) <sup>a</sup> +26.10%         +7.57%         +6.11%           Total Annual Operating Expenses <sup>5</sup> 1.86%           Class R         1-Year         5-Year         10-Year           Cumulative Total Return <sup>1</sup> +24.72%         +23.64%         +80.79%           Average Annual Total Return <sup>2</sup> +24.72%         +4.34%         +6.10%           Value of \$10,000 Investment <sup>3</sup> \$12,472         \$12,364         \$18,079           Avg. Ann. Total Return (9/30/13) <sup>a</sup> +27.67%         +8.12%         +6.64%           Class R6         Inception (5/1/13)           Cumulative Total Return <sup>6</sup> +3.84%           Value of \$10,000 Investment <sup>3</sup> \$10,384           Aggregate Total R	Average Annual Total Return <sup>2</sup>		+17.82%	+3.36%	+5.73%
Total Annual Operating Expenses⁵         1.11%           Class C         1-Year         5-Year         10-Year           Cumulative Total Return¹         +24.07%         +20.62%         +71.99%           Average Annual Total Return²         +23.07%         +3.82%         +5.57%           Value of \$10,000 Investment³         \$12,307         \$12,062         \$17,199           Avg. Ann. Total Return (9/30/13)⁴         +26.10%         +7.57%         +6.11%           Total Annual Operating Expenses⁵         1.86%         ***         ***         ***           Class R         1-Year         5-Year         10-Year         ***           Cumulative Total Return¹         +24.72%         +23.64%         +80.79%           Average Annual Total Return²         +24.72%         +4.34%         +6.10%           Value of \$10,000 Investment³         \$12,472         \$12,364         \$18,079           Avg. Ann. Total Return (9/30/13)⁴         +27.67%         +8.12%         +6.64%           Total Annual Operating Expenses⁵         1.36%         ***         ***           Class R6         Inception (5/1/13)         ***         ***           Cumulative Total Return¹         ***         ***         ***         ***           Aggr	Value of \$10,000 Investment <sup>3</sup>		\$11,782	\$11,795	\$17,462
Class C	Avg. Ann. Total Return (9/30/13) <sup>4</sup>		+20.71%	+7.10%	+6.27%
Cumulative Total Return¹         +24.07%         +20.62%         +71.99%           Average Annual Total Return²         +23.07%         +3.82%         +5.57%           Value of \$10,000 Investment³         \$12,307         \$12,062         \$17,199           Avg. Ann. Total Return (9/30/13)⁴         +26.10%         +7.57%         +6.11%           Total Annual Operating Expenses⁵         1.86%           Class R         1-Year         5-Year         10-Year           Cumulative Total Return¹         +24.72%         +23.64%         +80.79%           Average Annual Total Return²         +24.72%         +4.34%         +6.10%           Value of \$10,000 Investment³         \$12,472         \$12,364         \$18,079           Avg. Ann. Total Return (9/30/13)⁴         +27.67%         +8.12%         +6.64%           Total Annual Operating Expenses⁵         1.36%         Inception (5/1/13)           Cumulative Total Return¹         +3.84%         48           Aggregate Total Return (9/30/13)⁴, 6         +9.65%         +9.65%           Total Annual Operating Expenses⁵         0.74%         +9.65%           Advisor Class         1-Year         5-Year         10-Year           Cumulative Total Return¹         +25.28%         +26.71%         +89.93%	Total Annual Operating Expenses <sup>5</sup>	1.11%			
Average Annual Total Return2	Class C		1-Year	5-Year	10-Year
Value of \$10,000 Investment³         \$12,307         \$12,062         \$17,199           Avg. Ann. Total Return (9/30/13)⁴         +26.10%         +7.57%         +6.11%           Total Annual Operating Expenses⁵         1.86%           Class R         1-Year         5-Year         10-Year           Cumulative Total Return¹         +24.72%         +23.64%         +80.79%           Average Annual Total Return²         +24.72%         +4.34%         +6.10%           Value of \$10,000 Investment³         \$12,472         \$12,364         \$18,079           Avg. Ann. Total Return (9/30/13)⁴         +27.67%         +8.12%         +6.64%           Total Annual Operating Expenses⁵         1.36%           Cumulative Total Return¹         +3.84%           Aggregate Total Return (9/30/13)⁴.6         +3.84%           Aggregate Total Return (9/30/13)⁴.6         +9.65%           Total Annual Operating Expenses⁵         0.74%           Advisor Class         1-Year         5-Year         10-Year           Cumulative Total Return¹         +25.28%         +26.71%         +89.93%           Average Annual Total Return²         +25.28%         +4.85%         +6.63%           Value of \$10,000 Investment³         <	Cumulative Total Return <sup>1</sup>		+24.07%	+20.62%	+71.99%
Avg. Ann. Total Return (9/30/13) <sup>4</sup> +26.10%         +7.57%         +6.11%           Total Annual Operating Expenses <sup>5</sup> 1.86%           Class R         1-Year         5-Year         10-Year           Cumulative Total Return <sup>1</sup> +24.72%         +23.64%         +80.79%           Average Annual Total Return <sup>2</sup> +24.72%         +4.34%         +6.10%           Value of \$10,000 Investment <sup>3</sup> \$12,472         \$12,364         \$18,079           Avg. Ann. Total Return (9/30/13) <sup>4</sup> +27.67%         +8.12%         +6.64%           Total Annual Operating Expenses <sup>5</sup> 1.36%         Inception (5/1/13)           Class R6         Inception (5/1/13)         Cumulative Total Return <sup>1</sup> +3.84%           Aggregate Total Return <sup>6</sup> +3.84%         48.4%         48.4%           Value of \$10,000 Investment <sup>3</sup> \$10,384         49.65%         49.65%           Advisor Class         1-Year         5-Year         10-Year           Cumulative Total Return <sup>1</sup> +25.28%         +26.71%         +89.93%           Average Annual Total Return <sup>2</sup> +25.28%         +4.85%         +6.63%           Value of \$10,000 Investment <sup>3</sup> \$12,528         \$12,671         \$18,993           Avg. Ann	Average Annual Total Return <sup>2</sup>		+23.07%	+3.82%	+5.57%
Total Annual Operating Expenses <sup>5</sup> 1.86%           Class R         1-Year         5-Year         10-Year           Cumulative Total Return <sup>1</sup> +24.72%         +23.64%         +80.79%           Average Annual Total Return <sup>2</sup> +24.72%         +4.34%         +6.10%           Value of \$10,000 Investment <sup>3</sup> \$12,472         \$12,364         \$18,079           Avg. Ann. Total Return (9/30/13) <sup>4</sup> +27.67%         +8.12%         +6.64%           Total Annual Operating Expenses <sup>5</sup> 1.36%         Inception (5/1/13)           Cumulative Total Return <sup>1</sup> +3.84%         +3.84%           Aggregate Total Return <sup>6</sup> +3.84%         +3.84%           Value of \$10,000 Investment <sup>3</sup> \$10,384         +9.65%           Total Annual Operating Expenses <sup>5</sup> 0.74%         +9.65%           Advisor Class         1-Year         5-Year         10-Year           Cumulative Total Return <sup>1</sup> +25.28%         +26.71%         +89.93%           Average Annual Total Return <sup>2</sup> +25.28%         +4.85%         +6.63%           Value of \$10,000 Investment <sup>3</sup> \$12,528         \$12,671         \$18,993           Avg. Ann. Total Return (9/30/13) <sup>4</sup> +28.31%         +8.66%         +7.17%     <	Value of \$10,000 Investment <sup>3</sup>		\$12,307	\$12,062	\$17,199
Class R         1-Year         5-Year         10-Year           Cumulative Total Return¹         +24.72%         +23.64%         +80.79%           Average Annual Total Return²         +24.72%         +4.34%         +6.10%           Value of \$10,000 Investment³         \$12,472         \$12,364         \$18,079           Avg. Ann. Total Return (9/30/13)⁴         +27.67%         +8.12%         +6.64%           Total Annual Operating Expenses⁵         1.36%         Inception (5/1/13)           Cumulative Total Return¹         +3.84%         48.12%         +6.44%           Aggregate Total Return6         +3.84%         +3.84%         +3.84%           Value of \$10,000 Investment³         \$10,384         +9.65%         +9.65%           Total Annual Operating Expenses⁵         0.74%         +9.65%         +9.65%           Advisor Class         1-Year         5-Year         10-Year           Cumulative Total Return¹         +25.28%         +26.71%         +89.93%           Average Annual Total Return²         +25.28%         +4.85%         +6.63%           Value of \$10,000 Investment³         \$12,528         \$12,671         \$18,993           Avg. Ann. Total Return (9/30/13)⁴         +28.31%         +8.66%         +7.17%	Avg. Ann. Total Return (9/30/13) <sup>4</sup>		+26.10%	+7.57%	+6.11%
Cumulative Total Return¹         +24.72%         +23.64%         +80.79%           Average Annual Total Return²         +24.72%         +4.34%         +6.10%           Value of \$10,000 Investment³         \$12,472         \$12,364         \$18,079           Avg. Ann. Total Return (9/30/13)⁴         +27.67%         +8.12%         +6.64%           Total Annual Operating Expenses⁵         1.36%           Cumulative Total Return¹         +3.84%           Aggregate Total Return6         +3.84%           Value of \$10,000 Investment³         \$10,384           Aggregate Total Return (9/30/13)⁴, 6         +9.65%           Total Annual Operating Expenses⁵         0.74%           Advisor Class         1-Year         5-Year         10-Year           Cumulative Total Return¹         +25.28%         +26.71%         +89.93%           Average Annual Total Return²         +25.28%         +4.85%         +6.63%           Value of \$10,000 Investment³         \$12,528         \$12,671         \$18,993           Avg. Ann. Total Return (9/30/13)⁴         +28.31%         +8.66%         +7.17%	Total Annual Operating Expenses <sup>5</sup>	1.86%			
Average Annual Total Return <sup>2</sup> +24.72% +4.34% +6.10% Value of \$10,000 Investment <sup>3</sup> \$12,472 \$12,364 \$18,079 Avg. Ann. Total Return (9/30/13) <sup>4</sup> +27.67% +8.12% +6.64%  Total Annual Operating Expenses <sup>5</sup> 1.36%  Class R6 Inception (5/1/13)  Cumulative Total Return <sup>1</sup> +3.84%  Aggregate Total Return <sup>6</sup> +3.84%  Value of \$10,000 Investment <sup>3</sup> \$10,384  Aggregate Total Return (9/30/13) <sup>4,6</sup> +9.65%  Total Annual Operating Expenses <sup>5</sup> 0.74%  Advisor Class O.74%  Advisor Class 1-Year 5-Year 10-Year  Cumulative Total Return <sup>2</sup> +25.28% +26.71% +89.93%  Average Annual Total Return <sup>2</sup> +25.28% +4.85% +6.63%  Value of \$10,000 Investment <sup>3</sup> \$12,528 \$12,671 \$18,993  Avg. Ann. Total Return (9/30/13) <sup>4</sup> +28.31% +8.66% +7.17%	Class R		1-Year	5-Year	10-Year
Value of \$10,000 Investment3         \$12,472         \$12,364         \$18,079           Avg. Ann. Total Return (9/30/13)4         +27.67%         +8.12%         +6.64%           Total Annual Operating Expenses5         1.36%           Class R6         Inception (5/1/13)           Cumulative Total Return1         +3.84%           Aggregate Total Return6         +3.84%           Value of \$10,000 Investment3         \$10,384           Aggregate Total Return (9/30/13)4,6         +9.65%           Total Annual Operating Expenses5         0.74%           Advisor Class         1-Year         5-Year         10-Year           Cumulative Total Return1         +25.28%         +26.71%         +89.93%           Average Annual Total Return2         +25.28%         +4.85%         +6.63%           Value of \$10,000 Investment3         \$12,528         \$12,671         \$18,993           Avg. Ann. Total Return (9/30/13)4         +28.31%         +8.66%         +7.17%	Cumulative Total Return <sup>1</sup>		+24.72%	+23.64%	+80.79%
Avg. Ann. Total Return (9/30/13) <sup>4</sup> +27.67%       +8.12%       +6.64%         Total Annual Operating Expenses <sup>5</sup> 1.36%       Inception (5/1/13)         Class R6       Inception (5/1/13)         Cumulative Total Return <sup>1</sup> +3.84%         Aggregate Total Return <sup>6</sup> +3.84%         Value of \$10,000 Investment <sup>3</sup> \$10,384         Aggregate Total Return (9/30/13) <sup>4,6</sup> +9.65%         Total Annual Operating Expenses <sup>5</sup> 0.74%         Advisor Class       1-Year       5-Year       10-Year         Cumulative Total Return <sup>1</sup> +25.28%       +26.71%       +89.93%         Average Annual Total Return <sup>2</sup> +25.28%       +4.85%       +6.63%         Value of \$10,000 Investment <sup>3</sup> \$12,528       \$12,671       \$18,993         Avg. Ann. Total Return (9/30/13) <sup>4</sup> +28.31%       +8.66%       +7.17%	Average Annual Total Return <sup>2</sup>		+24.72%	+4.34%	+6.10%
Total Annual Operating Expenses <sup>5</sup> 1.36%         Class R6       Inception (5/1/13)         Cumulative Total Return <sup>1</sup> +3.84%         Aggregate Total Return <sup>6</sup> +3.84%         Value of \$10,000 Investment <sup>3</sup> \$10,384         Aggregate Total Return (9/30/13) <sup>4,6</sup> +9.65%         Total Annual Operating Expenses <sup>5</sup> 0.74%         Advisor Class       1-Year       5-Year       10-Year         Cumulative Total Return <sup>1</sup> +25.28%       +26.71%       +89.93%         Average Annual Total Return <sup>2</sup> +25.28%       +4.85%       +6.63%         Value of \$10,000 Investment <sup>3</sup> \$12,528       \$12,671       \$18,993         Avg. Ann. Total Return (9/30/13) <sup>4</sup> +28.31%       +8.66%       +7.17%	Value of \$10,000 Investment <sup>3</sup>		\$12,472	\$12,364	\$18,079
Class R6         Inception (5/1/13)           Cumulative Total Return¹         +3.84%           Aggregate Total Return6         +3.84%           Value of \$10,000 Investment3         \$10,384           Aggregate Total Return (9/30/13)⁴, 6         +9.65%           Total Annual Operating Expenses5         0.74%           Advisor Class         1-Year         5-Year         10-Year           Cumulative Total Return¹         +25.28%         +26.71%         +89.93%           Average Annual Total Return²         +25.28%         +4.85%         +6.63%           Value of \$10,000 Investment³         \$12,528         \$12,671         \$18,993           Avg. Ann. Total Return (9/30/13)⁴         +28.31%         +8.66%         +7.17%	Avg. Ann. Total Return (9/30/13) <sup>4</sup>		+27.67%	+8.12%	+6.64%
Cumulative Total Return¹       +3.84%         Aggregate Total Return6       +3.84%         Value of \$10,000 Investment³       \$10,384         Aggregate Total Return (9/30/13)⁴, 6       +9.65%         Total Annual Operating Expenses⁵       0.74%         Advisor Class       1-Year       5-Year       10-Year         Cumulative Total Return¹       +25.28%       +26.71%       +89.93%         Average Annual Total Return²       +25.28%       +4.85%       +6.63%         Value of \$10,000 Investment³       \$12,528       \$12,671       \$18,993         Avg. Ann. Total Return (9/30/13)⁴       +28.31%       +8.66%       +7.17%	Total Annual Operating Expenses <sup>5</sup>	1.36%			
Aggregate Total Return6       +3.84%         Value of \$10,000 Investment3       \$10,384         Aggregate Total Return (9/30/13)4,6       +9.65%         Total Annual Operating Expenses5       0.74%         Advisor Class       1-Year       5-Year       10-Year         Cumulative Total Return1       +25.28%       +26.71%       +89.93%         Average Annual Total Return2       +25.28%       +4.85%       +6.63%         Value of \$10,000 Investment3       \$12,528       \$12,671       \$18,993         Avg. Ann. Total Return (9/30/13)4       +28.31%       +8.66%       +7.17%	Class R6			Inc	ception (5/1/13)
Value of \$10,000 Investment3       \$10,384         Aggregate Total Return (9/30/13)4,6       +9.65%         Total Annual Operating Expenses5       0.74%         Advisor Class       1-Year       5-Year       10-Year         Cumulative Total Return1       +25.28%       +26.71%       +89.93%         Average Annual Total Return2       +25.28%       +4.85%       +6.63%         Value of \$10,000 Investment3       \$12,528       \$12,671       \$18,993         Avg. Ann. Total Return (9/30/13)4       +28.31%       +8.66%       +7.17%	Cumulative Total Return <sup>1</sup>				+3.84%
Aggregate Total Return (9/30/13) <sup>4, 6</sup> +9.65%         Total Annual Operating Expenses <sup>5</sup> 0.74%       5-Year       10-Year         Advisor Class       1-Year       5-Year       10-Year         Cumulative Total Return <sup>1</sup> +25.28%       +26.71%       +89.93%         Average Annual Total Return <sup>2</sup> +25.28%       +4.85%       +6.63%         Value of \$10,000 Investment <sup>3</sup> \$12,528       \$12,671       \$18,993         Avg. Ann. Total Return (9/30/13) <sup>4</sup> +28.31%       +8.66%       +7.17%	Aggregate Total Return <sup>6</sup>				+3.84%
Total Annual Operating Expenses <sup>5</sup> 0.74%         Advisor Class       1-Year       5-Year       10-Year         Cumulative Total Return¹       +25.28%       +26.71%       +89.93%         Average Annual Total Return²       +25.28%       +4.85%       +6.63%         Value of \$10,000 Investment³       \$12,528       \$12,671       \$18,993         Avg. Ann. Total Return (9/30/13)⁴       +28.31%       +8.66%       +7.17%	Value of \$10,000 Investment <sup>3</sup>				\$10,384
Advisor Class         1-Year         5-Year         10-Year           Cumulative Total Return¹         +25.28%         +26.71%         +89.93%           Average Annual Total Return²         +25.28%         +4.85%         +6.63%           Value of \$10,000 Investment³         \$12,528         \$12,671         \$18,993           Avg. Ann. Total Return (9/30/13)⁴         +28.31%         +8.66%         +7.17%	Aggregate Total Return (9/30/13)4,6				+9.65%
Cumulative Total Return¹         +25.28%         +26.71%         +89.93%           Average Annual Total Return²         +25.28%         +4.85%         +6.63%           Value of \$10,000 Investment³         \$12,528         \$12,671         \$18,993           Avg. Ann. Total Return (9/30/13)⁴         +28.31%         +8.66%         +7.17%	Total Annual Operating Expenses <sup>5</sup>	0.74%			
Average Annual Total Return²       +25.28%       +4.85%       +6.63%         Value of \$10,000 Investment³       \$12,528       \$12,671       \$18,993         Avg. Ann. Total Return (9/30/13)⁴       +28.31%       +8.66%       +7.17%	Advisor Class		1-Year	5-Year	10-Year
Value of \$10,000 Investment³       \$12,528       \$12,671       \$18,993         Avg. Ann. Total Return (9/30/13)⁴       +28.31%       +8.66%       +7.17%	Cumulative Total Return <sup>1</sup>		+25.28%	+26.71%	+89.93%
Avg. Ann. Total Return (9/30/13) <sup>4</sup> +28.31% +8.66% +7.17%	Average Annual Total Return <sup>2</sup>		+25.28%	+4.85%	+6.63%
	Value of \$10,000 Investment <sup>3</sup>		\$12,528	\$12,671	\$18,993
Total Annual Operating Expenses <sup>5</sup> 0.86%	Avg. Ann. Total Return (9/30/13) <sup>4</sup>		+28.31%	+8.66%	+7.17%
	Total Annual Operating Expenses <sup>5</sup>	0.86%			

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintempleton.com or call (800) 342-5236.

### Total Return Index Comparison for a Hypothetical \$10,000 Investment

Total return represents the change in value of an investment over the periods shown. It includes any current, applicable, maximum sales charge, Fund expenses, account fees and reinvested distributions. The unmanaged index includes reinvestment of any income or distributions. It differs from the Fund in composition and does not pay management fees or expenses. One cannot invest directly in an index.

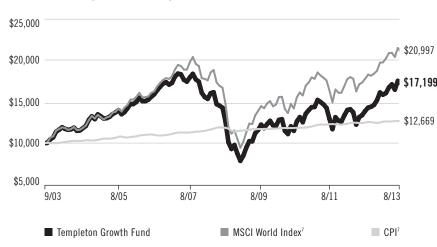




### Average Annual Total Return

Class A	8/31/13
1-Year	+17.82%
5-Year	+3.36%
10-Year	+5.73%

### Class C (9/1/03-8/31/13)



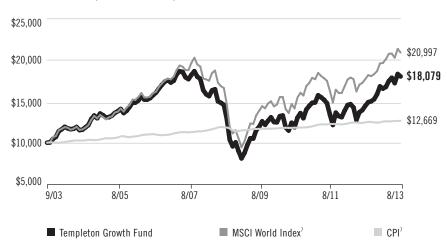
### Average Annual Total Return

Class C	8/31/13
1-Year	+23.07%
5-Year	+3.82%
10-Year	+5.57%

### **Average Annual Total Return**

Class R	8/31/13
1-Year	+24.72%
5-Year	+4.34%
10-Year	+6.10%

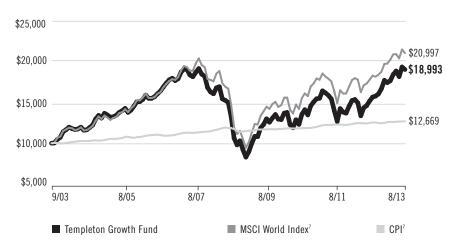
### Class R (9/1/03-8/31/13)



### **Average Annual Total Return**

Advisor Class	8/31/13
1-Year	+25.28%
5-Year	+4.85%
10-Year	+6.63%

### Advisor Class (9/1/03-8/31/13)



#### **Endnotes**

All investments involve risks, including possible loss of principal. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments; investments in emerging markets involve heightened risks related to the same factors. To the extent the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, it may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments. Current political uncertainty surrounding the European Union (EU) and its membership may increase market volatility. The financial instability of some countries in the EU, including Greece, Italy and Spain, together with the risk of that impacting other more stable countries, may increase the economic risk of investing in companies in Europe. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class C: Prior to 1/1/04, these shares were offered with an initial sales charge; thus actual total returns would have differed. These shares

have higher annual fees and expenses than Class A shares.

Class R: Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and

expenses than Class A shares.

Class R6: Shares are available to certain eligible investors as described in the prospectus.

Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

1. Cumulative total return represents the change in value of an investment over the periods indicated.

2. Average annual total return represents the average annual change in value of an investment over the periods indicated.

- 3. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
- 4. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
- 5. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 6. Aggregate total return represents the change in value of an investment for the period indicated. Since Class R6 shares have existed for less than one year, average annual total return is not available.
- 7. Source: © 2013 Morningstar. The MSCI World Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets. The Consumer Price Index (CPI), calculated by the Bureau of Labor Statistics, is a commonly used measure of the inflation rate.

## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

### **Actual Fund Expenses**

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. Of course, your account value and expenses will differ from those in this illustration:

- 1. Divide your account value by \$1,000. If an account had an \$8,600 value, then  $$8,600 \div $1,000 = 8.6$ .
- 2. Multiply the result by the number under the heading "Expenses Paid During Period." If Expenses Paid During Period were \$7.50, then  $8.6 \times $7.50 = $64.50$ .

In this illustration, the estimated expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

## Your Fund's Expenses (continued)

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

Class A	Beginning Account Value 3/1/13	Ending Account Value 8/31/13	Expenses Paid During Period* 3/1/13–8/31/13
Actual	\$1,000	\$1,090.10	\$5.58
Hypothetical (5% return before expenses)	\$1,000	\$1,019.86	\$5.40
Class C			
Actual	\$1,000	\$1,086.30	\$9.52
Hypothetical (5% return before expenses)	\$1,000	\$1,016.08	\$9.20
Class R			
Actual	\$1,000	\$1,089.00	\$6.90
Hypothetical (5% return before expenses)	\$1,000	\$1,018.60	\$6.67
Class R6			
Actual (5/1/13-8/31/13)	\$1,000	\$1,038.40	\$2.44
Hypothetical (5% return before expenses)	\$1,000	\$1,021.63	\$3.62
Advisor Class			
Actual	\$1,000	\$1,091.70	\$4.27
Hypothetical (5% return before expenses)	\$1,000	\$1,021.12	\$4.13

<sup>\*</sup>Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 1.06%; C: 1.81%; R: 1.31%; R6: 0.71%; and Advisor: 0.81%), multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period for Class R6 Hypothetical expenses and Actual and Hypothetical expenses for Classes A, C, R and Advisor. The multiplier is 123/365 for Actual Class R6 expenses to reflect the number of days since inception.

## **Financial Highlights**

Class A	2013	Y∈ 2012	ar Ended Augus 2011	it 31, 2010	2009
Per share operating performance (for a share outstanding throughout the year)	2013	2012	2011	2010	2003
Net asset value, beginning of year	\$18.04	\$17.05	\$15.28	\$15.55	\$19.82
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup>	0.30	0.35	0.31	0.24	0.27
Net realized and unrealized gains (losses)	4.15	1.01	1.74	(0.25)	(4.00)
Total from investment operations	4.45	1.36	2.05	(0.01)	(3.73)
Less Distributions from Net investment income	(0.36)	(0.37)	(0.28)	(0.26)	(0.54)
Net asset value, end of year	\$22.13	\$18.04	\$17.05	\$15.28	\$15.55
Total return <sup>o</sup>	25.00%	8.17%	13.38%	(0.21)%	(18.20)%
Ratios to average net assets					
Expenses <sup>d</sup>	1.07%	1.11%	1.08%	1.10%e	1.12%e
Net investment income	1.47%	2.03%	1.71%	1.50%	2.01%
Supplemental data					
Net assets, end of year (000's)	\$12,970,707	\$11,582,174	\$11,865,049	\$11,954,334	\$13,259,166
Portfolio turnover rate	12.46%	13.47%	21.60% <sup>f</sup>	9.21%	10.80% <sup>f</sup>

<sup>&</sup>lt;sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

cTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable.

dBenefit of expense reduction rounds to less than 0.01%.

eBenefit of waiver and payment by affiliate rounds to less than 0.01%.

<sup>&</sup>lt;sup>†</sup>Excludes the value of portfolio securities delivered as a result of redemptions in-kind.

	Year Ended August 31,				
Class C	2013	2012	2011	2010	2009
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$17.56	\$16.58	\$14.87	\$15.14	\$19.20
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup>	0.14	0.21	0.17	0.12	0.17
Net realized and unrealized gains (losses)	4.05	0.99	1.69	(0.25)	(3.86)
Total from investment operations	4.19	1.20	1.86	(0.13)	(3.69)
Less Distributions from Net investment income	(0.22)	(0.22)	(0.15)	(0.14)	(0.37)
Net asset value, end of year	\$21.53	\$17.56	\$16.58	\$14.87	\$15.14
Total return <sup>c</sup>	24.07%	7.39%	12.47%	(0.91)%	(18.76)%
Ratios to average net assets					
Expenses <sup>d</sup>	1.82%	1.86%	1.83%	1.85%e	1.86%e
Net investment income	0.72%	1.28%	0.96%	0.75%	1.27%
Supplemental data					
Net assets, end of year (000's)	\$800,312	\$722,614	\$810,279	\$888,857	1,083,587
Portfolio turnover rate	12.46%	13.47%	21.60% <sup>f</sup>	9.21%	10.80% <sup>f</sup>

The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

bBased on average daily shares outstanding.

cTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable.

dBenefit of expense reduction rounds to less than 0.01%.

eBenefit of waiver and payment by affiliate rounds to less than 0.01%.

Excludes the value of portfolio securities delivered as a result of redemptions in-kind.

Class R	2013	Ye 2012	ar Ended Aug 2011	ust 31, 2010	2009
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	\$17.86	\$16.88	\$15.13	\$15.40	\$19.60
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup>	0.25	0.30	0.26	0.20	0.23
Net realized and unrealized gains (losses)	4.12	1.00	1.73	(0.25)	(3.94)
Total from investment operations	4.37	1.30	1.99	(0.05)	(3.71)
Less Distributions from Net investment income	(0.32)	(0.32)	(0.24)	(0.22)	(0.49)
Net asset value, end of year	\$21.91	\$17.86	\$16.88	\$15.13	\$15.40
Total return <sup>c</sup>	24.72%	7.87%	13.08%	(0.44)%	(18.36)%
Ratios to average net assets					
Expenses <sup>d</sup>	1.32%	1.36%	1.33%	1.35%e	1.37%e
Net investment income	1.22%	1.78%	1.46%	1.25%	1.76%
Supplemental data					
Net assets, end of year (000's)	\$146,530	\$136,909	\$150,841	\$163,865	\$187,423
Portfolio turnover rate	12.46%	13.47%	21.60% <sup>f</sup>	9.21%	10.80% <sup>f</sup>

<sup>&</sup>lt;sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

cTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable.

<sup>&</sup>lt;sup>d</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>&</sup>lt;sup>e</sup>Benefit of waiver and payment by affiliate rounds to less than 0.01%.

<sup>&</sup>lt;sup>f</sup>Excludes the value of portfolio securities delivered as a result of redemptions in-kind.

	Period Ended August 31,
Class R6	2013 <sup>a</sup>
Per share operating performance (for a share outstanding throughout the period)	
Net asset value, beginning of period	\$21.34
Income from investment operations <sup>b</sup> :	
Net investment income <sup>c</sup>	0.17
Net realized and unrealized gains (losses)	0.65
Total from investment operations	0.82
Net asset value, end of period	\$22.16
Total return <sup>d</sup>	3.84%
Ratios to average net assets <sup>e</sup>	
Expenses <sup>f</sup>	0.71%
Net investment income	1.83%
Supplemental data	
Net assets, end of period (000's)	\$2,042,413
Portfolio turnover rate	12.46%

<sup>&</sup>lt;sup>a</sup>For the period May 1, 2013 (effective date) to August 31, 2013.

bThe amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

<sup>&</sup>lt;sup>c</sup>Based on average daily shares outstanding.

dTotal return is not annualized for periods less than one year.

eRatios are annualized for periods less than one year.

<sup>&</sup>lt;sup>†</sup>Benefit of expense reduction rounds to less than 0.01%.

	0012		ar Ended August		2222
Advisor Class	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	\$18.06	\$17.07	\$15.30	\$15.56	\$19.87
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup>	0.31	0.38	0.35	0.28	0.31
Net realized and unrealized gains (losses)	4.19	1.02	1.75	(0.25)	(4.03)
Total from investment operations	4.50	1.40	2.10	0.03	(3.72)
Less Distributions from Net investment income	(0.41)	(0.41)	(0.33)	(0.29)	(0.59)
Net asset value, end of year	\$22.15	\$18.06	\$17.07	\$15.30	\$15.56
Total return	25.28%	8.47%	13.65%	0.07%	(18.01)%
Ratios to average net assets					
Expenses <sup>c</sup>	0.82%	0.86%	0.83%	0.85%d	0.87% <sup>d</sup>
Net investment income	1.72%	2.28%	1.96%	1.75%	2.26%
Supplemental data					
Net assets, end of year (000's)	\$425,222	\$2,355,806	\$2,589,977	\$2,851,417	\$3,314,678
Portfolio turnover rate	12.46%	13.47%	21.60%e	9.21%	10.80%e

<sup>&</sup>lt;sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

<sup>&</sup>lt;sup>b</sup>Based on average daily shares outstanding.

 $<sup>^{\</sup>circ}\textsc{Benefit}$  of expense reduction rounds to less than 0.01%.

<sup>&</sup>lt;sup>d</sup>Benefit of waiver and payment by affiliate rounds to less than 0.01%.

eExcludes the value of portfolio securities delivered as a result of redemptions in-kind.

## Statement of Investments, August 31, 2013

	Industry	Shares	Value
Common Stocks 94.5%			
Canada 1.4%			
Talisman Energy Inc	Oil, Gas & Consumable Fuels	22,276,200	\$ 237,891,927
China 0.7%			
China Mobile Ltd	Wireless Telecommunication Services	4,859,500	52,234,157
China Telecom Corp. Ltd., ADR	Diversified Telecommunication Services	735,230	37,165,877
Dongfang Electric Corp. Ltd., H	Electrical Equipment	16,395,140	22,919,324
		, ,	112,319,358
Denmark 0.5%			
FLSmidth & Co. AS	Construction & Engineering	1,421,681	77,535,244
France 11.4%			
Alstom SA	Electrical Equipment	4,975,272	175,094,376
AXA SA	Insurance	8,817,061	192,122,641
BNP Paribas SA	Commercial Banks	4,381,920	274,628,719
Cie Generale des Etablissements	Commorcial Barne	1,001,320	27 1,020,713
Michelin, B	Auto Components	2,419,369	231,497,571
<sup>a</sup> Credit Agricole SA	Commercial Banks	20,328,470	205,422,464
Orange SA	Diversified Telecommunication Services	11,663,102	118,335,429
Sanofi	Pharmaceuticals	2,854,897	274,303,194
Total SA, B	Oil, Gas & Consumable Fuels	5,313,654	294,393,688
Vivendi SA	Diversified Telecommunication Services	5,281,272	107,120,152
			1,872,918,234
Germany 5.0%			
<sup>a</sup> Commerzbank AG	Commercial Banks	5,002,000	58,156,018
<sup>a</sup> Deutsche Lufthansa AG	Airlines	13,317,831	237,735,391
Merck KGaA	Pharmaceuticals	993,692	150,982,468
Metro AG	Food & Staples Retailing	1,283,070	47,113,823
Muenchener Rueckversicherungs- Gesellschaft AG	Insurance	706,419	128,763,386
a Osram Licht AG	Electrical Equipment	159,666	6,392,599
SAP AG	Software	193,410	14,298,468
Siemens AG	Industrial Conglomerates	1,596,669	169,028,111
olemens //a	madstrar congresses	1,050,005	812,470,264
1 1 0 40/			012,470,204
India 0.4%	Commercial Banks	2 400 900	64 910 616
ICICI Bank Ltd., ADR	Commercial Banks	2,490,800	64,810,616
Ireland 1.9%			
CRH PLC	Construction Materials	10,952,328	231,773,364
<sup>a</sup> Elan Corp. PLC, ADR	Biotechnology	5,540,372	84,435,270
			316,208,634
Italy 3.4%			
Eni SpA	Oil, Gas & Consumable Fuels	6,671,477	152,381,233
Intesa Sanpaolo SpA	Commercial Banks	88,575,195	173,861,860
UniCredit SpA	Commercial Banks	40,477,533	228,886,705
			555,129,798

Statement of Investments, August 31, 2013 (continued)

	Industry	Shares	Value
Common Stocks (continued)			
Japan 3.2%			
Konica Minolta Inc	Office Electronics	11,948,500	\$ 98,500,397
<sup>a</sup> Mazda Motor Corp	Automobiles	19,579,000	78,806,797
Nintendo Co. Ltd	Software	737,200	83,534,560
Nissan Motor Co. Ltd	Automobiles	10,280,300	102,347,308
Toyota Motor Corp	Automobiles	2,602,310	157,514,866
			520,703,928
Netherlands 5.5%			
Akzo Nobel NV	Chemicals	2,972,140	174,801,931
Fugro NV, IDR	Energy Equipment & Services	1,792,881	110,185,252
a ING Groep NV, IDR	Diversified Financial Services	26,237,763	284,905,035
Koninklijke Philips NV	Industrial Conglomerates	3,402,481	105,194,172
Randstad Holding NV	Professional Services		
<sup>a</sup> SBM Offshore NV	Energy Equipment & Services	3,471,926 1,285,081	161,287,147 25,249,987
TNT Express NV	Air Freight & Logistics	5,259,338	46,368,459
TIVI Express IVV	All Treight & Logistics	3,239,336	
			907,991,983
Portugal 1.3%			
Galp Energia SGPS SA, B	Oil, Gas & Consumable Fuels	12,900,340	217,153,012
Singapore 2.5%			
DBS Group Holdings Ltd	Commercial Banks	8,010,734	99,204,136
<sup>a</sup> Flextronics International Ltd	Electronic Equipment, Instruments & Components	11,802,010	105,982,050
Singapore Telecommunications			
Ltd	Diversified Telecommunication Services	74,861,000	205,950,629
			411,136,815
South Korea 3.6%			
KB Financial Group Inc	Commercial Banks	4,960,243	159,453,131
POSCO	Metals & Mining	575,778	167,204,003
Samsung Electronics Co. Ltd	Semiconductors & Semiconductor Equipment	209,829	258,471,993
Samsung Electronics Co. Etc	Semiconductors & Semiconductor Equipment	203,023	585,129,127
			363,129,127
Spain 0.9%			
<sup>a</sup> Telefonica SA	Diversified Telecommunication Services	11,196,859	152,070,086
Sweden 1.2%			
Ericsson, B	Communications Equipment	13,222,750	155,511,270
Getinge AB, B	Health Care Equipment & Supplies	1,105,483	38,086,436
			193,597,706
Switzerland 5.3%			· · · · · · · · · · · · · · · · · · ·
Credit Suisse Group AG	Capital Markets	8,543,380	246 274 121
·	Capital Markets Life Sciences Tools & Services	, ,	246,274,131
Lonza Group AG		727,269	51,512,282
Roche Holding AG	Pharmaceuticals Insurance	1,174,578 2,652,800	293,013,278 203,579,020
<sup>a</sup> UBS AG	Capital Markets	3,674,659	71,170,846
- 0D3 AG	Capital Walkets	3,074,039	
			865,549,557
Taiwan 0.2%			
Taiwan Semiconductor Manufacturing			
Co. Ltd	Semiconductors & Semiconductor Equipment	11,862,358	39,813,217

Statement of Investments, August 31, 2013 (continued)

	Industry	Shares	Value
Common Stocks (continued)			
Turkey 0.8%			
<sup>a</sup> Turkcell Iletisim Hizmetleri			
AS, ADR	Wireless Telecommunication Services	9,901,490	\$ 130,303,609
United Kingdom 12.8%			
Aviva PLC	Insurance	34,151,672	204,713,264
BAE Systems PLC	Aerospace & Defense	14,860,062	100,199,022
BP PLC	Oil, Gas & Consumable Fuels	22,801,450	157,660,433
Carillion PLC	Construction & Engineering	4,353,240	19,313,536
GlaxoSmithKline PLC	Pharmaceuticals	11,634,464	296,675,695
HSBC Holdings PLC	Commercial Banks	16,441,340	173,863,518
<sup>a</sup> International Consolidated Airlines			
Group SA	Airlines	62,163,377	275,986,040
Kingfisher PLC	Specialty Retail	42,803,649	255,513,815
Royal Dutch Shell PLC, B	Oil, Gas & Consumable Fuels	5,497,253	185,101,185
Tesco PLC	Food & Staples Retailing	30,180,518	171,483,698
Vodafone Group PLC	Wireless Telecommunication Services	80,545,951	257,509,941
			2,098,020,147
United States 32.5%			
<sup>a</sup> American International Group Inc	Insurance	1,803,580	83,794,327
Amgen Inc	Biotechnology	2,532,110	275,848,063
Baker Hughes Inc.	Energy Equipment & Services	5,298,854	246,343,722
<sup>a,b</sup> Brocade Communications Systems	. 25 1. 1	-,,	- / /
Inc	Communications Equipment	23,407,480	173,215,352
Chevron Corp	Oil, Gas & Consumable Fuels	1,528,510	184,078,459
Cisco Systems Inc	Communications Equipment	11,340,960	264,357,778
Citigroup Inc	Diversified Financial Services	5,927,580	286,479,941
Comcast Corp., Special A	Media	4,099,110	166,997,741
CVS Caremark Corp	Food & Staples Retailing	2,510,650	145,743,233
FedEx Corp	Air Freight & Logistics	1,181,900	126,888,784
<sup>a</sup> Forest Laboratories Inc	Pharmaceuticals	2,255,560	95,928,967
Halliburton Co	Energy Equipment & Services	3,312,939	159,021,072
Hewlett-Packard Co	Computers & Peripherals	8,504,900	189,999,466
JPMorgan Chase & Co	Diversified Financial Services	3,542,510	179,003,030
Medtronic Inc	Health Care Equipment & Supplies	4,272,880	221,121,540
Merck & Co. Inc	Pharmaceuticals	5,009,330	236,891,216
Microsoft Corp	Software	9,269,500	309,601,300
Morgan Stanley	Capital Markets	8,460,730	217,948,405
<sup>a,b</sup> Navistar International Corp	Machinery	5,754,190	197,196,091
a News Corp., A	Media	850,072	13,346,130
<sup>a</sup> Noble Corp	Energy Equipment & Services	3,912,860	145,558,392
Oracle Corp	Software	1,003,380	31,967,687
Pfizer Inc	Pharmaceuticals	11,563,200	326,197,872
<sup>a</sup> Sprint Corp	Wireless Telecommunication Services	8,242,644	55,308,141
SunTrust Banks Inc.	Commercial Banks	4,098,280	131,226,926
Target Corp	Multiline Retail	1,822,100	115,357,151
TE Connectivity Ltd	Electronic Equipment, Instruments & Components	2,524,290	123,690,210
Time Warner Cable Inc	Media	1,077,036	115,619,815
Time Warner Inc.	Media	646,990	39,162,305
Twenty-First Century Fox Inc	Media	3,400,290	106,531,086

Statement of Investments, August 31, 2013 (continued)

	Industry	Shares	Value
Common Stocks (continued) United States (continued) United Parcel Service Inc., B			\$ 184,369,273
The Walt Disney Co	Air Freight & Logistics Media	2,154,350 2,778,316	\$ 184,369,273 169,004,962 5,317,798,437
Total Common Stocks (Cost \$13,806,400,564)			15,488,551,699
Preferred Stocks 1.3% Brazil 1.3%	Oil Occ & Occasionable Fools	11 575 457	105.000.017
Petroleo Brasileiro SA, ADR, pfd Vale SA, ADR, pfd., A	Oil, Gas & Consumable Fuels Metals & Mining	11,575,457 3,546,070	165,066,017 46,027,988
Total Preferred Stocks (Cost \$275,691,903)			211,094,005
Non-Registered Mutual Funds (Cost \$83,985,500) 0.6% China 0.6% a.b.c.dTempleton China Opportunities Fund,			
Ltd., Reg D	Diversified Financial Services	8,404,428	92,112,533
Total Investments before Short Term Investments (Cost \$14,166,077,967)			15,791,758,237
		Principal Amount	
Short Term Investments 3.0% Time Deposits 3.0% Canada 2.5% Bank of Montreal, 0.04%,			
9/03/13		\$200,000,000	200,000,000
9/03/13		200,000,000	200,000,000
United States 0.5% Scotia Capital Markets, 0.01%,			400,000,000
9/03/13		88,000,000	88,000,000
Total Time Deposits (Cost \$488,000,000)			488,000,000
Total Investments (Cost \$14,654,077,967) 99.4%			16,279,758,237
Other Assets, less Liabilities 0.6%			105,424,718
Net Assets 100.0%			\$16,385,182,955

See Abbreviations on page 43.

<sup>&</sup>lt;sup>a</sup>Non-income producing.

bSee Note 9 regarding holdings of 5% voting securities.

 $<sup>{}^{\</sup>text{c}}\text{See}$  Note 1 (c) regarding investment in Templeton China Opportunities Fund, Ltd.

dSee Note 8 regarding restricted securities.

### **Financial Statements**

### Statement of Assets and Liabilities

August 31, 2013

Assets: Investments in securities:	
Cost - Unaffiliated issuers	\$14,265,026,293
Cost - Controlled affiliated issuers (Note 9)	83,985,500
Cost - Non-controlled affiliated issuers (Note 9)	305,066,174
Total cost of investments	\$14,654,077,967
Value - Unaffiliated issuers	\$15,817,234,261
Value - Controlled affiliated issuers (Note 9)	92,112,533
Value - Non-controlled affiliated issuers (Note 9)	370,411,443
Total value of investments	16,279,758,237
Cash	100,494,797
Foreign currency, at value (cost \$10,159,797)	10,151,486
Receivables:	
Investment securities sold	19,405,028
Capital shares sold	12,357,464
Dividends and interest	35,668,339
Other assets	2,983
Total assets	16,457,838,334
Liabilities:	
Payables:	
Investment securities purchased	40,794,056
Capital shares redeemed	12,780,177
Management fees	8,542,779
Administrative fees	1,125,847
Distribution fees	3,604,604
Transfer agent fees	4,444,816
Accrued expenses and other liabilities	1,363,100
Total liabilities	72,655,379
Net assets, at value	\$16,385,182,955
Net assets consist of:	
Paid-in capital	\$16,864,449,938
Undistributed net investment income	169,691,105
Net unrealized appreciation (depreciation)	1,625,675,126
Accumulated net realized gain (loss)	(2,274,633,214)
Net assets, at value	\$16,385,182,955

### **Financial Statements** (continued)

### Statement of Assets and Liabilities (continued)

August 31, 2013

Class A:	
Net assets, at value	\$12,970,707,027
Shares outstanding	586,080,310
Net asset value per share <sup>a</sup>	\$22.13
Maximum offering price per share (net asset value per share ÷ 94.25%)	\$23.48
Class C:	
Net assets, at value	\$ 800,312,127
Shares outstanding	37,175,739
Net asset value and maximum offering price per share <sup>a</sup>	\$21.53
Class R:	
Net assets, at value	\$ 146,529,602
Shares outstanding	6,688,636
Net asset value and maximum offering price per share	\$21.91
Class R6	
Net assets, at value	\$ 2,042,412,602
Shares outstanding	92,155,581
Net asset value and maximum offering price per share	\$22.16
Advisor Class:	
Net assets, at value	\$ 425,221,597
Shares outstanding	19,194,126
Net asset value and maximum offering price per share	\$22.15

<sup>&</sup>lt;sup>a</sup>Redemption price is equal to net asset value less contingent deferred sales charges, if applicable.

### Financial Statements (continued)

### **Statement of Operations**

for the year ended August 31, 2013

Investment income:	
Dividends (net of foreign taxes of \$26,321,515)	\$ 404,426,745
Interest	246,537
Income from securities loaned	66,447
Total investment income	404,739,729
Expenses:	
Management fees (Note 3a)	95,037,698
Administrative fees (Note 3b)	12,513,591
Distribution fees: (Note 3c)	, ,
Class A	31,340,955
Class B	60,965
Class C	7,734,769
Class R	722,327
Transfer agent fees: (Note 3e)	
Class A	13,428,761
Class B	6,850
Class C	828,539
Class R	154,858
Class R6	45
Advisor Class	1,927,043
Special servicing agreement fees (Note 10)	1,601,892 1,499,429
Reports to shareholders	1,134,029
Registration and filing fees	183,489
Professional fees	369,176
Directors' fees and expenses	277,682
Other	338,952
Total expenses	169,161,050
Expense reductions (Note 4)	(87)
Net expenses	169,160,963
·	
Net investment income	235,578,766
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	470.014.105
Investments	470,914,135
Foreign currency transactions	(4,510,373)
Net realized gain (loss)	466,403,762
Net change in unrealized appreciation (depreciation) on:	
Investments	2,813,634,793
Translation of other assets and liabilities denominated in foreign currencies	195,138
Net change in unrealized appreciation (depreciation)	2,813,829,931
Net realized and unrealized gain (loss)	3,280,233,693
Net increase (decrease) in net assets resulting from operations	\$3,515,812,459

### Financial Statements (continued)

### **Statements of Changes in Net Assets**

	Year Ended 2013	August 31, 2012
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 235,578,766	\$ 299,378,038
Net realized gain (loss) from investments and foreign currency transactions	466,403,762	388,817,709
Net change in unrealized appreciation (depreciation) on investments and translation of		
other assets and liabilities denominated in foreign currencies	2,813,829,931	458,813,159
Net increase (decrease) in net assets resulting from operations	3,515,812,459	1,147,008,906
Distributions to shareholders from:		
Net investment income:		
Class A	(226,694,764)	(249,906,203)
Class B	_	(451,393)
Class C	(8,762,781)	(10,449,476)
Class R	(2,308,178)	(2,661,435)
Advisor Class	(49,914,616)	(59,846,235)
Total distributions to shareholders	(287,680,339)	(323,314,742)
Capital share transactions: (Note 2)		
Class A	(1,150,663,450)	(920,052,304)
Class B	(22,692,424)	(49,288,617)
Class C	(78,078,548)	(127,327,286)
Class R	(19,582,566)	(21,235,213)
Class R6	1,961,343,561	_
Advisor Class	(2,351,712,636)	(372,662,077)
Total capital share transactions	(1,661,386,063)	(1,490,565,497)
Net increase (decrease) in net assets	1,566,746,057	(666,871,333)
Net assets:		
Beginning of year	14,818,436,898	15,485,308,231
End of year	\$16,385,182,955	\$14,818,436,898
Undistributed net investment income included in net assets:		
End of year	\$ 169,691,105	\$ 226,193,304

### **Notes to Financial Statements**

#### 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Templeton Growth Fund, Inc. (Fund) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company. The Fund offers five classes of shares: Class A, Class C, Class R, Class R6, and Advisor Class. Effective May 1, 2013, the Fund began offering a new class of shares, R6. Effective March 22, 2013, all Class B shares were converted to Class A. Each class of shares differs by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees primarily due to differing arrangements for distribution and transfer agent fees.

The following summarizes the Fund's significant accounting policies.

#### a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Under procedures approved by the Fund's Board of Directors (the Board), the Fund's administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or the NYSE, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities. Time deposits are valued at cost, which approximates market value.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach

### Notes to Financial Statements (continued)

### 1. Organization and Significant Accounting Policies (continued)

### a. Financial Instrument Valuation (continued)

may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before the daily close of business on the NYSE. Occasionally, events occur between the time at which trading in a foreign security is completed and the close of the NYSE that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at the close of the NYSE. In order to minimize the potential for these differences, the VLOC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

In addition, certain foreign markets may be open on days that the NYSE is closed, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

### b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

### Notes to Financial Statements (continued)

### 1. Organization and Significant Accounting Policies (continued)

### b. Foreign Currency Translation (continued)

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments on the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

### c. Investment in Templeton China Opportunities Fund, Ltd.

The Fund invests in Templeton China Opportunities Fund, Ltd. (China Fund), a private offering of unregistered shares in a Cayman Islands Exempt Company. The China Fund investment objective is to seek capital growth primarily through investments in A-shares of Chinese companies listed on the Shanghai and Shenzhen stock exchanges. Chinese A-shares are traded in Chinese Renminbi and are only available as an investment to domestic (Chinese) investors and holders of a Qualified Foreign Institutional Investors license. The China Fund is managed by Templeton Investment Counsel, LLC (an affiliate of the investment manager). No additional management or administrative fees are incurred on assets invested in the China Fund.

The China Fund may be subject to certain restrictions and administrative processes relating to its ability to repatriate cash balances, investment proceeds and earnings associated with its investment, as such activities are subject to approval by agencies of the Chinese government and thus the Fund may incur delays in redeeming its investment in the China Fund. The Fund's investment in the China Fund is valued based upon the fair value of the China Fund's portfolio securities and other assets and liabilities.

#### d. Securities Lending

The Fund participates in an agency based securities lending program. The Fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the market value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the market value of loaned securities, as determined at the close of fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. The collateral is invested in a non-registered money fund. The Fund receives income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. The Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower. At August 31, 2013, the Fund had no securities on loan.

### **Notes to Financial Statements** (continued)

### 1. Organization and Significant Accounting Policies (continued)

### e. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of August 31, 2013, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

### f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the Fund is notified of the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

## **Notes to Financial Statements** (continued)

#### 1. Organization and Significant Accounting Policies (continued)

### g. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

#### h. Guarantees and Indemnifications

Under the Fund's organizational documents, its officers and directors are indemnified by the Fund against certain liabilities arising out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. Currently, the Fund expects the risk of loss to be remote.

#### 2. CAPITAL STOCK

At August 31, 2013, there were 2.4 billion shares authorized (\$0.01 par value). Transactions in the Fund's shares were as follows:

	Year Ended August 31,					
2	013		2012			
Shares		Amount	Shares		Amount	
43,911,335	\$	902,034,012	45,003,519	\$	763,077,566	
9,793,343		188,032,179	12,609,828		207,431,731	
(109,716,643)	(	2,240,729,641)	(111,362,589)	(	1,890,561,601)	
(56,011,965)	\$(	1,150,663,450)	(53,749,242)	\$	(920,052,304)	
6,211	\$	115,080	24,864	\$	417,211	
_		_	24,417		399,213	
(1,179,980)		(22,807,504)	(3,002,759)		(50,105,041)	
(1,173,769)	\$	(22,692,424)	(2,953,478)	\$	(49,288,617)	
2,685,852	\$	54,169,140	2,302,964	\$	38,207,559	
400.005		7.005.010	501.610		0.262.047	
,		, ,	,		9,363,947	
			, ,		(174,898,792)	
(3,986,408)	\$	(78,078,548)	(7,702,209)	\$	(127,327,286)	
	Shares  43,911,335  9,793,343 (109,716,643) (56,011,965)  6,211  (1,179,980) (1,173,769)  2,685,852  422,035 (7,094,295)	Shares  43,911,335 \$  9,793,343 (109,716,643) ( (56,011,965) \$(  6,211 \$  (1,179,980) (1,173,769) \$  2,685,852 \$  422,035 (7,094,295)	2013           Shares         Amount           43,911,335         \$ 902,034,012           9,793,343         188,032,179           (109,716,643)         (2,240,729,641)           (56,011,965)         \$(1,150,663,450)           6,211         \$ 115,080	Shares         Amount         Shares           43,911,335         \$ 902,034,012         45,003,519           9,793,343         188,032,179         12,609,828           (109,716,643)         (2,240,729,641)         (111,362,589)           (56,011,965)         \$(1,150,663,450)         (53,749,242)           6,211         \$ 115,080         24,864           —         —         24,417           (1,179,980)         (22,807,504)         (3,002,759)           (1,173,769)         \$ (22,692,424)         (2,953,478)           2,685,852         \$ 54,169,140         2,302,964           422,035         7,925,813         581,612           (7,094,295)         (140,173,501)         (10,586,785)	Shares         Amount         Shares           43,911,335         \$ 902,034,012         45,003,519         \$           9,793,343         188,032,179         12,609,828         (109,716,643)         (2,240,729,641)         (111,362,589)         (           (56,011,965)         \$(1,150,663,450)         (53,749,242)         \$           6,211         \$ 115,080         24,864         \$	

# **Notes to Financial Statements** (continued)

### 2. CAPITAL STOCK (continued)

		Year Ended August 31,						
	2	013		2012				
	Shares		Amount	Shares		Amount		
Class R Shares:								
Shares sold	958,605	\$	19,401,466	1,025,524	\$	17,085,267		
Shares issued in reinvestment								
of distributions	120,191		2,288,434	161,355		2,633,312		
Shares redeemed	(2,056,200)		(41,272,466)	(2,458,351)		(40,953,792)		
Net increase (decrease)	(977,404)	\$	(19,582,566)	(1,271,472)	\$	(21,235,213)		
Class R6 Sharesb:						_		
Shares sold <sup>c</sup>	98,253,974	\$ 2	2,097,148,930					
Shares redeemed	(6,098,393)		(135,805,369)					
Net increase (decrease)	92,155,581	\$ 1	1,961,343,561					
Advisor Class Shares:								
Shares sold	2,298,757	\$	47,178,020	2,783,374	\$	46,546,423		
Shares issued in reinvestment								
of distributions	2,577,387		49,460,059	3,603,919		59,248,420		
Shares redeemed <sup>c</sup>	(116,155,259)	(2	2,448,350,715)	(27,611,094)		(478,456,920)		
Net increase (decrease)	(111,279,115)	\$(2	2,351,712,636)	(21,223,801)	\$	(372,662,077)		

<sup>&</sup>lt;sup>a</sup>Effective March 22, 2013, all class B Shares were converted to Class A.

### 3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and directors of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Templeton Global Advisors Limited (TGAL)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

#### a. Management Fees

The Fund pays an investment management fee to TGAL based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.630%	Up to and including \$1 billion
0.615%	Over \$1 billion, up to and including \$5 billion
0.600%	Over \$5 billion, up to and including \$10 billion
0.580%	Over \$10 billion, up to and including \$15 billion
0.560%	Over \$15 billion, up to and including \$20 billion
0.540%	Over \$20 billion, up to and including \$25 billion

<sup>&</sup>lt;sup>b</sup>For the period May 1, 2013 (effective date) to August 31, 2013.

<sup>&</sup>lt;sup>c</sup>Effective May 1, 2013, a portion of Advisor Class shares were exchanged into Class R6.

## **Notes to Financial Statements** (continued)

#### 3. Transactions with Affiliates (continued)

#### a. Management Fees (continued)

Annualized Fee Rate	Net Assets
0.530%	Over \$25 billion, up to and including \$30 billion
0.520%	Over \$30 billion, up to and including \$35 billion
0.510%	Over \$35 billion, up to and including \$40 billion
0.500%	Over \$40 billion, up to and including \$45 billion
0.490%	In excess of \$45 billion

#### b. Administrative Fees

The Fund pays an administrative fee to FT Services based on the Fund's daily net assets as follows:

Annualized Fee Rate	Net Assets
0.150%	Up to and including \$200 million
0.135%	Over \$200 million, up to and including \$700 million
0.100%	Over \$700 million, up to and including \$1.2 billion
0.075%	In excess of \$1.2 billion

#### c. Distribution Fees

The Board has adopted distribution plans for each share class, with the exception of Class R6 and Advisor Class shares, pursuant to Rule 12b-1 under the 1940 Act. Distribution fees are not charged on shares held by affiliates. Under the Fund's Class A reimbursement distribution plan, the Fund reimburses Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate. Under the Class A reimbursement distribution plan, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Fund's Class B, C, and R compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate for each class. The plan year, for purposes of monitoring compliance with the maximum annual plan rate, is February 1 through January 31.

The maximum annual plan rates, based on the average daily net assets, for each class, are as follows:

Class A	0.25%
Class B	1.00%
Class C	1.00%
Class R	0.50%

## **Notes to Financial Statements** (continued)

#### 3. Transactions with Affiliates (continued)

### d. Sales Charges/Underwriting Agreements

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Fund. These charges are deducted from the proceeds of sales of Fund shares prior to investment or from redemption proceeds prior to remittance, as applicable. Distributors has advised the Fund of the following commission transactions related to the sales and redemptions of the Fund's shares for the year:

Sales charges retained net of commissions paid to		
unaffiliated broker/dealers	\$2,	011,799
CDSC retained	\$	28.217

#### e. Transfer Agent Fees

Each class of shares, except for Class R6, pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations and reimburses Investor Services for out of pocket expenses incurred, including shareholding servicing fees paid to third parties. These fees are allocated daily based upon their relative proportion of such classes' aggregate net assets. Class R6 pays Investor Services transfer agent fees specific to that class.

For the year ended August 31, 2013, the Fund paid transfer agent fees of \$16,346,096 of which \$10,259,851 was retained by Investor Services.

## f. Waiver and Expense Reimbursement

Investor Services has contractually agreed in advance to waive or limit its fees so that the Class R6 transfer agent fees do not exceed 0.01% until December 31, 2014. There were no expenses waived during the year ended August 31, 2013.

#### 4. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended August 31, 2013, the custodian fees were reduced as noted in the Statement of Operations.

#### 5. INCOME TAXES

For tax purposes, capital losses may be carried over to offset future capital gains. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

At August 31, 2013, the Fund had capital loss carryforwards of \$2,258,917,827 expiring in 2018.

## **Notes to Financial Statements** (continued)

#### **5. Income Taxes** (continued)

During the year ended August 31, 2013, the Fund utilized \$458,036,036 of capital loss carryforwards.

The tax character of distributions paid during the years ended August 31, 2013 and 2012, was as follows:

	2013	2012
Distributions paid from ordinary income	\$287,680,339	\$323,314,742

At August 31, 2013, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments	\$14,673,925,834
Unrealized appreciation	\$ 3,428,460,546
Unrealized depreciation	(1,822,628,143)
Net unrealized appreciation (depreciation)	\$ 1,605,832,403
Distributable earnings - undistributed ordinary income	\$ 173,855,100

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of regulatory settlements.

#### 6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended August 31, 2013, aggregated \$1,927,458,327 and \$4,050,916,992, respectively.

#### 7. Concentration of Risk

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain foreign securities may not be as liquid as U.S. securities.

#### 8. RESTRICTED SECURITIES

The Fund invests in securities that are restricted under the Securities Act of 1933 (1933 Act) or which are subject to legal, contractual, or other agreed upon restrictions on resale. Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of

## Notes to Financial Statements (continued)

### 8. RESTRICTED SECURITIES (continued)

these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At August 31, 2013, the Fund held investments in restricted securities, excluding certain securities exempt from registration under the 1933 Act deemed to be liquid, as follows:

		Acquisition		
Shares	Issuer	Dates	Cost	Value
8,404,428	Templeton China Opportunities Fund, Ltd., Reg D			
	Total Restricted Securities (Value is 0.56% of Net Assets)	1/27/10 - 12/1/11	\$83,985,500	\$92,112,533

#### 9. HOLDINGS OF 5% VOTING SECURITIES OF PORTFOLIO COMPANIES

The 1940 Act defines "affiliated companies" to include investments in portfolio companies in which a fund owns 5% or more of the outstanding voting securities. Investments in "affiliated companies" for the Fund for the year ended August 31, 2013, were as shown below.

Name of Issuer	Number of Shares Held at Beginning of Year	Gross Additions	Gross Reductions	Number of Shares Held at End of Year	Value at End of Year	Investment Income	Realized Capital Gain (Loss)
Controlled Affiliates <sup>a</sup>							
Templeton China Opportunities Fund, Ltd.,							
Reg D	8,404,428	_	_	8,404,428	\$ 92,112,533	\$ —	<u> </u>
Non-Controlled Affiliates							
Brocade Communications Systems Inc	15,679,910	7,727,570	_	23,407,480	\$173,215,352	\$ —	\$ —
Navistar International Corp	4,995,790	758,400	_	5,754,190	197,196,091	_	_
Total Non-Controlled Affiliates					\$370,411,443	\$ —	\$ —
Total Affiliated Securities (Value is 2.82% of	Net Assets)				\$462,523,976	\$ —	\$ —

<sup>&</sup>lt;sup>a</sup>Issuer in which the Fund owns 25% or more of the outstanding voting securities.

#### 10. Special Servicing Agreement

The Fund, which is an eligible underlying investment of one or more of the Franklin Templeton Fund Allocator Series Funds (Allocator Funds), participated in a Special Servicing Agreement (SSA) with the Allocator Funds and certain service providers of the Fund and the Allocator Funds. Under the SSA, the Fund may pay a portion of the Allocator Funds' expenses (other than any asset allocation, administrative, and distribution fees) to the extent such payments are less than the amount of the benefits realized or expected to be realized by the Fund (e.g., due to

## Notes to Financial Statements (continued)

#### 10. Special Servicing Agreement (continued)

reduced costs associated with servicing accounts) from the investment in the Fund by the Allocator Funds. The Allocator Funds are either managed by Franklin Advisers, Inc. or administered by FT Services, affiliates of TGAL. For the year ended August 31, 2013, the Fund was held by one or more of the Allocator Funds and the amount of expenses borne by the Fund is noted in the Statement of Operations. At August 31, 2013, 12.43% of the Fund's outstanding shares were held by one or more of the Allocator Funds. Effective May 1, 2013, the SSA was discontinued until further notice and approval by the Board.

#### 11. CREDIT FACILITY

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling \$1.5 billion (Global Credit Facility) which matures on January 17, 2014. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statement of Operations. During the year ended August 31, 2013, the Fund did not use the Global Credit Facility.

#### 12. FAIR VALUE MEASUREMENTS

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 quoted prices in active markets for identical financial instruments
- Level 2 other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

The inputs or methodology used for valuing financial instruments are not an indication of the risk associated with investing in those financial instruments.

## Notes to Financial Statements (continued)

#### 12. FAIR VALUE MEASUREMENTS (continued)

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

A summary of inputs used as of August 31, 2013, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments <sup>a,b</sup>	\$15,699,645,704	\$ —	\$ —	\$15,699,645,704
Non-Registered Mutual				
Funds	_	_	92,112,533	92,112,533
Short Term Investments		488,000,000	_	488,000,000
Total Investments in Securities	\$15,699,645,704	\$488,000,000	\$92,112,533	\$16,279,758,237

<sup>&</sup>lt;sup>a</sup>For detailed categories, see the accompanying Statement of Investments.

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 investments at the end of the period.

#### 13. New Accounting Pronouncements

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The amendments in the ASU enhance disclosures about offsetting of financial assets and liabilities to enable investors to understand the effect of these arrangements on a fund's financial position. In January 2013, FASB issued ASU No. 2013-01, Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities. The amendments in ASU No. 2013-01 clarify the intended scope of disclosures required by ASU No. 2011-11. These ASUs are is effective for interim and annual reporting periods beginning on or after January 1, 2013. The Fund believes the adoption of these ASUs will not have a material impact on its financial statements.

In June 2013, the FASB issued ASU No. 2013-08, Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements. The ASU modifies the criteria used in defining an investment company under U.S. Generally Accepted Accounting Principles and also sets forth certain measurement and disclosure requirements. Under the ASU, an entity that is registered under the 1940 Act automatically qualifies as an investment company. The ASU is effective for interim and annual reporting periods beginning after December 15, 2013. The Fund is currently reviewing the requirements and believes the adoption of this ASU will not have a material impact on its financial statements.

blncludes common and preferred stocks.

# **Notes to Financial Statements** (continued)

## 14. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

#### **ABBREVIATIONS**

### **Selected Portfolio**

ADR - American Depositary Receipt IDR - International Depositary Receipt

## Report of Independent Registered Public Accounting Firm

#### To the Board of Directors and Shareholders of Templeton Growth Fund, Inc.

In our opinion, the accompanying statement of assets and liabilities, including the statement of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Templeton Growth Fund, Inc. (the "Fund") at August 31, 2013, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period then ended and the financial highlights for each of the periods presented, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at August 31, 2013 by correspondence with the custodian and brokers, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California October 18, 2013

# Tax Information (unaudited)

Under Section 854(b)(1)(A) of the Internal Revenue Code (Code), the Fund hereby reports 35.30% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended August 31, 2013.

Under Section 854(b)(1)(B) of the Code, the Fund hereby reports the maximum amount allowable but no less than \$371,062,948 as qualified dividends for purposes of the maximum rate under Section 1(h)(11) of the Code for the fiscal year ended August 31, 2013. Distributions, including qualified dividend income, paid during calendar year 2013 will be reported to shareholders on Form 1099-DIV by mid-February 2014. Shareholders are advised to check their tax advisors for information on the treatment of these amounts on their individual income tax returns.

At August 31, 2012, more than 50% of the Fund's total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. As shown in the table below, the Fund hereby reports to shareholders the foreign source income and foreign taxes paid, pursuant to Section 853 of the Code. This written statement will allow shareholders of record on December 13, 2012, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

The following table provides a detailed analysis of foreign tax paid, foreign source income, and foreign qualified dividends as reported by the Fund, to Class A, Class B, Class C, Class R, and Advisor Class shareholders of record.

Class	Foreign Tax	Foreign	Foreign
	Paid	Source Income	Qualified Dividends
	Per Share	Per Share	Per Share
Class A           Class B           Class C           Class R           Advisor Class		\$0.3314 \$ — \$0.2185 \$0.2929 \$0.3669	\$0.2773 \$ — \$0.1828 \$0.2451 \$0.3070

Foreign Tax Paid Per Share (Column 1) is the amount per share available to you, as a tax credit (assuming you held your shares in the Fund for a minimum of 16 days during the 31-day period beginning 15 days before the ex-dividend date of the Fund's distribution to which the foreign taxes relate), or, as a tax deduction.

Foreign Source Income Per Share (Column 2) is the amount per share of income dividends attributable to foreign securities held by the Fund, plus any foreign taxes withheld on these dividends. The amounts reported include foreign source qualified dividends that have not been adjusted for the rate differential applicable to such dividend income.<sup>1</sup>

Foreign Qualified Dividends Per Share (Column 3) is the amount per share of foreign source qualified dividends, plus any foreign taxes withheld on these dividends. These amounts represent the portion of the Foreign Source Income reported to you in column 2 that were derived from qualified foreign securities held by the Fund.1

# Tax Information (unaudited) (continued)

By mid-February 2013, shareholders received Form 1099-DIV which included their share of taxes paid and foreign source income distributed during the calendar year 2012. The Foreign Source Income reported on Form 1099-DIV has not been adjusted for the rate differential on foreign source qualified dividend income. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their 2012 individual income tax returns.

'Qualified dividends are taxed at reduced long term capital gains tax rates. In determining the amount of foreign tax credit that may be applied against the U.S. tax liability of individuals receiving foreign source qualified dividends, adjustments may be required to the foreign tax credit limitation calculation to reflect the rate differential applicable to such dividend income. The rules however permit certain individuals to elect not to apply the rate differential adjustments for capital gains and/or dividends for any taxable year. Please consult your tax advisor and the instructions to Form 1116 for more information.

### **Board Members and Officers**

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of U.S. registered portfolios overseen in the Franklin Templeton Investments fund complex are shown below. Generally, each board member serves until that person's successor is elected and qualified.

### **Independent Board Members**

Fort Lauderdale, FL 33301-1923

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Harris J. Ashton (1932)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-19	Director	Since 1992	141	Bar-S Foods (meat packing company) (1981-2010).
•	s; and <b>formerly,</b> D	irector, RBC Holdings	s, Inc. (bank holding company) tion (nursery and craft centers)	(until 2002); and President, Chief (until 1998).
Ann Torre Bates (1958) 300 S.E. 2nd Street	Director	Since 2008	38	SLM Corporation (Sallie Mae), Ares Capital Corporation (specialty finance

Capital Corporation (specialty finance company) and Allied Capital Corporation (financial services) (2003-2010).

#### Principal Occupation During at Least the Past 5 Years:

Independent strategic and financial consultant; and formerly, Executive Vice President and Chief Financial Officer, NHP Incorporated (manager of multifamily housing) (1995-1997); and Vice President and Treasurer, US Airways, Inc. (until 1995).

Frank J. Crothers (1944)	Director	Since 2000	27	Talon Metals Corp. (mining explo-
300 S.E. 2nd Street				ration), Fortis, Inc. (utility holding
Fort Lauderdale, FL 33301-1923				company) and AML Foods Limited
				(retail distributors).

#### Principal Occupation During at Least the Past 5 Years:

Director and Vice Chairman, Caribbean Utilities Company, Ltd.; director of various other private business and nonprofit organizations; and formerly, Chairman, Atlantic Equipment and Power Ltd. (1977-2003).

Edith E. Holiday (1952) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Lead Independent Director	Director since 2000 and Lead Independent Director since 2007	141	Hess Corporation (exploration and refining of oil and gas), H.J. Heinz Company (processed foods and allied products) (1994-2013), RTI International Metals, Inc. (manufacture and distribution of titanium), Canadian National Railway (railroad) and White Mountains Insurance Group, Ltd. (holding company).
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#### Principal Occupation During at Least the Past 5 Years:

Director or Trustee of various companies and trusts; and formerly, Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison - United States Treasury Department (1988-1989).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
J. Michael Luttig (1954) 300 S.E. 2nd Street	Director	Since 2009	141	Boeing Capital Corporation (aircraft financing) (2006-2013).
Fort Lauderdale El 33301-1923				5

#### Principal Occupation During at Least the Past 5 Years:

Executive Vice President, General Counsel and member of Executive Council, The Boeing Company (aerospace company); and formerly, Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).

David W. Niemiec (1949)	Director	Since 2005	34	Emeritus Corporation (assisted living)
300 S.E. 2nd Street				(1999-2010) and OSI Pharmaceuticals,
Fort Lauderdale, FL 33301-1923				Inc. (pharmaceutical products)
				(2006-2010).

#### Principal Occupation During at Least the Past 5 Years:

Advisor, Saratoga Partners (private equity fund); and formerly, Managing Director, Saratoga Partners (1998-2001) and SBC Warburg Dillon Read (investment banking) (1997-1998); Vice Chairman, Dillon, Read & Co. Inc. (investment banking) (1991-1997); and Chief Financial Officer, Dillon, Read & Co. Inc. (1982-1997).

Frank A. Olson (1932)	Director	Since 2003	141	Hess Corporation (exploration and
300 S.E. 2nd Street				refining of oil and gas) (1998-2013).
Fort Lauderdale, FL 33301-19	23			

#### Principal Occupation During at Least the Past 5 Years:

Chairman Emeritus, The Hertz Corporation (car rental) (since 2000) (Chairman of the Board (1980-2000) and Chief Executive Officer (1977-1999)); and formerly, Chairman of the Board, President and Chief Executive Officer, UAL Corporation (airlines) (until 1987).

Larry D. Thompson (1945)	Director	Since 2005	142	Cbeyond, Inc. (business communica-
300 S.E. 2nd Street				tions provider) (2010-2012), The
Fort Lauderdale, FL 33301-1923	3			Southern Company (energy company)
				(2010-2012) and The Washington
				Post Company (education and media
				organization)

#### Principal Occupation During at Least the Past 5 Years:

Executive Vice President - Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (July 2012); and formerly, John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2011-2012); Senior Vice President – Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003)

(2001 2000).					
Constantine D. Tseretopoulos (1954)	Director	Since 2000	27	None	
300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	<b>.</b>				

### Principal Occupation During at Least the Past 5 Years:

Physician, Chief of Staff, owner and operator of the Lyford Cay Hospital (1987-present); director of various nonprofit organizations; and formerly, Cardiology Fellow, University of Maryland (1985-1987); and Internal Medicine Resident, Greater Baltimore Medical Center (1982-1985).

Robert E. Wade (1946) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-192	Director	Since 2006	45	El Oro Ltd (investments).
Principal Occupation During of		h E Vaara		

#### Principal Occupation During at Least the Past 5 Years:

Attorney at law engaged in private practice (1972-2008) and member of various boards.

#### **Interested Board Members and Officers**

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
**Gregory E. Johnson (1961)	Director	Since 2007	152	None
One Franklin Parkway				
San Mateo, CA 94403-1906				

#### Principal Occupation During at Least the Past 5 Years:

Chairman of the Board, Member - Office of the Chairman, Director, President and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton Investments; and Chairman, Investment Company Institute.

**Rupert H. Johnson, Jr. (1940) One Franklin Parkway	Chairman of the Board and Trustee	141	Not Applicable
San Mateo, CA 94403-1906	since June 2013, and Vice President		
	sinca 1006		

#### Principal Occupation During at Least the Past 5 Years:

Vice Chairman, Member - Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton Investments.

Alison E. Baur (1964)	Vice President	Since 2012	Not Applicable	Not Applicable
One Franklin Parkway				
San Mateo, CA 94403-1906				

#### Principal Occupation During at Least the Past 5 Years:

Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.

Norman J. Boersma (1957) Lyford Cay Nassau, Bahamas	President and Chief Executive Officer – Investment	Since 2012	Not Applicable	Not Applicable
	Management			

## Principal Occupation During at Least the Past 5 Years:

Director, President and Chief Executive Officer, Templeton Global Advisors Ltd.; Executive Vice President, Franklin Templeton Investment Corp.; Chief Investment Officer of Templeton Global Equity Group; and officer of six of the investment companies in Franklin Templeton Investments.

Laura F. Fergerson (1962)	Chief	Since 2009	Not Applicable	Not Applicable
One Franklin Parkway	Executive			
San Mateo, CA 94403-1906	Officer -			
	Finance and			
	Administration			

#### Principal Occupation During at Least the Past 5 Years:

Senior Vice President, Franklin Templeton Services, LLC; and officer of 46 of the investment companies in Franklin Templeton Investments.

Aliya S. Gordon (1973)	Vice President	Since 2009	Not Applicable	Not Applicable
One Franklin Parkway				
San Mateo, CA 94403-1906				

### Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton Investments; officer of 46 of the investment companies in Franklin Templeton Investments; and formerly, Litigation Associate, Steefel, Levitt & Weiss, LLP (2000-2004).

Name, Year of Birth and Address	Position	Length of Time Served		Other Directorships Held During at Least the Past 5 Years
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Steven J. Gray (1955) Vice President Since 2009 Not Applicable Not Applicable

One Franklin Parkway San Mateo, CA 94403-1906

#### Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.

Selena L. Holmes (1965) Vice President Since 2012 Not Applicable Not Applicable

100 Fountain Parkway AML St. Petersburg, FL 33716-1205 Compliance

#### Principal Occupation During at Least the Past 5 Years:

Director, Global Compliance Monitoring; and officer of 46 of the investment companies in Franklin Templeton Investments.

Kimberly H. Novotny (1972) Vice President Since March 2013 Not Applicable Not Applicable

300 S.E. 2nd Street

Fort Lauderdale, FL 33301-1923

#### Principal Occupation During at Least the Past 5 Years:

Senior Corporate Counsel, Franklin Templeton Investments; Vice President, Secretary and Trust Officer, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.

Mark H. Otani (1968) Treasurer, Since 2009 Not Applicable Not Applicable One Franklin Parkway Chief Financial

San Mateo, CA 94403-1906 Officer and Chief Accounting Officer

#### Principal Occupation During at Least the Past 5 Years:

Director, Global Fund Accounting Operations, Franklin Templeton Investments; and officer of 14 of the investment companies in Franklin Templeton Investments.

Robert C. Rosselot (1960) Chief Officer Not Applicable Not Applicable 300 S.E. 2nd Street Compliance Since March 2013

Fort Lauderdale, FL 33301-1923

### Principal Occupation During at Least the Past 5 Years:

Director, Global Compliance, Franklin Templeton Investments; officer of 46 of the investment companies in Franklin Templeton Investments; and formerly, Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).

Karen L. Skidmore (1952) Vice President Since 2009 Not Applicable Not Applicable

One Franklin Parkway San Mateo, CA 94403-1906

### Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton Investments; and officer of 46 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Craig S. Tyle (1960)	Vice President	Since 2005	Not Applicable	Not Applicable

One Franklin Parkway San Mateo, CA 94403-1906

#### Principal Occupation During at Least the Past 5 Years:

General Counsel and Executive Vice President, Franklin Resources, Inc.; officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments; and formerly, Partner, Shearman & Sterling, LLP (2004-2005); and General Counsel, Investment Company Institute (ICI) (1997-2004).

Lori A. Weber (1964)	Secretary and	Secretary since	Not Applicable	Not Applicable	
300 S.E. 2nd Street	Vice President	March 2013 and		• •	
Fort Lauderdale, FL 33301-1923		Vice President			
		since 2011			

#### Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; Vice President, Fiduciary Trust International of the South; and officer of 46 of the investment companies in Franklin Templeton Investments.

- Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.
- Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.
- Note 3: Effective June 13, 2013, Charles B. Johnson ceased to be a trustee of the Fund.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the U.S. Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated each of Ann Torre Bates and David W. Niemiec as an audit committee financial expert. The Board believes that Ms. Bates and Mr. Niemiec qualify as such an expert in view of their extensive business background and experience. Ms. Bates has served as a member of the Fund Audit Committee since 2008. She currently serves as a director of SLM Corporation and Ares Capital Corporation and was formerly a director of Allied Capital Corporation from 2003 to 2010, Executive Vice President and Chief Financial Officer of NHP Incorporated and Vice President and Treasurer of US Airways, Inc. Mr. Niemiec has served as a member of the Fund Audit Committee since 2005, currently serves as an Advisor to Saratoga Partners and was formerly its Managing Director from 1998 to 2001. Mr. Niemiec was formerly a director of Emeritus Corporation from 1999 to 2010 and OSI Pharmaceuticals, Inc. from 2006 to 2010. Managing Director of SBC Warburg Dillon Read from 1997 to 1998, and was Vice Chairman from 1991 to 1997 and Chief Financial Officer from 1982 to 1997 of Dillon, Read & Co. Inc. As a result of such background and experience, the Board believes that Ms. Bates and Mr. Niemiec have each acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Ms. Bates and Mr. Niemiec are independent Board members as that term is defined under the applicable U.S. Securities and Exchange Commission Rules and Releases.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) DIAL BEN/342-5236 to request the SAI.

<sup>\*</sup>We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers.

<sup>\*\*</sup> Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as officer and director and major shareholder of Resources.

## **Shareholder Information**

### **Board Review of Investment Management Agreement**

At a meeting held May 21, 2013, the Board of Directors (Board), including a majority of non-interested or independent Directors, approved renewal of the investment management agreement for the Fund. In reaching this decision, the Board took into account information furnished throughout the year at regular Board meetings, as well as information prepared specifically in connection with the annual renewal review process. Information furnished and discussed throughout the year included investment performance reports and related financial information for the Fund, along with periodic reports on expenses, shareholder services, legal and compliance matters, pricing, brokerage commissions and execution and other services provided by the Investment Manager (Manager) and its affiliates, as well as a third-party survey of transfer agent fees charged funds within the Franklin Templeton Investments complex in comparison with those charged other fund complexes deemed comparable. Information furnished specifically in connection with the renewal process included a report for the Fund prepared by Lipper, Inc. (Lipper), an independent organization, as well as additional material, including a Fund profitability analysis prepared by management. The Lipper report compared the Fund's investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper. The Fund profitability analysis discussed the profitability to Franklin Templeton Investments from its overall U.S. fund operations, as well as on an individual fund-by-fund basis. Additional material accompanying such profitability analysis included information on a fund-by-fund basis listing portfolio managers and other accounts they manage, as well as information on management fees charged by the Manager and its affiliates to U.S. mutual funds and other accounts, including management's explanation of differences where relevant and a three-year expense analysis with an explanation for any increase in expense ratios. Such material also included a memorandum prepared by management describing project initiatives and capital investments relating to the services provided to the Fund by the Franklin Templeton Investments organization, as well as a memorandum relating to economies of scale and an analysis concerning transfer agent fees charged by an affiliate of the Manager.

In considering such materials, the independent Directors received assistance and advice from and met separately with independent counsel. In approving continuance of the investment management agreement for the Fund, the Board, including a majority of independent Directors, determined that the existing management fee structure was fair and reasonable and that continuance of the investment management agreement was in the best interests of the Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's decision.

NATURE, EXTENT AND QUALITY OF SERVICES. The Board was satisfied with the nature and quality of the overall services provided by the Manager and its affiliates to the Fund and its shareholders. In addition to investment performance and expenses discussed later, the Board's opinion was based, in part, upon periodic reports furnished it showing that the investment policies and restrictions for the Fund were consistently complied with as well as other reports periodically furnished the Board covering matters such as the compliance of portfolio managers and other

**Shareholder Information** (continued)

### **Board Review of Investment Management Agreement** (continued)

management personnel with the code of ethics adopted throughout the Franklin Templeton fund complex, the adherence to fair value pricing procedures established by the Board, and the accuracy of net asset value calculations. The Board also noted the extent of benefits provided Fund shareholders from being part of the Franklin Templeton family of funds, including the right to exchange investments between the same class of funds without a sales charge, the ability to reinvest Fund dividends into other funds and the right to combine holdings in other funds to obtain a reduced sales charge. Favorable consideration was given to management's continuous efforts and expenditures in establishing back-up systems and recovery procedures to function in the event of a natural disaster, it being noted that such systems and procedures had functioned well during the Florida hurricanes and blackouts experienced in previous years and that those operations in the New York/New Jersey area ran smoothly during the more recent Hurricane Sandy. Among other factors taken into account by the Board were the Manager's best execution trading policies, including a favorable report by an independent portfolio trading analytical firm, which also covered FOREX transactions. Consideration was also given to the experience of the Fund's portfolio management team, the number of accounts managed and general method of compensation. In this latter respect, the Board noted that a primary factor in management's determination of a portfolio manager's bonus compensation was the relative investment performance of the funds he or she managed and that a portion of such bonus was required to be invested in a predesignated list of funds within such person's fund management area so as to be aligned with the interests of shareholders. The Board also took into account the quality of transfer agent and shareholder services provided Fund shareholders by an affiliate of the Manager and the continuous enhancements to the Franklin Templeton website. Particular attention was given to management's conservative approach and diligent risk management procedures, including continuous monitoring of counterparty credit risk and attention given to derivatives and other complex instruments included expanded collateralization requirements. The Board also took into account, among other things, management's efforts in establishing a global credit facility for the benefit of the Fund and other accounts managed by Franklin Templeton Investments to provide a source of cash for temporary and emergency purposes or to meet unusual redemption requests as well as the strong financial position of the Manager's parent company and its commitment to the mutual fund business as evidenced by its subsidization of money market funds.

INVESTMENT PERFORMANCE. The Board placed significant emphasis on the investment performance of the Fund in view of its importance to shareholders. While consideration was given to performance reports and discussions with portfolio managers at Board meetings during the year, particular attention in assessing performance was given to the Lipper reports furnished for the agreement renewal. The Lipper report prepared for the Fund showed the investment performance of its Class A shares for the one-year period ended February 28, 2013, as well as during the previous 10 years ended that date in comparison to a performance universe consisting of all retail and institutional global large-cap value funds as selected by Lipper. On a comparative basis, the Lipper report showed the Fund's total return for the one-year period to be in the highest

**Shareholder Information** (continued)

### **Board Review of Investment Management Agreement** (continued)

or best performing quintile of the Lipper performance universe, and on an annualized basis to also be in the highest or best performing quintile of such universe for the previous three-year period, and the middle performing quintile of such universe for each of the previous five- and 10-year periods. The Board was satisfied with the Fund's comparative performance as shown in the Lipper report.

COMPARATIVE EXPENSES. Consideration was given to a comparative analysis of the management fees and total expense ratio of the Fund compared with a group of other funds selected by Lipper as constituting its appropriate Lipper expense group. Lipper expense data is based upon information taken from each fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Lipper to be an appropriate measure of comparative expenses. In reviewing comparative costs, Lipper provides information on the Fund's contractual investment management fee in comparison with the contractual investment management fee that would have been charged by other funds within its Lipper expense group assuming they were similar in size to the Fund, as well as the actual total expenses of the Fund in comparison with those of its Lipper expense group. The Lipper contractual investment management fee analysis includes administrative charges as being part of a management fee, and actual total expenses, for comparative consistency, are shown by Lipper for Fund Class A shares. The results of such expense comparisons showed that both the contractual investment management fee rate for the Fund and its actual total expense ratio were in the least expensive quintile of its Lipper expense group. The Board was satisfied with the management fees and total expenses of the Fund in comparison to its Lipper expense group as shown in the Lipper report.

MANAGEMENT PROFITABILITY. The Board also considered the level of profits realized by the Manager and its affiliates in connection with the operation of the Fund. In this respect, the Board reviewed the Fund profitability analysis that addresses the overall profitability of Franklin Templeton's U.S. fund business, as well as its profits in providing management and other services to each of the individual funds during the 12-month period ended September 30, 2012, being the most recent fiscal year-end for Franklin Resources, Inc., the Manager's parent. In reviewing the analysis, attention was given to the methodology followed in allocating costs to the Fund, it being recognized that allocation methodologies are inherently subjective and various allocation methodologies may each be reasonable while producing different results. In this respect, the Board noted that, while being continuously refined and reflecting changes in the Manager's own cost accounting, the allocation methodology was consistent with that followed in profitability report presentations for the Fund made in prior years and that the Fund's independent registered public accounting firm had been engaged by the Manager to periodically review the reasonableness of the allocation methodologies solely for use by the Fund's Board in reference to the profitability analysis.

**Shareholder Information** (continued)

### **Board Review of Investment Management Agreement** (continued)

In reviewing and discussing such analysis, management discussed with the Board its belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to the Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. The Board also took into account management's expenditures in improving shareholder services provided the Fund, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from statutes such as the Sarbanes-Oxley and Dodd-Frank Acts and recent SEC and other regulatory requirements. In addition, the Board considered a third-party study comparing the profitability of the Manager's parent on an overall basis to other publicly held managers broken down to show profitability from management operations exclusive of distribution expenses, as well as profitability including distribution expenses. The Board also considered the extent to which the Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services and potential benefits resulting from allocation of fund brokerage and the use of commission dollars to pay for research. Based upon its consideration of all these factors, the Board determined that the level of profits realized by the Manager and its affiliates from providing services to the Fund was not excessive in view of the nature, quality and extent of services provided.

ECONOMIES OF SCALE. The Board also considered whether economies of scale are realized by the Manager and its affiliates as the Fund grows larger and the extent to which this is reflected in the level of management fees charged. While recognizing that any precise determination is inherently subjective, the Board noted that based upon the Fund profitability analysis, it appears that as some funds get larger, at some point economies of scale do result in the Manager realizing a larger profit margin on management services provided such a fund. The Board also noted that economies of scale are shared with a fund and its shareholders through management fee breakpoints so that as a fund grows in size, its effective management fee rate declines. The Fund's investment management agreement provides a fee at the rate of 0.63% on the first \$1 billion of Fund net assets, 0.615% on the next \$4 billion of net assets, and declines every \$5 billion of net assets thereafter to a rate of 0.49% on assets in excess of \$45 billion. The Fund is also charged a separate fee for administrative services that starts at 0.15% on the first \$200 million of Fund net assets, and declines through breakpoints to a fixed rate of 0.075% after net assets reach the \$1.2 billion level. At the end of 2012, the Fund's net assets were approximately \$15.4 billion, and the Board believed that to the extent economies of scale may be realized by the Manager and its affiliates, the schedule of fees under the investment management agreement provides a sharing of benefits with the Fund and its shareholders.

## **Shareholder Information** (continued)

### **Proxy Voting Policies and Procedures**

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

### **Quarterly Statement of Investments**

The Fund files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

#### Householding of Reports and Prospectuses

You will receive the Fund's financial reports every six months as well as an annual updated summary prospectus (prospectus available upon request). To reduce Fund expenses, we try to identify related shareholders in a household and send only one copy of the financial reports and summary prospectus. This process, called "householding," will continue indefinitely unless you instruct us otherwise. If you prefer not to have these documents householded, please call us at (800) 632-2301. At any time you may view current prospectuses/summary prospectuses and financial reports on our website. If you choose, you may receive these documents through electronic delivery.

# Franklin Templeton Funds

Literature Request. To receive a summary prospectus and/or prospectus, please call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The prospectus contains this and other information. Please carefully read a prospectus before investing. To ensure the highest quality of service, we may monitor, record and access telephone calls to or from our service departments. These calls can be identified by the presence of a regular beeping tone.

#### **VALUE**

Franklin All Cap Value Fund
Franklin Balance Sheet Investment Fund
Franklin Large Cap Value Fund
Franklin MicroCap Value Fund
Franklin MidCap Value Fund
Franklin Small Cap Value Fund
Mutual Beacon Fund
Mutual Quest Fund
Mutual Recovery Fund
Mutual Shares Fund

#### **BLEND**

Franklin Focused Core Equity Fund Franklin Large Cap Equity Fund Franklin Rising Dividends Fund

#### **GROWTH**

Franklin DynaTech Fund Franklin Flex Cap Growth Fund Franklin Growth Fund Franklin Growth Opportunities Fund Franklin Small Cap Growth Fund Franklin Small-Mid Cap Growth Fund

#### SECTOR

Franklin Biotechnology Discovery Fund
Franklin Global Listed Infrastructure Fund
Franklin Global Real Estate Fund
Franklin Gold & Precious Metals Fund
Franklin Natural Resources Fund
Franklin Real Estate Securities Fund
Franklin Utilities Fund
Mutual Financial Services Fund

#### **GLOBAL**

Franklin World Perspectives Fund Mutual Global Discovery Fund Templeton Global Opportunities Trust Templeton Global Smaller Companies Fund Templeton Growth Fund Templeton World Fund

#### **INTERNATIONAL**

Franklin India Growth Fund
Franklin International Growth Fund
Franklin International Small Cap Growth Fund
Mutual European Fund
Mutual International Fund
Templeton Asian Growth Fund
Templeton BRIC Fund
Templeton China World Fund
Templeton Developing Markets Trust
Templeton Emerging Markets Small Cap Fund
Templeton Foreign Fund
Templeton Foreign Smaller Companies Fund

#### **HYBRID**

Franklin Balanced Fund
Franklin Convertible Securities Fund
Franklin Equity Income Fund
Franklin Income Fund
Templeton Emerging Markets Balanced Fund
Templeton Global Balanced Fund

Templeton Frontier Markets Fund<sup>4</sup>

#### **ASSET ALLOCATION**

Franklin LifeSmart™ Retirement Target Funds (2015-2050)<sup>5</sup>

Franklin Templeton Corefolio® Allocation Fund
Franklin Templeton Founding Funds Allocation Fund
Franklin Templeton Conservative Allocation Fund
Franklin Templeton Growth Allocation Fund
Franklin Templeton Moderate Allocation Fund
Franklin Templeton Global Allocation Fund
Franklin Templeton Multi-Asset Real Return Fund

#### FIXED INCOME

Franklin Adjustable U.S. Government Securities Fund<sup>6</sup>
Franklin Floating Rate Daily Access Fund
Franklin Global Government Bond Fund
Franklin High Income Fund
Franklin Limited Maturity U.S. Government
Securities Fund<sup>6</sup>

Franklin Real Return Fund Franklin Short Duration U.S. Government ETF Franklin Strategic Income Fund Franklin Strategic Mortgage Portfolio Franklin Templeton Hard Currency Fund

Franklin Low Duration Total Return Fund

Franklin Total Return Fund

Franklin U.S. Government Securities Fund<sup>6</sup>
Templeton Constrained Bond Fund
Templeton Emerging Markets Bond Fund
Templeton Global Bond Fund
Templeton Global Total Peturn Fund

Templeton Global Total Return Fund Templeton International Bond Fund

#### TAX-FREE INCOME<sup>7</sup>

#### **National**

Double Tax-Free Income Fund<sup>8</sup> Federal Tax-Free Income Fund High Yield Tax-Free Income Fund Insured Tax-Free Income Fund<sup>9,10</sup>

#### Limited-/Intermediate-Term

California Intermediate-Term Tax-Free Income Fund Federal Intermediate-Term Tax-Free Income Fund Federal Limited-Term Tax-Free Income Fund New York Intermediate-Term Tax-Free Income Fund

#### State-Specific

Alabama	Kentucky	New York
Arizona	Louisiana	(2 funds)
California	Maryland	North Carolina
(4 funds)10	Massachusetts	Ohio
Colorado	Michigan	Oregon
Connecticut	Minnesota	Pennsylvania
Florida	Missouri	Tennessee
Georgia	New Jersey	Virginia

### **INSURANCE FUNDS**

Franklin Templeton Variable Insurance Products Trust<sup>11</sup>

- 1. The fund is closed to new investors. Existing shareholders and select retirement plans may add to their accounts.
- 2. The fund is a continuously offered, closed-end fund. Shares may be purchased daily; there is no daily redemption. However, each quarter, pending board approval, the fund will authorize the repurchase of 5%–25% of the outstanding number of shares. Investors may tender all or a portion of their shares during the tender period.
- 3. Effective 6/3/13, the fund closed to new investors, with limited exceptions.
- 4. Effective 6/28/13, the fund closed to new investors. Existing shareholders and select retirement plans may add to their accounts.
- 5. Effective 5/1/13, the Franklin Templeton Retirement Target Funds changed their names to Franklin LifeSmart Retirement Target Funds. The funds' investment goals and principal investment strategies remained unchanged. These funds' target dates are in five-year increments.
- 6. An investment in the fund is neither insured nor guaranteed by the U.S. government or by any other entity or institution.
- 7. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.
- 8. The fund is closed to all new investments (other than reinvestment of dividends and capital gains distributions).
- 9. The fund invests primarily in insured municipal securities.
- 10. Effective at the close of market 3/1/13, Franklin Insured Tax-Free Income Fund and Franklin California Insured Tax-Free Income Fund closed to all new investments (other than reinvestment of dividends and capital gains distributions).
- 11. The funds of the Franklin Templeton Variable Insurance Products Trust are generally available only through insurance company variable contracts.

VALUE BLEND GROWTH SECTOR GLOBAL INTERNATIONAL HYBRID ASSET ALLOCATION FIXED INCOME TAX-FREE INCOM



### < GAIN FROM OUR PERSPECTIVE® >

Annual Report and Shareholder Letter TEMPLETON GROWTH FUND, INC.

#### **Investment Manager**

Templeton Global Advisors Limited

#### Distributor

Franklin Templeton Distributors, Inc. (800) DIAL BEN®/342-5236 franklintempleton.com

#### **Shareholder Services**

(800) 632-2301

Authorized for distribution only when accompanied or preceded by a summary prospectus and/or prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. A prospectus contains this and other information; please read it carefully before investing.

To ensure the highest quality of service, telephone calls to or from our service departments may be monitored, recorded and accessed. These calls can be identified by the presence of a regular beeping tone.