

ANNUAL REPORT AND SHAREHOLDER LETTER

# TEMPLETON FOREIGN FUND

A Series of Templeton Funds

August 31, 2020



FRANKLIN  
TEMPLETON

**Internet Delivery of Fund Reports Unless You Request Paper Copies:** Effective January 1, 2021, as permitted by the SEC, paper copies of the Fund's shareholder reports will no longer be sent by mail, unless you specifically request them from the Fund or your financial intermediary. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. If you have not signed up for electronic delivery, we would encourage you to join fellow shareholders who have. You may elect to receive shareholder reports and other communications electronically from the Fund by calling (800) 632-2301 or by contacting your financial intermediary.

You may elect to continue to receive paper copies of all your future shareholder reports free of charge by contacting your financial intermediary or, if you invest directly with a Fund, calling (800) 632-2301 to let the Fund know of your request. Your election to receive reports in paper will apply to all funds held in your account.

# SHAREHOLDER LETTER

Dear Shareholder:

During the 12 months ended August 31, 2020, global economic growth weakened significantly as a result of the novel coronavirus (COVID-19) pandemic and subsequent economic lockdowns imposed by many governments around the world. Global stocks advanced during the period, however, as a result of gains prior to the pandemic combined with increased investor confidence later in the period as many economies began to reopen. Many central banks took significant actions to bolster economic growth during the period. The U.S. Federal Reserve cut the federal funds target rate range four times to 0.00%–0.25% and initiated massive quantitative easing measures. The European Central Bank left its key interest rate unchanged but lowered the deposit rate, resumed buying bonds and announced an emergency asset purchase plan. In this environment, stocks in global developed and emerging markets excluding the U.S. posted positive total returns, as measured by the MSCI All Country World Index ex USA Index.

We are committed to our long-term perspective and disciplined investment approach as we conduct a rigorous, fundamental analysis of securities with a regular emphasis on investment risk management.

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. 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.

Templeton Foreign Fund's annual report includes more detail about prevailing conditions and a discussion about investment decisions during the period. Please remember all securities markets fluctuate, as do mutual fund share prices.

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,

Alan Bartlett  
Chief Investment Officer  
Templeton Equity Group

*This letter reflects our analysis and opinions as of August 31, 2020, unless otherwise indicated. The information is not a complete analysis of every aspect of any market, state, industry, security or fund. Statements of fact are from sources considered reliable.*

**Not FDIC Insured | May Lose Value | No Bank Guarantee**

# Contents

---

## Annual Report

Templeton Foreign Fund .....	3
Performance Summary .....	7
Your Fund's Expenses .....	10
Financial Highlights and Statement of Investments .....	11
Financial Statements .....	19
Notes to Financial Statements .....	23
Report of Independent Registered Public Accounting Firm .....	33
Tax Information .....	34
Board Members and Officers .....	35
Shareholder Information .....	40

Visit **franklintempleton.com** for fund updates, to access your account, or to find helpful financial planning tools.

# ANNUAL REPORT

## Templeton Foreign Fund

This annual report for Templeton Foreign Fund covers the fiscal year ended August 31, 2020.

### Your Fund's Goal and Main Investments

The Fund seeks long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in "foreign securities." These securities are predominantly equity securities of companies located outside the U.S., including developing markets.

### Performance Overview

The Fund's Class A shares posted a -2.76% cumulative total return for the 12 months under review. In comparison, the Fund's benchmark, the MSCI All Country World Index (ACWI) ex USA Index, which measures stock performance in global developed and emerging markets excluding the U.S., posted a +8.79% total return.<sup>1</sup> For the 10-year period ended Aug 31, 2020, the Fund's Class A shares posted a +37.86% cumulative total return, compared with the MSCI ACWI ex USA Index's +74.71% 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 beginning on page 7.

*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](http://franklintempleton.com) or call (800) 342-5236.*

### Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI ACWI, advanced during the 12-month period. Stocks gained for the first four months of the reporting period but fell sharply in early 2020 amid investor fears of a global economic slowdown due to the

### Geographic Composition 8/31/20

	% of Total Net Assets
Asia	45.7%
Europe	36.5%
North America	4.5%
Latin America & Caribbean	2.2%
Australia & New Zealand	0.4%
Short-Term Investments & Other Net Assets	10.7%

novel coronavirus (COVID-19) pandemic. Such fears drove many investors to sell equities and buy government bonds, cash and other investments perceived as safe. During the last five months of the period, global equities rebounded due to optimism about easing lockdown restrictions, vaccine development and government stimulus measures. Despite a second wave of infections and reintroduction of restrictions, as well as renewed tensions between the U.S. and China, positive investor sentiment and economic stimulus led global markets higher.

In the U.S., a strong labor market and solid consumer spending drove economic growth through February 2020. However, pandemic-related restrictions caused stiff headwinds for the economy, including mass layoffs that drove the unemployment rate to 14.7% in April.<sup>2</sup> According to the National Bureau of Economic Research, the longest U.S. economic expansion in history ended in February 2020, and the country slipped into a deep recession. Equities began to rebound in the spring amid declining jobless claims, rising retail sales and optimism about treatments and potential vaccines for COVID-19. Despite surging summer infection rates and dampened economic activity, which caused the second-quarter gross domestic product to decline at a record pace, resilient consumer spending in July and optimism about an economic rebound led equities higher. However, gains were concentrated in only a few sectors, including consumer staples, health care and information technology.

The U.S. Federal Reserve (Fed) lowered the federal funds target rate twice in late 2019 to a range of 1.50%–1.75% and implemented two emergency rate cuts in March 2020,

1. Source: Morningstar. As of 8/31/20, the Fund's Class A 10-year average annual total return not including the maximum sales charge was +3.26%, compared with the MSCI ACWI ex USA Index's 10-year average annual total return of +5.74%.

The index is unmanaged and includes reinvestment of any income or distributions. It does not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

2. Source: U.S. Bureau of Labor Statistics.

See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

**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 16.**

decreasing the rate to a range of 0.00%–0.25%. The Fed also enacted sweeping quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with unlimited amounts of bond purchasing. At the end of the period, the Fed announced a shift in inflation policy that could mean interest rates will potentially remain low, even amid low unemployment and rising inflation.

In the eurozone, forecasts of a significant contraction in 2020 mounted as the magnitude of the pandemic’s economic disruption became apparent. Nevertheless, European developed market equities, as measured by the MSCI Europe Index, advanced as some social distancing restrictions were removed and robust fiscal stimulus measures led to a significant rebound from the March 2020 lows.

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index, also advanced. Generally slow yet stable economic growth and easing trade tensions between the U.S. and China benefited the region, until the pandemic and lockdowns in China and other countries derailed economic growth. Sharp market declines were followed by a rebound, as economies reopened, aided by robust stimulus measures and many health care companies’ continued development of COVID-19 vaccines and treatments.

Emerging market stocks, as measured by the MSCI Emerging Markets Index, also advanced for the 12-month period despite steep pandemic-related declines, generally weaker currencies and lower energy prices, which hurt emerging market economies reliant on these exports. During the last five months of the reporting period, however, improving economic activity, higher oil prices and U.S. dollar weakness led emerging markets stocks to post strong gains, reversing earlier losses.

## 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. Our analysis includes an assessment of the potential impacts of material environmental, social and governance (ESG) factors on the long-term risk and return profile of a company. We also consider the company’s price/earnings ratio, price/cash flow ratio, profit margins and liquidation value.

## Top 10 Industries

8/31/20

	<b>% of Total Net Assets</b>
Pharmaceuticals	10.6%
Banks	8.6%
Semiconductors & Semiconductor Equipment	5.4%
Metals & Mining	5.3%
Oil, Gas & Consumable Fuels	5.0%
Automobiles	4.2%
Real Estate Management & Development	4.1%
Technology Hardware, Storage & Peripherals	3.3%
Food & Staples Retailing	3.2%
Diversified Financial Services	3.1%

## Manager’s Discussion

The 12 months under review encompassed a volatile and challenging period for price-disciplined investors. Market leadership was concentrated among a handful of the biggest large-capitalization technology and e-commerce stocks that saw their market capitalizations and valuations soar to new records. The period was punctuated by a severe bear market and global recession stemming from the COVID-19-related economic shutdown, though official intervention prompted a quick recovery and the darlings of the first half of the period reasserted their leadership. The market seemed unhealthy and distorted in our view, divorced as it was from economic and fundamental realities. In this unique environment, we identified major risks in both tails of the market. On the one hand, resilient high-profile stocks traded at elevated valuations that bode poorly for long-term returns, in our view. On the other, many optically inexpensive stocks were comprised of companies that carried excessive balance sheet and operational risks, in our opinion, and might struggle to survive a renewed downturn.

Our strategy in this environment has been diversification amongst different value types, economic exposure and risk profiles. We reduced exposure to some cyclical sectors where companies appeared structurally challenged, despite being optically inexpensive. We also made selective investments in stocks in economically- and pandemic-exposed industries that we believe had been oversold. We were able to increase exposure to more cyclical stocks for two reasons. First, our fundamental focus allowed us to confidently assess balance sheet and liquidity risk. And second, we were simultaneously increasing the Fund’s defensive exposures by raising cash equivalents including time deposits in foreign currencies, taking long positions

**Top 10 Holdings**

8/31/20

<b>Company Industry, Country</b>	<b>% of Total Net Assets</b>
Takeda Pharmaceutical Co. Ltd. <i>Pharmaceuticals, Japan</i>	3.4%
Samsung Electronics Co. Ltd. <i>Technology Hardware, Storage &amp; Peripherals, South Korea</i>	3.3%
Bayer AG <i>Pharmaceuticals, Germany</i>	3.2%
Taiwan Semiconductor Manufacturing Co. Ltd. <i>Semiconductors &amp; Semiconductor Equipment, Taiwan</i>	3.0%
Berkshire Hathaway, Inc. <i>Diversified Financial Services, United States</i>	2.6%
NXP Semiconductors NV <i>Semiconductors &amp; Semiconductor Equipment, Netherlands</i>	2.4%
CK Hutchison Holdings Ltd. <i>Industrial Conglomerates, United Kingdom</i>	2.3%
Wheaton Precious Metals Corp. <i>Metals &amp; Mining, Brazil</i>	2.2%
KB Financial Group, Inc. <i>Banks, South Korea</i>	2.2%
Sanofi <i>Pharmaceuticals, France</i>	2.0%

in the Japanese yen (a generally considered global safe haven), holding uncorrelated assets like precious metals stocks and rotating more generally into higher quality companies across a range of sectors. The result, in our view, was a more dynamic, flexible and genuinely diverse value portfolio. We continue to believe that flexibility, creativity and true diversification within a value framework are appropriate in this extended and uncertain market environment.

Looking at the Fund more closely, relative underperformance during the period was largely attributable to stock selection in the communication services sector. Luxembourg-based satellite operator SES (not held at period-end) was the sector's biggest laggard, declining after the firm issued disappointing guidance. An overweight position in the energy sector also detracted during a period when oil prices came under significant pressure as demand withered during the pandemic-related economic shutdown and disagreements on supply management from major producers exacerbated the imbalance. Within the sector, we have reduced exposure to firms with excessive operational and financial leverage in favor of large integrated oil producers whose attractive dividends and improved capital discipline can help weather a downturn. We are also focused on cost position and production economics, favoring companies with low breakeven rates that can self-fund capex and stay cash flow positive even in a volatile oil price environment.

Turning to contributors, strong stock selection in the utilities sector aided performance, led by German power supplier E.On. Shares rallied after the firm maintained full-year guidance despite uncertainty surrounding the coronavirus pandemic. At the security level, Canadian mine financing firm Wheaton Precious Metals – a materials sector constituent – was the Fund's top contributor during the year, rallying as the price of gold rose to a record high in nominal terms.

From a regional standpoint, stock selection in Asia offset a positive overweight allocation, pressured by weakness in China and Hong Kong. In Europe, relative weakness in the UK offset relative strength in Spain and the Netherlands.

**Top 10 Countries**

8/31/20

	<b>% of Total Net Assets</b>
Japan	24.4%
United Kingdom	9.3%
Germany	8.0%
Netherlands	7.3%
South Korea	6.5%
Hong Kong	4.9%
China	4.5%
France	4.4%
United States	3.8%
Taiwan	3.0%

It is important to recognize the effect of currency movements on the Fund's performance. In general, if the value of the U.S. dollar goes up compared with a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer U.S. dollars. This can have a negative effect on Fund performance. Conversely, when the U.S. dollar weakens in relation to a foreign currency, an investment traded in that foreign currency will increase in value, which can contribute to Fund performance. For the 12 months ended August 31, 2020, the U.S. dollar declined in value relative to most currencies. As a result, the Fund's performance was positively affected by the portfolio's investment predominantly in securities with non-U.S. currency exposure. However, one cannot expect the same result in future periods.

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

Christopher James Peel, CFA

Herbert J. Arnett, Jr.

Peter M. Moeschter, CFA

Warren Pustam, CFA

Portfolio Management Team

---

*The foregoing information reflects our analysis, opinions and portfolio holdings as of August 31, 2020, 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, state, 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 August 31, 2020

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. 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.

### Performance as of 8/31/20<sup>1</sup>

*Cumulative total return excludes sales charges. Average annual total return includes maximum sales charges. Sales charges will vary depending on the size of the investment and the class of share purchased. The maximum is 5.50% and the minimum is 0%. **Class A:** 5.50% maximum initial sales charge; **Advisor Class:** no sales charges. For other share classes, visit [franklintempleton.com](http://franklintempleton.com).*

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>
<b>A<sup>4</sup></b>		
1-Year	-2.76%	-8.05%
5-Year	+2.70%	-0.59%
10-Year	+37.86%	+2.68%
<b>Advisor</b>		
1-Year	-2.57%	-2.57%
5-Year	+3.89%	+0.77%
10-Year	+41.36%	+3.52%

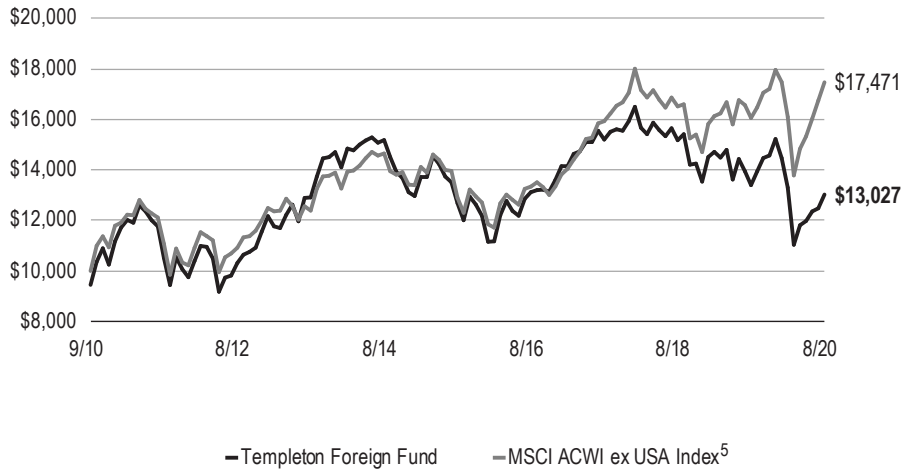
*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [franklintempleton.com](http://franklintempleton.com)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

See page 9 for Performance Summary footnotes.

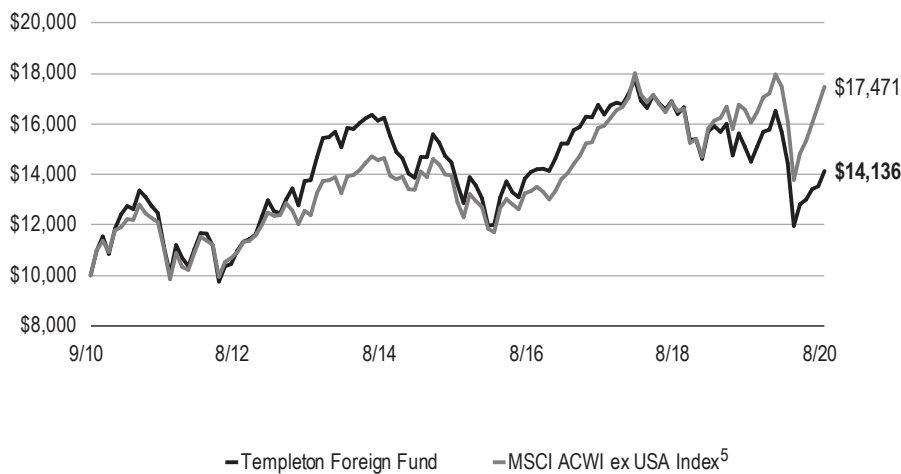
### Total Return Index Comparison for a Hypothetical \$10,000 Investment<sup>1</sup>

Total return represents the change in value of an investment over the periods shown. It includes any 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.

**Class A** (9/1/10–8/31/20)



**Advisor Class** (9/1/10–8/31/20)



See page 9 for Performance Summary footnotes.

## Distributions (9/1/19–8/31/20)

Share Class	Net Investment Income
A	\$0.2408
C	\$0.1708
R	\$0.2253
R6	\$0.2721
Advisor	\$0.2581

## Total Annual Operating Expenses<sup>6</sup>

Share Class	With Fee Waiver	Without Fee Waiver
A	1.10%	1.15%
Advisor	0.85%	0.90%

Each class of shares is available to certain eligible investors and has different annual fees and expenses, as described in the prospectus.

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 developing markets involve heightened risks related to the same factors. Currency rates may fluctuate significantly over short periods of time, and can reduce returns. Because the Fund may invest its assets in companies in a specific region, including Europe, it is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Current political uncertainty concerning the economic consequences of the departure of the United Kingdom from the European Union may increase market volatility. Derivatives, including currency management strategies, involve costs and can create economic leverage in the portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as enable gains) on an amount that exceeds the Fund's initial investment. The Fund may not achieve the anticipated benefits, and may realize losses when a counterparty fails to perform as promised. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. The Fund's prospectus also includes a description of the main investment risks.

1. The Fund has an expense reduction contractually guaranteed through 12/31/20. Fund investment results reflect the expense reduction; without this reduction, the results would have been lower.
2. Cumulative total return represents the change in value of an investment over the periods indicated.
3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Return for less than one year, if any, has not been annualized.
4. Prior to 9/10/18 these shares were offered at a higher initial sales charge of 5.75%, thus actual returns (with sales charges) would have differed. Average annual total returns (with sales charges) have been restated to reflect the current maximum initial sales charge of 5.50%.
5. Source: Morningstar. The MSCI ACWI ex USA Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed and emerging markets, excluding the U.S.
6. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Financial Highlights sections in this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown. See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

## Your Fund’s Expenses

As a Fund shareholder, you can incur two types of costs: (1) transaction costs, including sales charges (loads) on Fund purchases and redemptions; and (2) 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 table below 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 table below provides information about actual account values and actual expenses in the columns under the heading “Actual.” In these columns the Fund’s actual return, which includes the effect of Fund expenses, is used to calculate the “Ending Account Value” for each class of shares. 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*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then  $\$8,600 \div \$1,000 = 8.6$* ). Then multiply the result by the number in the row for your class of shares under the headings “Actual” and “Expenses Paid During Period” (*if Actual Expenses Paid During Period were \$7.50, then  $8.6 \times \$7.50 = \$64.50$* ). In this illustration, the actual expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Under the heading “Hypothetical” in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund’s actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund’s actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example for the class of shares you hold with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading “Hypothetical” is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

Share Class	Beginning Account Value 3/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 8/31/20	Expenses Paid During Period 3/1/20–8/31/20 <sup>1,2</sup>	Ending Account Value 8/31/20	Expenses Paid During Period 3/1/20–8/31/20 <sup>1,2</sup>	
A	\$1,000	\$979.50	\$5.49	\$1,019.59	\$5.61	1.10%
C	\$1,000	\$976.30	\$9.19	\$1,015.84	\$9.37	1.85%
R	\$1,000	\$977.50	\$6.73	\$1,018.33	\$6.87	1.35%
R6	\$1,000	\$980.80	\$3.41	\$1,021.70	\$3.48	0.68%
Advisor	\$1,000	\$979.20	\$4.25	\$1,020.84	\$4.34	0.85%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

# Financial Highlights

## Templeton Foreign Fund

	Year Ended August 31,				
	2020	2019	2018	2017	2016
<b>Class A</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$6.61	\$7.69	\$7.81	\$6.87	\$6.74
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.10	0.19	0.12	0.11	0.11
Net realized and unrealized gains (losses) . . . . .	(0.25)	(1.09)	(0.13)	0.96	0.11
Total from investment operations . . . . .	(0.15)	(0.90)	(0.01)	1.07	0.22
Less distributions from:					
Net investment income . . . . .	(0.24)	(0.18)	(0.11)	(0.13)	(0.09)
Net realized gains . . . . .	—	—	—	—	(—) <sup>c</sup>
Total distributions . . . . .	(0.24)	(0.18)	(0.11)	(0.13)	(0.09)
Net asset value, end of year . . . . .	\$6.22	\$6.61	\$7.69	\$7.81	\$6.87
Total return <sup>d</sup> . . . . .	(2.76)%	(11.73)%	(0.15)%	15.83%	3.46%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.19%	1.15%	1.16%	1.21%	1.22%
Expenses net of waiver and payments by affiliates . . . . .	1.10%	1.08%	1.11% <sup>e</sup>	1.21% <sup>e,f</sup>	1.22% <sup>e,f</sup>
Net investment income . . . . .	1.55%	2.69%	1.54%	1.55%	1.66%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$1,766,365	\$2,395,260	\$2,929,181	\$3,287,394	\$3,644,336
Portfolio turnover rate . . . . .	42.37%	30.81%	23.01%	42.56%	22.89%

<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's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>c</sup>Amount rounds to less than \$0.01 per share.

<sup>d</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.

<sup>e</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>f</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

**Templeton Foreign Fund** (continued)

	Year Ended August 31,				
	2020	2019	2018	2017	2016
<b>Class C</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$6.54	\$7.49	\$7.60	\$6.69	\$6.56
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.05	0.12	0.06	0.05	0.06
Net realized and unrealized gains (losses) . . . . .	(0.25)	(1.05)	(0.12)	0.94	0.11
Total from investment operations . . . . .	(0.20)	(0.93)	(0.06)	0.99	0.17
Less distributions from:					
Net investment income . . . . .	(0.17)	(0.02)	(0.05)	(0.08)	(0.04)
Net realized gains . . . . .	—	—	—	—	(—) <sup>c</sup>
Total distributions . . . . .	(0.17)	(0.02)	(0.05)	(0.08)	(0.04)
Net asset value, end of year . . . . .	\$6.17	\$6.54	\$7.49	\$7.60	\$6.69
Total return <sup>d</sup> . . . . .	(3.42)%	(12.40)%	(0.79)%	14.92%	2.64%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.94%	1.90%	1.91%	1.96%	1.97%
Expenses net of waiver and payments by affiliates . . . . .	1.85%	1.83%	1.86% <sup>e</sup>	1.96% <sup>e,f</sup>	1.97% <sup>e,f</sup>
Net investment income . . . . .	0.81%	1.94%	0.79%	0.80%	0.91%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$54,093	\$87,160	\$281,640	\$346,032	\$397,512
Portfolio turnover rate . . . . .	42.37%	30.81%	23.01%	42.56%	22.89%

<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's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>c</sup>Amount rounds to less than \$0.01 per share.

<sup>d</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.

<sup>e</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>f</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

Templeton Foreign Fund (continued)

	Year Ended August 31,				
	2020	2019	2018	2017	2016
<b>Class R</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$6.47	\$7.53	\$7.65	\$6.73	\$6.61
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.08	0.17	0.10	0.09	0.09
Net realized and unrealized gains (losses) . . . . .	(0.24)	(1.07)	(0.12)	0.94	0.10
Total from investment operations . . . . .	(0.16)	(0.90)	(0.02)	1.03	0.19
Less distributions from:					
Net investment income . . . . .	(0.23)	(0.16)	(0.10)	(0.11)	(0.07)
Net realized gains . . . . .	—	—	—	—	(—) <sup>c</sup>
Total distributions . . . . .	(0.23)	(0.16)	(0.10)	(0.11)	(0.07)
Net asset value, end of year . . . . .	\$6.08	\$6.47	\$7.53	\$7.65	\$6.73
Total return . . . . .	(3.03)%	(11.96)%	(0.32)%	15.57%	3.10%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.44%	1.40%	1.41%	1.46%	1.47%
Expenses net of waiver and payments by affiliates . . . . .	1.35%	1.33%	1.36% <sup>d</sup>	1.46% <sup>d,e</sup>	1.47% <sup>d,e</sup>
Net investment income . . . . .	1.33%	2.44%	1.29%	1.30%	1.41%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$109,187	\$127,546	\$148,638	\$153,516	\$159,802
Portfolio turnover rate . . . . .	42.37%	30.81%	23.01%	42.56%	22.89%

<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's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>c</sup>Amount rounds to less than \$0.01 per share.

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

<sup>e</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

Templeton Foreign Fund (continued)

	Year Ended August 31,				
	2020	2019	2018	2017	2016
<b>Class R6</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$6.51	\$7.58	\$7.70	\$6.78	\$6.66
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.12	0.22	0.15	0.16	0.14
Net realized and unrealized gains (losses) . . . . .	(0.24)	(1.08)	(0.12)	0.93	0.11
Total from investment operations . . . . .	(0.12)	(0.86)	0.03	1.09	0.25
Less distributions from:					
Net investment income . . . . .	(0.27)	(0.21)	(0.15)	(0.17)	(0.13)
Net realized gains . . . . .	—	—	—	—	(—) <sup>c</sup>
Total distributions . . . . .	(0.27)	(0.21)	(0.15)	(0.17)	(0.13)
Net asset value, end of year . . . . .	\$6.12	\$6.51	\$7.58	\$7.70	\$6.78
Total return . . . . .	(2.38)%	(11.34)%	0.24%	16.52%	3.92%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.79%	0.77%	0.73%	0.74%	0.72%
Expenses net of waiver and payments by affiliates . . . . .	0.70%	0.68%	0.68% <sup>d</sup>	0.73% <sup>d</sup>	0.72% <sup>d,e</sup>
Net investment income . . . . .	1.96%	3.09%	1.97%	2.03%	2.16%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$594,452	\$906,474	\$1,496,328	\$1,757,902	\$880,092
Portfolio turnover rate . . . . .	42.37% <sup>f</sup>	30.81%	23.01%	42.56%	22.89%

<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's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>c</sup>Amount rounds to less than \$0.01 per share.

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

<sup>e</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

<sup>f</sup>Excludes the value of portfolio securities received as a result of a subscription in-kind. See Note 11.



Templeton Foreign Fund (continued)

	Year Ended August 31,				
	2020	2019	2018	2017	2016
<b>Advisor Class</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$6.51	\$7.58	\$7.70	\$6.78	\$6.66
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.11	0.20	0.14	0.13	0.12
Net realized and unrealized gains (losses) . . . . .	(0.24)	(1.07)	(0.12)	0.94	0.11
Total from investment operations . . . . .	(0.13)	(0.87)	0.02	1.07	0.23
Less distributions from:					
Net investment income . . . . .	(0.26)	(0.20)	(0.14)	(0.15)	(0.11)
Net realized gains . . . . .	—	—	—	—	(—) <sup>c</sup>
Total distributions . . . . .	(0.26)	(0.20)	(0.14)	(0.15)	(0.11)
Net asset value, end of year . . . . .	\$6.12	\$6.51	\$7.58	\$7.70	\$6.78
Total return . . . . .	(2.57)%	(11.53)%	0.16%	16.10%	3.65%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.94%	0.90%	0.91%	0.96%	0.97%
Expenses net of waiver and payments by affiliates . . . . .	0.85%	0.83%	0.86% <sup>d</sup>	0.96% <sup>d,e</sup>	0.97% <sup>d,e</sup>
Net investment income . . . . .	1.79%	2.94%	1.79%	1.80%	1.91%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$857,179	\$857,482	\$1,627,827	\$1,717,937	\$1,125,431
Portfolio turnover rate . . . . .	42.37%	30.81%	23.01%	42.56%	22.89%

<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's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

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

<sup>c</sup>Amount rounds to less than \$0.01 per share.

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

<sup>e</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

## Statement of Investments, August 31, 2020

## Templeton Foreign Fund

	Industry	Shares	Value
<b>Common Stocks 89.3%</b>			
<b>Australia 0.4%</b>			
Downer EDI Ltd. . . . .	Commercial Services & Supplies	4,344,020	\$14,361,785
<b>Belgium 0.5%</b>			
<sup>a</sup> Galapagos NV . . . . .	Biotechnology	135,550	18,197,897
<b>Brazil 2.2%</b>			
Wheaton Precious Metals Corp. . . . .	Metals & Mining	1,387,641	74,128,123
<b>Canada 0.7%</b>			
Husky Energy, Inc. . . . .	Oil, Gas & Consumable Fuels	6,964,335	23,552,697
<b>China 4.5%</b>			
<sup>a</sup> Alibaba Group Holding Ltd. . . . .	Internet & Direct Marketing Retail	1,353,290	48,711,786
<sup>a</sup> Baidu, Inc., ADR . . . . .	Interactive Media & Services	437,438	54,491,652
Sinopec Engineering Group Co. Ltd., H . . . . .	Construction & Engineering	53,179,380	23,559,203
Sinopharm Group Co. Ltd., H . . . . .	Health Care Providers & Services	10,403,069	25,544,254
			152,306,895
<b>Denmark 0.6%</b>			
AP Moller - Maersk A/S, B . . . . .	Marine	13,658	20,927,466
<b>France 4.4%</b>			
Cie Generale des Etablissements Michelin SCA. . . . .	Auto Components	478,220	54,160,702
<sup>a</sup> Dassault Aviation SA. . . . .	Aerospace & Defense	29,680	26,883,247
Sanofi. . . . .	Pharmaceuticals	662,306	67,081,328
			148,125,277
<b>Germany 8.0%</b>			
Bayer AG . . . . .	Pharmaceuticals	1,611,842	107,202,416
Bayerische Motoren Werke AG . . . . .	Automobiles	679,583	48,968,421
<sup>b,c</sup> Covestro AG, 144A, Reg S . . . . .	Chemicals	645,759	30,784,648
E.ON SE. . . . .	Multi-Utilities	5,693,589	67,430,934
Siemens AG . . . . .	Industrial Conglomerates	121,128	16,783,473
			271,169,892
<b>Hong Kong 4.9%</b>			
AIA Group Ltd. . . . .	Insurance	6,377,332	65,334,639
CK Asset Holdings Ltd. . . . .	Real Estate Management & Development	11,737,636	63,708,713
Swire Pacific Ltd., A . . . . .	Real Estate Management & Development	4,628,592	25,204,674
Value Partners Group Ltd. . . . .	Capital Markets	22,084,479	10,111,777
			164,359,803
<b>India 1.7%</b>			
Housing Development Finance Corp. Ltd. . . . .	Thriffs & Mortgage Finance	2,238,490	56,104,480
<b>Japan 24.4%</b>			
Hitachi Ltd. . . . .	Electronic Equipment, Instruments & Components	1,873,484	62,333,871
Honda Motor Co. Ltd. . . . .	Automobiles	1,442,535	36,728,643
Isuzu Motors Ltd. . . . .	Automobiles	5,596,186	55,300,118
Kirin Holdings Co. Ltd. . . . .	Beverages	3,275,401	64,395,453
Komatsu Ltd. . . . .	Machinery	1,909,447	41,577,358
Matsumotokiyoshi Holdings Co. Ltd. . . . .	Food & Staples Retailing	1,477,124	51,776,422
Mitsui Fudosan Co. Ltd. . . . .	Real Estate Management & Development	2,714,683	49,113,287
Nippon Television Holdings, Inc. . . . .	Media	1,135,496	13,396,422
Seria Co. Ltd. . . . .	Multiline Retail	778,437	34,424,810
Sony Corp. . . . .	Household Durables	676,490	52,977,148
Sumitomo Metal Mining Co. Ltd. . . . .	Metals & Mining	1,834,193	55,958,232

Templeton Foreign Fund (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Japan</b> (continued)			
Sumitomo Mitsui Financial Group, Inc.	Banks	1,817,763	\$53,456,699
Sundrug Co. Ltd.	Food & Staples Retailing	1,543,699	57,452,704
Takeda Pharmaceutical Co. Ltd.	Pharmaceuticals	3,119,640	116,333,675
Tokyo Broadcasting System Holdings, Inc.	Media	1,244,108	21,489,254
Topcon Corp.	Electronic Equipment, Instruments & Components	253,200	2,035,705
Tosoh Corp.	Chemicals	1,668,581	24,687,299
Toyota Industries Corp.	Auto Components	542,036	31,488,670
			824,925,770
<b>Luxembourg 1.4%</b>			
<sup>a</sup> ArcelorMittal SA	Metals & Mining	3,864,382	48,676,474
<b>Netherlands 7.3%</b>			
EXOR NV	Diversified Financial Services	305,979	18,045,390
<sup>b</sup> cFlow Traders, 144A, Reg S	Capital Markets	891,815	35,118,693
<sup>a</sup> ING Groep NV	Banks	5,940,645	48,485,914
NXP Semiconductors NV	Semiconductors & Semiconductor Equipment	640,168	80,507,528
SBM Offshore NV	Energy Equipment & Services	3,753,945	64,774,033
			246,931,558
<b>Norway 1.8%</b>			
Equinor ASA	Oil, Gas & Consumable Fuels	3,695,145	59,788,977
<b>Portugal 1.0%</b>			
Galp Energia SGPS SA, B	Oil, Gas & Consumable Fuels	3,282,907	35,250,897
<b>South Korea 6.5%</b>			
KB Financial Group, Inc.	Banks	2,449,027	76,005,946
Samsung Electronics Co. Ltd.	Technology Hardware, Storage & Peripherals	2,467,300	112,065,026
Shinhan Financial Group Co. Ltd.	Banks	1,246,900	31,043,583
			219,114,555
<b>Spain 0.2%</b>			
<sup>a</sup> Tecnicas Reunidas SA	Energy Equipment & Services	460,913	5,887,043
<b>Switzerland 2.0%</b>			
Roche Holding AG	Pharmaceuticals	193,404	67,652,659
<b>Taiwan 3.0%</b>			
Taiwan Semiconductor Manufacturing Co. Ltd.	Semiconductors & Semiconductor Equipment	6,886,510	100,239,915
<b>Thailand 0.7%</b>			
Kasikornbank PCL	Banks	8,155,140	22,204,837
<b>United Kingdom 9.3%</b>			
BAE Systems plc	Aerospace & Defense	6,452,250	44,786,998
BP plc.	Oil, Gas & Consumable Fuels	14,233,472	49,651,877
CK Hutchison Holdings Ltd.	Industrial Conglomerates	11,680,836	76,394,783
Imperial Brands plc	Tobacco	3,181,295	53,072,843
<sup>a</sup> Standard Chartered plc	Banks	11,407,711	59,444,663
Vodafone Group plc	Wireless Telecommunication Services	21,216,149	31,104,553
			314,455,717
<b>United States 3.8%</b>			
Avnet, Inc.	Electronic Equipment, Instruments & Components	979,770	26,953,473
<sup>a</sup> Berkshire Hathaway, Inc., B.	Diversified Financial Services	402,541	87,770,040

Templeton Foreign Fund (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>United States</b> (continued)			
<sup>a</sup> Booking Holdings, Inc. . . . .	Internet & Direct Marketing Retail	7,527	\$14,379,957
ManpowerGroup, Inc. . . . .	Professional Services	4,656	341,331
			<u>129,444,801</u>
<b>Total Common Stocks (Cost \$2,921,287,386)</b> . . . . .			<u><b>3,017,807,518</b></u>
 <b>Short Term Investments 4.8%</b>			
		Principal Amount <sup>c</sup>	Value
<b>Time Deposits 4.8%</b>			
<b>Canada 2.0%</b>			
National Bank of Canada, 0.05%, 9/01/20 . . . . .		8,000,000	8,000,000
Royal Bank of Canada, 0.06%, 9/01/20		60,000,000	60,000,000
			<u>68,000,000</u>
<b>France 2.8%</b>			
BNP Paribas SA, 0.07%, 9/01/20 . . . . .		95,000,000	95,000,000
			<u>95,000,000</u>
<b>Total Time Deposits (Cost \$163,000,000)</b> . . . . .			<u><b>163,000,000</b></u>
<b>Total Short Term Investments (Cost \$163,000,000)</b> . . . . .			<u><b>163,000,000</b></u>
<b>Total Investments (Cost \$3,084,287,386) 94.1%</b> . . . . .			<u><b>\$3,180,807,518</b></u>
<b>Other Assets, less Liabilities 5.9%</b> . . . . .			<u><b>200,469,513</b></u>
<b>Net Assets 100.0%</b> . . . . .			<u><b>\$3,381,277,031</b></u>

See Abbreviations on page 32.

The principal amount is stated in U.S. dollars unless otherwise indicated.

<sup>a</sup>Non-income producing.

<sup>b</sup>Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. At August 31, 2020, the aggregate value of these securities was \$65,903,341, representing 1.9% of net assets.

<sup>c</sup>Security was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States. Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At August 31, 2020, the aggregate value of these securities was \$65,903,341, representing 1.9% of net assets.

## Statement of Assets and Liabilities

August 31, 2020

**Templeton  
Foreign Fund**

<b>Assets:</b>	
Investments in securities:	
Cost - Unaffiliated issuers . . . . .	\$3,084,287,386
Value - Unaffiliated issuers . . . . .	\$3,180,807,518
Cash . . . . .	430,311
Foreign currency, at value (cost \$183,275,803). . . . .	186,725,272
Receivables:	
Investment securities sold . . . . .	2,239,176
Capital shares sold . . . . .	9,155,497
Dividends and interest . . . . .	14,664,497
European Union tax reclaims . . . . .	6,212,213
Other assets . . . . .	2,352
Total assets . . . . .	<u>3,400,236,836</u>
<b>Liabilities:</b>	
Payables:	
Investment securities purchased . . . . .	1,168,874
Capital shares redeemed . . . . .	14,301,550
Management fees . . . . .	1,851,126
Distribution fees . . . . .	467,020
Transfer agent fees . . . . .	67,316
Deferred tax . . . . .	448,926
Accrued expenses and other liabilities . . . . .	654,993
Total liabilities . . . . .	<u>18,959,805</u>
Net assets, at value . . . . .	<u>\$3,381,277,031</u>
<b>Net assets consist of:</b>	
Paid-in capital . . . . .	\$4,100,634,560
Total distributable earnings (losses) . . . . .	<u>(719,357,529)</u>
Net assets, at value . . . . .	<u>\$3,381,277,031</u>

## Statement of Assets and Liabilities (continued)

August 31, 2020

	<b>Templeton Foreign Fund</b>
<b>Class A:</b>	
Net assets, at value .....	\$1,766,365,273
Shares outstanding .....	283,895,991
Net asset value per share <sup>a</sup> .....	\$6.22
Maximum offering price per share (net asset value per share + 94.50%) .....	\$6.58
<b>Class C:</b>	
Net assets, at value .....	\$54,093,173
Shares outstanding .....	8,773,760
Net asset value and maximum offering price per share <sup>a</sup> .....	\$6.17
<b>Class R:</b>	
Net assets, at value .....	\$109,187,371
Shares outstanding .....	17,951,625
Net asset value and maximum offering price per share .....	\$6.08
<b>Class R6:</b>	
Net assets, at value .....	\$594,452,481
Shares outstanding .....	97,157,098
Net asset value and maximum offering price per share .....	\$6.12
<b>Advisor Class:</b>	
Net assets, at value .....	\$857,178,733
Shares outstanding .....	139,959,919
Net asset value and maximum offering price per share .....	\$6.12

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

## Statement of Operations

for the year ended August 31, 2020

**Templeton  
Foreign Fund**

Investment income:	
Dividends: (net of foreign taxes of \$12,102,917)	
Unaffiliated issuers . . . . .	\$100,162,167
Interest:	
Unaffiliated issuers . . . . .	1,572,180
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates) . . . . .	11,001
Non-controlled affiliates (Note 3f) . . . . .	682
Total investment income . . . . .	101,746,030
Expenses:	
Management fees (Note 3a) . . . . .	26,519,456
Distribution fees: (Note 3c)	
Class A . . . . .	5,370,403
Class C . . . . .	700,261
Class R . . . . .	589,639
Transfer agent fees: (Note 3e)	
Class A . . . . .	4,232,390
Class C . . . . .	136,998
Class R . . . . .	233,046
Class R6 . . . . .	424,881
Advisor Class . . . . .	1,401,348
Custodian fees (Note 4) . . . . .	534,639
Reports to shareholders . . . . .	590,137
Registration and filing fees . . . . .	121,195
Professional fees . . . . .	165,369
Trustees' fees and expenses . . . . .	221,872
Other . . . . .	70,007
Total expenses . . . . .	41,311,641
Expenses waived/paid by affiliates (Note 3f and 3g) . . . . .	(3,404,032)
Net expenses . . . . .	37,907,609
Net investment income . . . . .	63,838,421
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers . . . . .	(492,630,222)
Written options . . . . .	920,265
Foreign currency transactions . . . . .	(7,976,604)
Net realized gain (loss) . . . . .	(499,686,561)
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers . . . . .	349,061,887
Translation of other assets and liabilities denominated in foreign currencies . . . . .	4,999,700
Change in deferred taxes on unrealized appreciation . . . . .	(448,926)
Net change in unrealized appreciation (depreciation) . . . . .	353,612,661
Net realized and unrealized gain (loss) . . . . .	(146,073,900)
Net increase (decrease) in net assets resulting from operations . . . . .	\$(82,235,479)

## Statements of Changes in Net Assets

	Templeton Foreign Fund	
	Year Ended August 31, 2020	Year Ended August 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income . . . . .	\$63,838,421	\$155,694,905
Net realized gain (loss) . . . . .	(499,686,561)	(43,002,011)
Net change in unrealized appreciation (depreciation) . . . . .	353,612,661	(771,601,065)
Net increase (decrease) in net assets resulting from operations . . . . .	(82,235,479)	(658,908,171)
Distributions to shareholders:		
Class A . . . . .	(79,858,470)	(68,150,133)
Class C . . . . .	(1,948,865)	(366,884)
Class R . . . . .	(4,201,944)	(3,143,046)
Class R6 . . . . .	(35,631,273)	(42,923,315)
Advisor Class . . . . .	(28,374,973)	(34,608,197)
Total distributions to shareholders . . . . .	(150,015,525)	(149,191,575)
Capital share transactions: (Note 2)		
Class A . . . . .	(507,216,275)	(130,959,980)
Class C . . . . .	(29,035,746)	(173,447,242)
Class R . . . . .	(11,200,337)	(443,226)
Class R6 . . . . .	(247,767,572)	(407,314,077)
Advisor Class . . . . .	34,825,853	(589,427,189)
Total capital share transactions . . . . .	(760,394,077)	(1,301,591,714)
Net increase (decrease) in net assets . . . . .	(992,645,081)	(2,109,691,460)
Net assets:		
Beginning of year . . . . .	4,373,922,112	6,483,613,572
End of year . . . . .	\$3,381,277,031	\$4,373,922,112



# Notes to Financial Statements

## Templeton Foreign Fund

### 1. Organization and Significant Accounting Policies

Templeton Funds (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of three separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Templeton Foreign Fund (Fund) is included in this report. The Fund offers five classes of shares: Class A, Class C, Class R, Class R6 and Advisor Class. Class C shares automatically convert to Class A shares after they have been held for 10 years. Each class of shares may differ by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees 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. The Fund calculates the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The Fund may 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 as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time 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.

Investments in open-end mutual funds are valued at the closing NAV. Investments in time deposits are valued at cost, which approximates fair 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 Fund 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 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.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time 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 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to the latest indications of fair value at 4 p.m. Eastern time. At August 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value hierarchy. See the Fair Value Measurements note for more information.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result in differences between the value of the Fund's portfolio

## Templeton Foreign Fund (continued)

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

#### a. Financial Instrument Valuation (continued)

securities on the last business day and the last calendar day of the reporting period. Any 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.

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 in 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. Derivative Financial Instruments

The Fund invested in derivative financial instruments in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown in the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

The Fund purchased or wrote exchange traded option contracts primarily to manage and/or gain exposure to equity price risk. An option is a contract entitling the holder to purchase or sell a specific amount of shares or units of an asset or notional amount of a swap (swaption), at a specified price. When an option is purchased or written, an amount equal to the premium paid or received is recorded as an asset or liability, respectively. Upon exercise of an option, the acquisition cost or sales proceeds of the underlying investment is adjusted by any premium received or paid. Upon expiration of an option, any premium received or paid is recorded as a realized gain or loss. Upon closing an option other than through expiration or exercise, the difference between the premium received or paid and the cost to close the position is recorded as a realized gain or loss.

See Note 9 regarding other derivative information.

#### d. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair 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. Any cash collateral received is deposited into a joint

**Templeton Foreign Fund** (continued)

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

**d. Securities Lending** (continued)

cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statement of Operations. The Fund bears the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower. At August 31, 2020, the Fund had no securities on loan.

**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.

As a result of several court cases, in certain countries across the European Union, the Fund filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the European Union, as well as a number of related judicial proceedings. Income recognized, if any, for EU reclaims is reflected as other income in the Statement of Operations and any

related receivable, if any, is reflected as European Union tax reclaims in the Statement of Assets and Liabilities. When uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these EU reclaims, and the potential timing of payment, no amounts are reflected in the financial statements. For U.S. income tax purposes, EU reclaims received by the Fund, if any, reduce the amounts of foreign taxes Fund shareholders can use as tax credits in their individual income tax returns.

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of August 31, 2020, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

**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. Dividend income is recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. 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.

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust or based on the ratio of number of shareholders of each Fund to the

**Templeton Foreign Fund** (continued)

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

**f. Security Transactions, Investment Income, Expenses and Distributions** (continued)

combined number of shareholders of the Trust. Fund specific expenses are charged directly to the Fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, excluding 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.

**g. Accounting Estimates**

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

**2. Shares of Beneficial Interest**

At August 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended August 31,			
	2020		2019	
	Shares	Amount	Shares	Amount
<b>Class A Shares:</b>				
Shares sold <sup>a</sup> . . . . .	69,357,092	\$423,459,874	60,076,607	\$431,602,364
Shares issued in reinvestment of distributions . . . . .	10,008,404	72,260,672	9,160,942	60,462,214
Shares redeemed . . . . .	(157,643,462)	(1,002,936,821)	(87,887,100)	(623,024,558)
Net increase (decrease) . . . . .	(78,277,966)	\$(507,216,275)	(18,649,551)	\$(130,959,980)
<b>Class C Shares:</b>				
Shares sold . . . . .	1,009,042	6,191,651	1,767,261	12,393,197
Shares issued in reinvestment of distributions . . . . .	254,680	1,833,698	53,121	349,007
Shares redeemed <sup>a</sup> . . . . .	(5,809,614)	(37,061,095)	(26,108,139)	(186,189,446)
Net increase (decrease) . . . . .	(4,545,892)	\$(29,035,746)	(24,287,757)	\$(173,447,242)
<b>Class R Shares:</b>				
Shares sold . . . . .	3,392,420	20,676,976	4,996,574	34,848,635
Shares issued in reinvestment of distributions . . . . .	582,573	4,118,799	456,753	2,955,188
Shares redeemed . . . . .	(5,730,365)	(35,996,112)	(5,485,518)	(38,247,049)
Net increase (decrease) . . . . .	(1,755,372)	\$(11,200,337)	(32,191)	\$(443,226)

**Templeton Foreign Fund** (continued)

**2. Shares of Beneficial Interest** (continued)

	Year Ended August 31,			
	2020		2019	
	Shares	Amount	Shares	Amount
<b>Class R6 Shares:</b>				
Shares sold	26,657,151	166,908,516	51,021,196	358,593,724
Shares sold in-kind (Note 11)	4,415,123	25,960,926	—	—
Shares issued in reinvestment of distributions	4,730,244	33,490,128	6,213,456	40,263,197
Shares redeemed	(77,893,716)	(474,127,142)	(115,369,383)	(806,170,998)
Net increase (decrease)	(42,091,198)	\$(247,767,572)	(58,134,731)	\$(407,314,077)
<b>Advisor Class Shares:</b>				
Shares sold	73,215,449	446,263,258	54,889,039	383,794,530
Shares issued in reinvestment of distributions	3,669,165	26,051,069	4,889,130	31,730,455
Shares redeemed	(68,556,435)	(437,488,474)	(142,845,936)	(1,004,952,174)
Net increase (decrease)	8,328,179	\$34,825,853	(83,067,767)	\$(589,427,189)

\*May include a portion of Class C shares that were automatically 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. Certain officers and trustees of the Trust are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Templeton Global Advisors Limited (Global Advisors)	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 Global Advisors based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.705%	Up to and including \$1 billion
0.690%	Over \$1 billion, up to and including \$5 billion
0.675%	Over \$5 billion, up to and including \$10 billion
0.655%	Over \$10 billion, up to and including \$15 billion
0.635%	Over \$15 billion, up to and including \$20 billion
0.615%	Over \$20 billion, up to and including \$25 billion
0.605%	Over \$25 billion, up to and including \$30 billion
0.595%	Over \$30 billion, up to and including \$35 billion
0.585%	In excess of \$35 billion

For the year ended August 31, 2020, the gross effective investment management fee rate was 0.695% of the Fund's average daily net assets.

**Templeton Foreign Fund** (continued)

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

**b. Administrative Fees**

Under an agreement with Global Advisors, FT Services provides administrative services to the Fund. The fee is paid by Global Advisors based on the Fund's average daily net assets, and is not an additional expense of the Fund.

**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. 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 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 rates, 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 C . . . . .	1.00%
Class R . . . . .	0.50%

**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 brokers/dealers . . . . .	\$123,309
CDSC retained . . . . .	\$10,979

**e. Transfer Agent Fees**

Each class of shares pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations. The fees are based on an annualized asset based fee of 0.02% plus a transaction based fee. In addition, each class reimburses Investor Services for out of pocket expenses incurred and, except for Class R6, reimburses shareholder 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, 2020, the Fund paid transfer agent fees of \$6,428,663, of which \$2,176,458 was retained by Investor Services.

**f. Investments in Affiliated Management Investment Companies**

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended August 31, 2020, the Fund held investments in affiliated management investment companies as follows:

**Templeton Foreign Fund** (continued)

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

**f. Investments in Affiliated Management Investment Companies** (continued)

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income	Income from securities loaned
<b>Templeton Foreign Fund</b>									
<b>Non-Controlled Affiliates</b>									
Institutional Fiduciary Trust - Money Market Portfolio, 0% . . . . .	\$—	\$19,455,097	\$(19,455,097)	\$—	\$—	\$—	—	\$682	
<b>Total Affiliated Securities</b> . . . . .	\$—	\$19,455,097	\$(19,455,097)	\$—	\$—	\$—		\$682	

**g. Waiver and Expense Reimbursements**

Global Advisors and Investor Services have contractually agreed in advance to waive or limit their respective fees and to assume as their own expense certain expenses otherwise payable by the Fund so that the operating expenses (excluding distribution fees, acquired fund fees and expenses, and certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) for Class A, Class C, Class R and Advisor Class of the Fund do not exceed 0.85%, and for Class R6 do not exceed 0.70%, based on the average net assets of each class until December 31, 2020. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

Prior to January 1, 2020, expenses (excluding certain fees and expenses as previously disclosed) for Class R6 were limited to 0.69% based on the average net assets of the class.

**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, 2020, there were no credit earned.

**5. Income Taxes**

For tax purposes, capital losses may be carried over to offset future capital gains.

At August 31, 2020, the capital loss carryforwards were as follows:

Capital loss carryforwards not subject to expiration:

Short term . . . . .	\$58,793,713
Long term . . . . .	739,809,912
<b>Total capital loss carryforwards</b> . . . . .	<b>\$798,603,625</b>

The tax character of distributions paid during the years ended August 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income . . . . .	\$150,015,525	\$149,191,575

**Templeton Foreign Fund** (continued)

**5. Income Taxes** (continued)

At August 31, 2020, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	\$3,145,816,523
Unrealized appreciation	\$491,469,429
Unrealized depreciation	(456,478,434)
Net unrealized appreciation (depreciation)	\$34,990,995
Distributable earnings:	
Undistributed ordinary income	\$34,368,627

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of EU reclaims, wash sales and passive foreign investment company shares.

**6. Investment Transactions**

Purchases and sales of investments (excluding short term securities and in-kind transactions) for the year ended August 31, 2020, aggregated \$1,474,124,043 and \$2,455,646,636, 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, regional and global economic, political and social conditions, which may result in greater market volatility. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in securities in Europe. In addition, certain foreign securities may not be as liquid as U.S. securities.

**8. Novel Coronavirus Pandemic**

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

**9. Other Derivative Information**

For the year ended August 31, 2020, the effect of derivative contracts in the Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
<b>Templeton Foreign Fund</b>				
Equity Contracts	Written options	\$920,265	Written options	\$—



**Templeton Foreign Fund** (continued)

**9. Other Derivative Information** (continued)

For the year ended August 31, 2020, the average month end notional amount of options contracts represented 35,403 shares.

See Note 1(c) regarding derivative financial instruments.

**10. Credit Facility**

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matures on February 5, 2021. 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 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the year ended August 31, 2020, the Fund did not use the Global Credit Facility.

**11. Subscription In-Kind**

On June 19, 2020, certain shareholders purchased Class R6 shares of Templeton Foreign Fund. The portfolio securities were received primarily by means of a subscription in-kind in exchange for shares of the Fund. Portfolio securities were transferred as detailed below:

Value	Type
\$25,960,926*	Subscription in-kind

\*This amount includes cash of \$6,339,296 associated with the subscription in-kind.

**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)

**Templeton Foreign Fund** (continued)

**12. Fair Value Measurements** (continued)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of August 31, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Templeton Foreign Fund</b>				
<b>Assets:</b>				
Investments in Securities:				
Common Stocks:				
Australia .....	\$—	\$14,361,785	\$—	\$14,361,785
Belgium .....	—	18,197,897	—	18,197,897
Brazil .....	74,128,123	—	—	74,128,123
Canada .....	23,552,697	—	—	23,552,697
China .....	54,491,652	97,815,243	—	152,306,895
Denmark .....	—	20,927,466	—	20,927,466
France .....	—	148,125,277	—	148,125,277
Germany .....	—	271,169,892	—	271,169,892
Hong Kong .....	—	164,359,803	—	164,359,803
India .....	—	56,104,480	—	56,104,480
Japan .....	—	824,925,770	—	824,925,770
Luxembourg .....	—	48,676,474	—	48,676,474
Netherlands .....	115,626,221	131,305,337	—	246,931,558
Norway .....	—	59,788,977	—	59,788,977
Portugal .....	—	35,250,897	—	35,250,897
South Korea .....	—	219,114,555	—	219,114,555
Spain .....	—	5,887,043	—	5,887,043
Switzerland .....	—	67,652,659	—	67,652,659
Taiwan .....	—	100,239,915	—	100,239,915
Thailand .....	—	22,204,837	—	22,204,837
United Kingdom .....	—	314,455,717	—	314,455,717
United States .....	129,444,801	—	—	129,444,801
Short Term Investments .....	—	163,000,000	—	163,000,000
Total Investments in Securities .....	\$397,243,494	\$2,783,564,024	\$—	\$3,180,807,518

**13. New Accounting Pronouncements**

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate (LIBOR) and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

**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

## Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Templeton Funds and Shareholders of Templeton Foreign Fund

### ***Opinion on the Financial Statements***

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Templeton Foreign Fund (one of the funds constituting Templeton Funds, referred to hereafter as the “Fund”) as of August 31, 2020, the related statement of operations for the year ended August 31, 2020, the statements of changes in net assets for each of the two years in the period ended August 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended August 31, 2020 (collectively referred to as the “financial statements”). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of August 31, 2020, 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 ended August 31, 2020 and the financial highlights for each of the five years in the period ended August 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinion***

These financial statements are the responsibility of the Fund’s management. Our responsibility is to express an opinion on the Fund’s financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of August 31, 2020 by correspondence with the custodian and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California

October 19, 2020

We have served as the auditor of one or more investment companies in the Franklin Templeton Group of Funds since 1948.

## Tax Information (unaudited)

### Templeton Foreign Fund

Under Section 854(b)(1)(B) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$74,791,048 as qualified dividends for purposes of the maximum rate under Section 1(h)(11) of the Internal Revenue Code for the fiscal year ended August 31, 2020. Distributions, including qualified dividend income, paid during calendar year 2020 will be reported to shareholders on Form 1099-DIV by mid-February 2021. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their individual income tax returns.

At August 31, 2020, 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. The Fund elects to treat foreign taxes paid as allowed under Section 853 of the Internal Revenue Code. This election will allow shareholders of record as of the 2020 distribution date, 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.

## 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 fund complex, are shown below. Generally, each board member serves until that person's successor is elected and qualified.

### Independent Board Members

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 33301-1923	Trustee	Since 1992	126	Bar-S Foods (meat packing company) (1981-2010).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
<b>Ann Torre Bates (1958)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2008	30	Ares Capital Corporation (specialty finance company) (2010-present), United Natural Foods, Inc. (distributor of natural, organic and specialty foods) (2013-present), <b>formerly</b> , Allied Capital Corporation (financial services) (2003-2010), SLM Corporation (Sallie Mae) (1997-2014) and Navient Corporation (loan management, servicing and asset recovery) (2014-2016).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , 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).				
<b>Mary C. Choksi (1950)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2016	126	Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present); and <b>formerly</b> , Avis Budget Group Inc. (car rental) (2007-May 2020).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				

## Independent Board Members (continued)

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>Edith E. Holiday (1952)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Lead Independent Trustee	Trustee since 2003 and Lead Independent Trustee since 2007	126	Hess Corporation (exploration of oil and gas) (1993-present), Canadian National Railway (railroad) (2001-present), White Mountains Insurance Group, Ltd. (holding company) (2004-present), Santander Consumer USA Holdings, Inc. (consumer finance) (2016-present); Santander Holdings USA. (holding company) (2019-present); and <b>formerly</b> , RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).

**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).

<b>J. Michael Luttig (1954)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2009	126	Boeing Capital Corporation (aircraft financing) (2006-2010).
--	---------	------------	-----	--

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

Private investor; and **formerly**, Counselor and Senior Advisor to the Chairman, CEO, and Board of Directors, of The Boeing Company (aerospace company), and member of the Executive Council (May 2019-January 1, 2020); Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (2006-2019); and Federal Appeals Court Judge, United States Court of Appeals for the Fourth Circuit (1991-2006).

<b>David W. Niemiec (1949)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2005	30	Hess Midstream LP (oil and gas midstream infrastructure) (2017-present).
---	---------	------------	----	--

**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).

<b>Larry D. Thompson (1945)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2005	126	Graham Holdings Company (education and media organization) (2011-present); and <b>formerly</b> , The Southern Company (energy company) (2014-May 2020; previously 2010-2012), Cbeyond, Inc. (business communications provider) (2010-2012).
--	---------	------------	-----	---

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

Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and **formerly**, Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-September 2020); Executive Vice President - Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); 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).

## Independent Board Members (continued)

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>Constantine D. Tseretopoulos (1954)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2003	19	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Physician, Chief of Staff, owner and operator of the Lyford Cay Hospital (1987-present); director of various nonprofit organizations; and <b>formerly</b> , Cardiology Fellow, University of Maryland (1985-1987); and Internal Medicine Resident, Greater Baltimore Medical Center (1982-1985).				

<b>Robert E. Wade (1946)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2006	30	EI Oro Ltd (investments) (2003-2019).
<b>Principal Occupation During at Least the Past 5 Years:</b> Attorney at law engaged in private practice as a sole practitioner (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
<b>**Gregory E. Johnson (1961)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2013	137	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Executive Chairman, Chairman of the Board and Director, 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 39 of the investment companies in Franklin Templeton; Vice Chairman, Investment Company Institute; and <b>formerly</b> , Chief Executive Officer (2013-2020) and President (1994-2015), Franklin Resources, Inc.				

<b>**Rupert H. Johnson, Jr. (1940)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board, Trustee and Vice President	Chairman of the Board since 2013, Trustee since 1992 and Vice President since 1996	126	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Director (Vice Chairman), Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 37 of the investment companies in Franklin Templeton.				

<b>Alan T. Bartlett (1970)</b> Lyford Cay Nassau, Bahamas	President and Chief Executive Officer – Investment Management	Since December 2019	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> President and Director, Templeton Global Advisors Limited; Chief Investment Officer of Templeton Global Equity Group; officer of five of the investment companies in Franklin Templeton; Chairman of the Board, Goodhart Partners; and <b>formerly</b> , Chief Executive Officer, Goodhart Partners (2009-2019).				

## Interested Board Members and Officers (continued)

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>Alison E. Baur (1964)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Deputy General Counsel, Franklin Templeton; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.				
<b>Breda M. Beckerle (1958)</b> 280 Park Avenue New York, NY 10017	Interim Chief Compliance Officer	Since January 2020	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Chief Compliance Officer, Fiduciary Investment Management International, Inc., Franklin Advisers, Inc., Franklin Advisory Services, LLC, Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Steven J. Gray (1955)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Matthew T. Hinkle (1971)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2017	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Vice President, Franklin Templeton Services, LLC; officer of 41 of the investment companies in Franklin Templeton; and <b>formerly</b> , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017).				
<b>Robert G. Kubilis (1973)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since 2017	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Treasurer, U.S. Fund Administration & Reporting and officer of 15 of the investment companies in Franklin Templeton.				
<b>Robert Lim (1948)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since 2016	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Robert C. Rosselot (1960)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923x	Chief Compliance Officer	Since 2013	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Director, Global Compliance, Franklin Templeton; Senior Vice President, Franklin Templeton Companies, LLC; officer of 41 of the investment companies in Franklin Templeton; and <b>formerly</b> , Senior Associate General Counsel, Franklin Templeton (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				



Interested Board Members and Officers (continued)

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>Navid J. Tofigh (1972)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable

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

Associate General Counsel and officer of 41 of the investment companies in Franklin Templeton.

<b>Craig S. Tyle (1960)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
---	----------------	------------	----------------	----------------

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

General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.

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

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

Senior Associate General Counsel, Franklin Templeton; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 41 of the investment companies in Franklin Templeton.

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

\*\*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 an officer and director and major shareholder of Resources.

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.

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 Ares Capital Corporation (2010-present) and United Natural Foods, Inc. (2013-present) and was formerly a director of Navient Corporation from 2014 to 2016, SLM Corporation from 1997 to 2014 and Allied Capital Corporation from 2003 to 2010, Executive Vice President and Chief Financial Officer of NHP Incorporated from 1995 to 1997 and Vice President and Treasurer of US Airways, Inc. until 1995. 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 and serves as a director of Hess Midstream Partners LP (2017-present). 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.

## Shareholder Information

### Board Approval of Investment Management Agreements

#### TEMPLETON FUNDS

#### Templeton Foreign Fund

(Fund)

At a meeting held on May 13, 2020 (Meeting), the Board of Trustees (Board) of Templeton Funds (Trust), including a majority of the trustees who are not “interested persons” as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved the continuance of the investment management agreement between Templeton Global Advisors Limited (Manager) and the Trust, on behalf of the Fund (Management Agreement) for an additional one-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the continuation of the Management Agreement.

In considering the continuation of the Management Agreement, the Board reviewed and considered information provided by the Manager at the Meeting and throughout the year at meetings of the Board and its committees. The Board also reviewed and considered information provided in response to a detailed set of requests for information submitted to the Manager by Independent Trustee counsel on behalf of the Independent Trustees in connection with the annual contract renewal process. In addition, prior to the Meeting, the Independent Trustees held a telephonic contract renewal meeting at which the Independent Trustees conferred amongst themselves and Independent Trustee counsel about contract renewal matters and, in some cases, requested additional information from the Manager relating to the contract. The Board reviewed and considered all of the factors it deemed relevant in approving the continuance of the Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services provided by the Manager; (ii) the investment performance of the Fund; (iii) the costs of the services provided and profits realized by the Manager and its affiliates from the relationship with the Fund; (iv) the extent to which economies of scale are realized as the Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of Fund investors.

In approving the continuance of the Management Agreement, the Board, including a majority of the Independent Trustees, determined that the terms of the Management Agreement are fair and reasonable and that the continuance of such Management Agreement is

in the 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 determination.

#### Nature, Extent and Quality of Services

The Board reviewed and considered information regarding the nature, extent and quality of investment management services provided by the Manager and its affiliates to the Fund and its shareholders. This information included, among other things, the qualifications, background and experience of the senior management and investment personnel of the Manager, as well as information on succession planning where appropriate; the structure of investment personnel compensation; oversight of third-party service providers; investment performance reports and related financial information for the Fund; reports on expenses and shareholder services; legal and compliance matters; risk controls; pricing and other services provided by the Manager and its affiliates; and management fees charged by the Manager and its affiliates to US funds and other accounts, including management’s explanation of differences among accounts where relevant. The Board also reviewed and considered an annual report on payments made by Franklin Templeton (FT) or the Fund to financial intermediaries, as well as a memorandum relating to third-party servicing arrangements, which included discussion of the changing distribution landscape for the Fund. The Board noted management’s continuing efforts and expenditures in establishing effective business continuity plans and developing strategies to address areas of heightened concern in the mutual fund industry, such as cybersecurity and liquidity risk management.

The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the FT family of funds. The Board noted the financial position of Franklin Resources, Inc. (FRI), the Manager’s parent, and its commitment to the mutual fund business as evidenced by its continued introduction of new funds, reassessment of the fund offerings in response to the market environment and project initiatives and capital investments relating to the services provided to the Fund by the FT organization. The Board specifically noted FT’s commitment to enhancing services and controlling costs, as reflected in its plan to outsource certain administrative functions, and growth opportunities, as evidenced by its upcoming acquisition of the Legg Mason companies. The

Board acknowledged the change in leadership at FRI and the opportunity to hear from Jennifer Johnson, President and Chief Executive Officer of FRI, about goals she has for the company that will benefit the Fund.

Following consideration of such information, the Board was satisfied with the nature, extent and quality of services provided by the Manager and its affiliates to the Fund and its shareholders.

### **Fund Performance**

The Board reviewed and considered the performance results of the Fund over various time periods ended February 29, 2020. The Board considered the performance returns for the Fund in comparison to the performance returns of mutual funds deemed comparable to the Fund included in a universe (Performance Universe) selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the mutual funds included in a Performance Universe. The Board also reviewed and considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of the Fund's performance results is below.

The Performance Universe for the Fund included the Fund and all retail and institutional international multi-cap value funds. The Board noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board discussed this performance with management and management explained that, even though the Fund's peer group is comprised of multi-cap value funds, the Fund's Performance Universe is more skewed toward growth, which has negatively impacted the Fund's relative returns during a period of historic and sustained outperformance of growth over value investing strategies. Management also explained that the Fund has a larger allocation to emerging markets in comparison to some of the other funds in the Performance Universe, which have underperformed developed markets in recent years. Management further explained that over the one-, three- and five-year periods, the Fund's underperformance has largely been attributable to stock selection in the consumer discretionary, energy, financials, health care and industrials. Management then discussed with the Board the actions that are being taken in an effort to address the sources of the Fund's underperformance, including steps that have been taken/ are being taken to further diversify the Fund's portfolio and enhance the Fund's portfolio risk-reward characteristics

in the current environment. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and management's efforts should continue to be monitored.

### **Comparative Fees and Expenses**

The Board reviewed and considered information regarding the Fund's actual total expense ratio and its various components, including, as applicable, management fees; transfer agent expenses; underlying fund expenses; Rule 12b-1 and non-Rule 12b-1 service fees; and other non-management fees. The Board also noted the quarterly and annual reports it receives on all marketing support payments made by FT to financial intermediaries. The Board considered the actual total expense ratio and, separately, the contractual management fee rate, without the effect of fee waivers, if any (Management Rate) of the Fund in comparison to the median expense ratio and median Management Rate, respectively, of other mutual funds deemed comparable to and with a similar expense structure as the Fund selected by Broadridge (Expense Group). Broadridge fee and 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 and Management Rates generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Broadridge to be an appropriate measure of comparative fees and expenses. The Broadridge Management Rate includes administrative charges, and the actual total expense ratio, for comparative consistency, was shown for Class A shares for the Fund and for each of the other funds in the Expense Group. The Board received a description of the methodology used by Broadridge to select the mutual funds included in an Expense Group.

The Expense Group for the Fund included the Fund, two other international multi-cap value funds, four international multi-cap growth funds and four international multi-cap core funds. The Board noted that the Management Rate and actual total expense ratio for the Fund were below the medians and in the first quintile (least expensive) of its Expense Group. The Board concluded that the Management Rate charged to the Fund is reasonable. In doing so, the Board noted the Fund's actual total expense ratio reflected a fee waiver from management.

### **Profitability**

The Board reviewed and considered information regarding the profits realized by the Manager and its affiliates in connection with the operation of the Fund. In this respect, the Board considered the Fund profitability analysis provided by the Manager that addresses the overall profitability of FT's US fund business, as well as its profits in providing investment management and other services to each of the individual funds during the 12-month period ended September 30, 2019, being the most recent fiscal year-end for FRI. The Board noted that although management continually makes refinements to its methodologies used in calculating profitability in response to organizational and product-related changes, the overall methodology has remained consistent with that used in the Fund's profitability report presentations from prior years. Additionally, PricewaterhouseCoopers LLP, auditor to FRI and certain FT funds, was engaged by the Manager to review and assess the allocation methodologies to be used solely by the Fund's Board with respect to the profitability analysis.

The Board noted management's 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. As part of this evaluation, the Board considered the initiative currently underway to outsource certain operations, which effort would require considerable up-front expenditures by the Manager but, over the long run is expected to result in greater efficiencies. The Board also noted management's expenditures in improving shareholder services provided to the Fund, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from recent US Securities and Exchange Commission and other regulatory requirements, notably in the area of cybersecurity protections.

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, potential benefits resulting from personnel and systems enhancements necessitated by fund growth, as well as increased leverage with service providers and counterparties. Based upon its consideration of all these factors, the Board concluded 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, extent and quality of services provided to the Fund.

### **Economies of Scale**

The Board reviewed and considered the extent to which the Manager may realize economies of scale, if any, as the Fund grows larger and whether the Fund's management fee structure reflects any economies of scale for the benefit of shareholders. With respect to possible economies of scale, the Board noted the existence of management fee breakpoints, which operate generally to share any economies of scale with the Fund's shareholders by reducing the Fund's effective management fees as the Fund grows in size. The Board considered the Manager's view that any analyses of potential economies of scale in managing a particular fund are inherently limited in light of the joint and common costs and investments the Manager incurs across the FT family of funds as a whole. The Board concluded that to the extent economies of scale may be realized by the Manager and its affiliates, the Fund's management fee structure provided a sharing of benefits with the Fund and its shareholders as the Fund grows.

### **Conclusion**

Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved the continuation of the Management Agreement for an additional one-year period.

## **Liquidity Risk Management Program**

Each of the Funds has adopted and implemented a written Liquidity Risk Management Program (the "LRMP") as required by Rule 22e-4 under the Investment Company Act of 1940 (the "Liquidity Rule"). The LRMP is designed to assess and manage each Fund's liquidity risk, which is defined as the risk that the Fund could not meet requests to redeem shares issued by the Fund without significant dilution of remaining investors' interests in the Fund. In accordance with the Liquidity Rule, the LRMP includes policies and procedures that provide for: (1) assessment, management, and review (no less frequently than annually) of each Fund's liquidity risk; (2) classification of each Fund's portfolio holdings into one of four liquidity categories (Highly Liquid, Moderately Liquid, Less Liquid, and Illiquid); (3) for Funds that do not primarily hold assets that are Highly Liquid, establishing and maintaining a minimum percentage of the Fund's net assets in Highly Liquid investments (called a "Highly Liquid Investment Minimum" or "HLIM"); and (4) prohibiting the Fund's acquisition of Illiquid investments that would result in the Fund holding more than 15% of its net assets in Illiquid assets. The LRMP also requires reporting to the SEC (on a non-public basis) and to the Board if the Fund's holdings of Illiquid assets exceed 15% of the Fund's net assets. Funds with HLIMs must have procedures for

addressing HLIM shortfalls, including reporting to the Board and, with respect to HLIM shortfalls lasting more than seven consecutive calendar days, reporting to the Securities and Exchange Commission (“SEC”) (on a non-public basis).

The Funds’ Board of Trustees approved the appointment of the Director of Liquidity Risk within the Investment Risk Management Group (the “IRMG”) as the Administrator of the LRMP. The IRMG maintains the Investment Liquidity Committee (the “ILC”) to provide oversight and administration of policies and procedures governing liquidity risk management for FT products and portfolios. The ILC includes representatives from Franklin Templeton’s Risk, Trading, Global Compliance, Investment Compliance, Investment Operations, Valuation Committee and Product Management groups.

In assessing and managing each Fund’s liquidity risk, the ILC considers, as relevant, a variety of factors, including the Fund’s investment strategy and the liquidity of its portfolio investments during both normal and reasonably foreseeable stressed conditions; its short and long-term cash flow projections; and its cash holdings and access to other funding sources including the Funds’ interfund lending facility and line of credit. Classification of the Fund’s portfolio holdings in the four liquidity categories is based on the number of days it is reasonably expected to take to convert the investment to cash (for Highly Liquid and Moderately Liquid holdings) or sell or dispose of the investment (for Less Liquid and Illiquid investments), in current market conditions without significantly changing the investment’s market value.

The Fund primarily holds liquid assets that are defined under the Liquidity Rule as “Highly Liquid Investments,” and therefore is not required to establish an HLIM. Highly Liquid Investments are defined as cash and any investment reasonably expected to be convertible to cash in current market conditions in three business days or less without the conversion to cash significantly changing the market value of the investment.

At meetings of the Funds’ Board of Trustees held in May 2020, the Program Administrator provided a written report to the Board addressing the adequacy and effectiveness of the program during the period December 1, 2018 to December 31, 2019. The Program Administrator report concluded that (i.) the LRMP, as adopted and implemented, remains reasonably designed to assess and manage each Fund’s liquidity risk; (ii.) the LRMP, including the Highly Liquid Investment Minimum (“HLIM”) where applicable, was implemented and operated effectively to achieve the goal of assessing and managing each Fund’s liquidity risk; and (iii.) each Fund was able to meet requests for redemption

without significant dilution of remaining investors’ interests in the Fund. At the same time, the Program Administrator also presented the Fund Board of Trustees an update on liquidity during the first quarter of 2020 in relation to the COVID-19 pandemic.

## 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](http://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](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission’s website at [sec.gov](http://sec.gov) and reflect the most recent 12-month period ended June 30.

## Quarterly Statement of Investments

The Trust, on behalf of 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 as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT by visiting the Commission’s website at [sec.gov](http://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 each 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 househanded, 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.

This page is intentionally left blank

This page is intentionally left blank

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 help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.



**Annual Report and Shareholder Letter**  
**Templeton Foreign Fund**

**Investment Manager**  
Templeton Global Advisors  
Limited

**Distributor**  
Franklin Templeton Distributors, Inc.  
(800) DIAL BEN® / 342-5236  
[franklintempleton.com](http://franklintempleton.com)

**Shareholder Services**  
(800) 632-2301