

SEMIANNUAL REPORT AND SHAREHOLDER LETTER

TEMPLETON FOREIGN FUND

A Series of Templeton Funds

February 28, 2021



FRANKLIN
TEMPLETON

SHAREHOLDER LETTER

Dear Shareholder:

During the six months ended February 28, 2021, the global economic recovery was hindered by a surge of novel coronavirus (COVID-19) cases in certain regions. Despite this, global equities advanced over the period amid successful trials of COVID-19 vaccines, the start of vaccination programs in some countries and expectations for fiscal stimulus from the new U.S. presidential administration. Investor sentiment was further boosted by encouraging economic data from China and signals that the U.S. Federal Reserve would continue to support low interest rates. Global equities trimmed some gains near period-end due to investor concerns that rising inflation could lead some central banks to raise interest rates. 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 financial professionals 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 semiannual 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 Global Equity Group

This letter reflects our analysis and opinions as of February 28, 2021, unless otherwise indicated. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.

Not FDIC Insured | May Lose Value | No Bank Guarantee

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

SEMIANNUAL REPORT

Templeton Foreign Fund

This semiannual report for Templeton Foreign Fund covers the period ended February 28, 2021.

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 +21.52% cumulative total return for the six months under review. In comparison, the Fund's new benchmark, the MSCI All Country World Index (ACWI) ex USA Index-NR, which measures stock performance in global developed and emerging markets excluding the U.S., posted a +16.65% total return.¹ Also in comparison, the Fund's former benchmark, the MSCI ACWI ex USA Index, posted a +16.80% total return for the same period. The MSCI ACWI ex USA Index-NR (net of taxes on dividends) is replacing the MSCI ACWI ex USA Index (gross of taxes on dividends) because the investment manager believes the composition of the MSCI ACWI ex USA Index-NR provides a more consistent basis for comparison relative to the Fund's peers. For the 10-year period ended February 28, 2021, the Fund's Class A shares posted a +31.68% cumulative total return, compared with the MSCI ACWI ex USA Index-NR's +59.38% cumulative total return for the same period.¹ 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 or call (800) 342-5236.

1. Source: Morningstar. As of 2/28/21, the Fund's Class A 10-year average annual total return not including the maximum sales charge was +2.79%, compared with the MSCI ACWI ex USA Index-NR's 10-year average annual total return of +4.77%.

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. Net Returns (NR) include income net of tax withholding when dividends are paid.

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 15.

Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI ACWI, advanced during the six months ended February 28, 2021. Equities in all major regions of the world posted positive returns for the period despite the global surge of the novel coronavirus (COVID-19). Following stock market declines in September and October 2020 due to geopolitical tensions and rising infection rates, equities began to rebound in November, as successful trials of COVID-19 vaccines, the start of vaccination programs in some countries and expectations for fiscal stimulus from the new U.S. administration led many equity markets to reach new highs. Some indications of economic revival, most notably in China, also helped drive stocks higher. However, global equity markets pared some gains in late February 2021 amid investor concerns that rising inflation could lead some central banks to raise interest rates.

Geographic Composition

2/28/21

	% of Total Net Assets
Asia	46.4%
Europe	37.9%
North America	7.8%
Latin America & Caribbean	1.2%
Other	0.5%
Short-Term Investments & Other Net Assets	6.2%

In the U.S., equities posted solid gains for the period amid the government's fiscal and monetary stimulus measures, the approval of several highly effective COVID-19 vaccines and the onset of vaccinations. Stocks came under pressure in the first half of the period amid uncertainties about the U.S. presidential election and additional fiscal stimulus measures. Consumer spending slowed during the fourth quarter of 2020 as surging COVID-19 infections led to new restrictions in some states. Nevertheless, growth in residential and corporate investment, solid corporate earnings results and the outcome of the U.S. presidential election bolstered investor sentiment, and equities began to rally in November. The start of COVID-19 vaccination programs, higher retail spending and progress on additional

stimulus legislation under the new U.S. administration further supported stocks. The unemployment rate declined from 8.4% in August 2020 to 6.2% in February 2021.² Despite a selloff near period-end due to investor concerns about rising bond yields amid the economic recovery and potential for higher inflation, U.S. equities posted strong overall gains.

The U.S. Federal Reserve (Fed) maintained the federal funds target rate at a range of 0.00%–0.25% and continued its program of open-ended bond purchases to help keep markets functioning. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded the Fed’s 2% target for some time.

In the eurozone, the economy contracted in the fourth quarter of 2020. Gross domestic product (GDP) growth rates varied widely among the region’s largest economies amid renewed lockdowns and delays in COVID-19 vaccine distribution. Germany’s and Spain’s GDP expanded modestly in the fourth quarter, while France’s contracted. Despite investor concerns about rising infection rates, optimism about successful vaccine development and a Brexit resolution contributed to a positive performance for European developed market equities, as measured by the MSCI Europe Index.

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index, rose significantly for the period. China, a key driver of regional economies, maintained its economic recovery and was the only major global economy to post positive GDP growth for calendar-year 2020. Asian equity markets were also aided by optimism that economic revitalization would be further spurred by COVID-19 vaccines.

Global emerging market stocks, as measured by the MSCI Emerging Markets Index, also posted sizable gains for the period. Improving economic activity, stabilizing oil prices and U.S. dollar weakness supported emerging market equities. In spite of higher COVID-19 cases in some countries, emerging market stocks rallied amid easing political uncertainty, commencement of COVID-19 vaccinations and rising commodity prices.

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

2/28/21

	% of Total Net Assets
Banks	9.2%
Pharmaceuticals	7.2%
Oil, Gas & Consumable Fuels	5.9%
Semiconductors & Semiconductor Equipment	5.5%
Metals & Mining	5.4%
Real Estate Management & Development	4.5%
Automobiles	4.3%
Technology Hardware, Storage & Peripherals	4.2%
Electronic Equipment, Instruments & Components	3.8%
Internet & Direct Marketing Retail	3.4%

Manager’s Discussion

The Fund outperformed the MSCI ACWI ex USA Index-NR during the six-month period, primarily attributable to stock selection. At the beginning of 2020, we were cautiously positioned and focused on what we considered quality stocks in anticipation of a typical late-cycle economic pattern. That defensive bias was beneficial when COVID-19 struck, but opportunities quickly evolved as markets reeled and policymakers responded aggressively. Over the course of the spring and summer, we used market dislocations to buy beaten-down cyclical stocks and companies hit particularly hard by the pandemic. We relied on fundamental analysis and valuation discipline to identify companies we felt could weather the crisis and emerge stronger, and we studied the virus and vaccine response to develop a framework and timeline around economic reopening prospects. We developed convictions and implemented them in our portfolios as part of a broader strategy of diversification across value types and economic exposures. These efforts positioned the Fund well for the semiannual review period, which saw vaccines emerge roughly along our expected timeline, raising hopes for economic reopening and prompting a value rebound led by many of the cyclical and “away-from-home” stocks to which we had earlier increased exposure.

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

See www.franklintempletondatasources.com for additional data provider information.

Fund results during the period aligned closely to value types and economic sensitivity. At Templeton, we classify all of our holdings by their respective value characteristics. Our largest value category is “classic value,” which tends to be low-valuation multiple, cyclically depressed stocks where the past can be a guide to the future. We also have exposure to quality stocks (which tend to offer long-term resilience), mispriced growth stocks (where we believe the future should be better than the past), discounted cash flow stories (where cash generation is key) and discounted asset plays (where unlocking of asset value drives the thesis). During the semiannual review period, our classic value holdings were the clear outperformers. Vaccine and stimulus prospects boosted investor expectations of economic reflation and interest rates began to rise, reversing value’s long-standing weakness.

Top 10 Countries

2/28/21

	% of Total Net Assets
Japan	23.6%
United Kingdom	13.6%
Germany	9.3%
South Korea	7.2%
United States	6.8%
Netherlands	5.9%
Hong Kong	4.8%
China	4.5%
Taiwan	2.9%
Luxembourg	2.0%

From a sector standpoint, information technology was the top relative contributor, aided by stock selection. Shares of South Korean semiconductor and consumer electronics manufacturer Samsung Electronics rose to a record price high due to signs of a cyclical upswing in the memory chips business and investor expectations that the company’s mobile and 5G network gear businesses would benefit from tighter trade sanctions on China. With significant cash reserves on its balance sheet, we also see significant flexibility around capital deployment and are encouraged by the company’s commitment to return capital to shareholders. In our view, the stock remains inexpensive for a global technology leader with strong competitive positions across a number of attractive businesses.

Stock selection in the communication services sector also boosted relative performance, led by Chinese internet search giant Baidu. Its shares rallied after company management reported better-than-expected earnings, highlighting renewed growth in advertising revenues and strong cash

flows in spite of COVID-19 disruptions. Baidu was late to recognize the importance of its mobile ecosystem, but it has since invested heavily in this important growth driver and is beginning to gain meaningful traction. Other sector contributors included stock selection and an underweighting in consumer staples, as well as stock selection in financials, materials, industrials, real estate and energy.

All of the Fund’s top 10 contributors to relative performance were leveraged to economic reopening or expansion themes to varying degrees. These companies included traditionally cyclical businesses in sectors such as materials (Luxembourg-based steelmaker ArcelorMittal, German chemicals firm Covestro and Japanese base metals miner and smelter Sumitomo Metal Mining) and financials (Thai lender Kasikornbank); pandemic-impacted “away-from-home” stocks such as U.K.-based International Consolidated Airlines Group (British Airways parent; not part of the index); and a handful of companies geared to global economic growth, such as Japanese industrials conglomerate Hitachi, Dutch chipmaker NXP Semiconductors (not part of the index) and the aforementioned South Korean semiconductor and consumer electronics firm Samsung Electronics. Chinese video-based social media platform Kuaishou Technology and the aforementioned Chinese internet search leader Baidu rallied amid improved growth outlooks as China appeared to be exiting the acute phase of its COVID-19 outbreak earlier than other countries.

Top 10 Holdings

2/28/21

Company Industry, Country	% of Total Net Assets
Samsung Electronics Co. Ltd. <i>Technology Hardware, Storage & Peripherals, South Korea</i>	4.2%
Taiwan Semiconductor Manufacturing Co. Ltd. <i>Semiconductors & Semiconductor Equipment, Taiwan</i>	2.9%
Hitachi Ltd. <i>Electronic Equipment, Instruments & Components, Japan</i>	2.8%
Takeda Pharmaceutical Co. Ltd. <i>Pharmaceuticals, Japan</i>	2.6%
NXP Semiconductors NV <i>Semiconductors & Semiconductor Equipment, Netherlands</i>	2.6%
Bayer AG <i>Pharmaceuticals, Germany</i>	2.5%
CK Hutchison Holdings Ltd. <i>Industrial Conglomerates, United Kingdom</i>	2.2%
Sumitomo Metal Mining Co. Ltd. <i>Metals & Mining, Japan</i>	2.2%
BP plc <i>Oil, Gas & Consumable Fuels, United Kingdom</i>	2.1%
ArcelorMittal SA <i>Metals & Mining, Luxembourg</i>	2.0%

In contrast, stock selection and an overweighting in the health care sector, as well as stock selection in the consumer discretionary and utilities sectors, detracted from the Fund's relative performance. Health care was pressured by positions in Japanese pharmaceuticals firm Takeda Pharmaceutical and German pharmaceuticals developer and crop science specialist Bayer. Our analysis suggests that Takeda remains cheap and could benefit from solid organic growth and ongoing deleveraging efforts to improve financial flexibility. Bayer's shares slumped amid persistent investor skepticism around the firm's complex settlement to resolve litigation stemming from its acquisition of Monsanto, the manufacturer of the controversial weed-killer Roundup. Adding to the negative sentiment, company management provided tepid guidance for 2021 and reduced the dividend. We believe a legal settlement will be reached in 2021 and that there is value in the crop science and pharmaceuticals business that many investors are not appreciating. In utilities, German power provider E.ON also pressured relative performance. We still hold a positive view on the stock as we believe E.ON is transitioning into a more focused, regulated business. There were no consumer discretionary stocks among the Fund's 10 biggest relative detractors.

From a geographic standpoint, all major regions represented in the Fund's portfolio contributed to relative performance. In Asia, all country-level exposures benefited relative results, bolstered by stock selection and favorable allocations in China (underweight), South Korea (overweight) and Japan (overweight). In Europe, relative strength in the U.K. offset relative weakness in Germany. In North America, the positive effect of exposure to the U.S. overcame the negative effect of stock selection in Canada, where precious metals firm Wheaton Precious Metals, which has operations in Brazil, declined due to higher real interest rates and an improved macroeconomic outlook.

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 February 28, 2021, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Performance Summary as of February 28, 2021

The performance table does 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 2/28/21¹

*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.*

Share Class	Cumulative Total Return ²	Average Annual Total Return ³
A⁴		
6-Month	+21.52%	+14.87%
1-Year	+19.04%	+12.48%
5-Year	+41.67%	+6.01%
10-Year	+31.68%	+2.21%
Advisor		
6-Month	+21.73%	+21.73%
1-Year	+19.20%	+19.20%
5-Year	+43.37%	+7.47%
10-Year	+34.98%	+3.04%

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

See page 8 for Performance Summary footnotes.

Distributions (9/1/20–2/28/21)

Share Class	Net Investment Income
A	\$0.0940
C	\$0.0332
R	\$0.0808
R6	\$0.1215
Advisor	\$0.1141

Total Annual Operating Expenses⁵

Share Class	With Fee Waiver	Without Fee Waiver
A	1.10%	1.19%
Advisor	0.85%	0.94%

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 U.K. 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. Events such as the spread of deadly diseases, disasters, and financial, political or social disruptions, may heighten risks and adversely affect performance. The Fund's prospectus also includes a description of the main investment risks.

1. The Fund has an expense reduction contractually guaranteed through 12/31/21. 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. 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 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 9/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 2/28/21	Expenses Paid During Period 9/1/20–2/28/21 ^{1,2}	Ending Account Value 2/28/21	Expenses Paid During Period 9/1/20–2/28/21 ^{1,2}	
A	\$1,000	\$1,215.24	\$5.95	\$1,019.42	\$5.43	1.08%
C	\$1,000	\$1,208.23	\$10.04	\$1,015.70	\$9.16	1.83%
R	\$1,000	\$1,212.95	\$7.30	\$1,018.20	\$6.66	1.33%
R6	\$1,000	\$1,216.96	\$3.81	\$1,021.36	\$3.47	0.69%
Advisor	\$1,000	\$1,217.32	\$4.59	\$1,020.66	\$4.18	0.83%

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 181/365 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

	Six Months Ended February 28, 2021 (unaudited)	Year Ended August 31,				
		2020	2019	2018	2017	2016
Class A						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$6.22	\$6.61	\$7.69	\$7.81	\$6.87	\$6.74
Income from investment operations ^a :						
Net investment income ^b	0.11 ^c	0.10	0.19	0.12	0.11	0.11
Net realized and unrealized gains (losses)	1.22	(0.25)	(1.09)	(0.13)	0.96	0.11
Total from investment operations	1.33	(0.15)	(0.90)	(0.01)	1.07	0.22
Less distributions from:						
Net investment income	(0.09)	(0.24)	(0.18)	(0.11)	(0.13)	(0.09)
Net realized gains	—	—	—	—	—	(—) ^d
Total distributions	(0.09)	(0.24)	(0.18)	(0.11)	(0.13)	(0.09)
Net asset value, end of period	\$7.46	\$6.22	\$6.61	\$7.69	\$7.81	\$6.87
Total return ^e	21.52%	(2.76)%	(11.73)%	(0.15)%	15.83%	3.46%
Ratios to average net assets^f						
Expenses before waiver and payments by affiliates	1.16%	1.19%	1.15%	1.16%	1.21%	1.22%
Expenses net of waiver and payments by affiliates	1.08%	1.10%	1.08%	1.11% ^g	1.21% ^{g,h}	1.22% ^{g,h}
Net investment income	3.34% ^c	1.55%	2.69%	1.54%	1.55%	1.66%
Supplemental data						
Net assets, end of period (000's)	\$1,996,251	\$1,766,365	\$2,395,260	\$2,929,181	\$3,287,394	\$3,644,336
Portfolio turnover rate	18.53%	42.37%	30.81%	23.01%	42.56%	22.89%

^aThe 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.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.09 per share related to an adjustment for EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.68%.

^dAmount rounds to less than \$0.01 per share.

^eTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

^gBenefit of expense reduction rounds to less than 0.01%.

^hBenefit of waiver and payments by affiliates rounds to less than 0.01%.

Templeton Foreign Fund (continued)

	Six Months Ended February 28, 2021 (unaudited)	Year Ended August 31,				
		2020	2019	2018	2017	2016
Class C						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$6.17	\$6.54	\$7.49	\$7.60	\$6.69	\$6.56
Income from investment operations ^a :						
Net investment income ^b	0.09 ^c	0.05	0.12	0.06	0.05	0.06
Net realized and unrealized gains (losses)	1.19	(0.25)	(1.05)	(0.12)	0.94	0.11
Total from investment operations	1.28	(0.20)	(0.93)	(0.06)	0.99	0.17
Less distributions from:						
Net investment income	(0.03)	(0.17)	(0.02)	(0.05)	(0.08)	(0.04)
Net realized gains	—	—	—	—	—	(—) ^d
Total distributions	(0.03)	(0.17)	(0.02)	(0.05)	(0.08)	(0.04)
Net asset value, end of period	\$7.42	\$6.17	\$6.54	\$7.49	\$7.60	\$6.69
Total return ^e	20.82%	(3.42)%	(12.40)%	(0.79)%	14.92%	2.64%
Ratios to average net assets^f						
Expenses before waiver and payments by affiliates	1.91%	1.94%	1.90%	1.91%	1.96%	1.97%
Expenses net of waiver and payments by affiliates	1.83%	1.85%	1.83%	1.86% ^g	1.96% ^{g,h}	1.97% ^{g,h}
Net investment income	2.67% ^c	0.81%	1.94%	0.79%	0.80%	0.91%
Supplemental data						
Net assets, end of period (000's)	\$53,147	\$54,093	\$87,160	\$281,640	\$346,032	\$397,512
Portfolio turnover rate	18.53%	42.37%	30.81%	23.01%	42.56%	22.89%

^aThe 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.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.09 per share related to an adjustment for EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.02%.

^dAmount rounds to less than \$0.01 per share.

^eTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

^gBenefit of expense reduction rounds to less than 0.01%.

^hBenefit of waiver and payments by affiliates rounds to less than 0.01%.

Templeton Foreign Fund (continued)

	Six Months Ended February 28, 2021 (unaudited)	Year Ended August 31,				
		2020	2019	2018	2017	2016
Class R						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$6.08	\$6.47	\$7.53	\$7.65	\$6.73	\$6.61
Income from investment operations ^a :						
Net investment income ^b	0.10 ^c	0.08	0.17	0.10	0.09	0.09
Net realized and unrealized gains (losses)	1.19	(0.24)	(1.07)	(0.12)	0.94	0.10
Total from investment operations	1.29	(0.16)	(0.90)	(0.02)	1.03	0.19
Less distributions from:						
Net investment income	(0.08)	(0.23)	(0.16)	(0.10)	(0.11)	(0.07)
Net realized gains	—	—	—	—	—	(—) ^d
Total distributions	(0.08)	(0.23)	(0.16)	(0.10)	(0.11)	(0.07)
Net asset value, end of period	\$7.29	\$6.08	\$6.47	\$7.53	\$7.65	\$6.73
Total return ^e	21.30%	(3.03)%	(11.96)%	(0.32)%	15.57%	3.10%
Ratios to average net assets^f						
Expenses before waiver and payments by affiliates	1.41%	1.44%	1.40%	1.41%	1.46%	1.47%
Expenses net of waiver and payments by affiliates	1.33%	1.35%	1.33%	1.36% ^g	1.46% ^{g,h}	1.47% ^{g,h}
Net investment income	3.09% ^c	1.33%	2.44%	1.29%	1.30%	1.41%
Supplemental data						
Net assets, end of period (000's)	\$123,952	\$109,187	\$127,546	\$148,638	\$153,516	\$159,802
Portfolio turnover rate	18.53%	42.37%	30.81%	23.01%	42.56%	22.89%

^aThe 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.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.09 per share related to an adjustment for EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.44%.

^dAmount rounds to less than \$0.01 per share.

^eTotal return is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

^gBenefit of expense reduction rounds to less than 0.01%.

^hBenefit of waiver and payments by affiliates rounds to less than 0.01%.

Templeton Foreign Fund (continued)

	Six Months Ended February 28, 2021 (unaudited)	Year Ended August 31,				
		2020	2019	2018	2017	2016
Class R6						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$6.12	\$6.51	\$7.58	\$7.70	\$6.78	\$6.66
Income from investment operations ^a :						
Net investment income ^b	0.12 ^c	0.12	0.22	0.15	0.16	0.14
Net realized and unrealized gains (losses)	1.20	(0.24)	(1.08)	(0.12)	0.93	0.11
Total from investment operations	1.32	(0.12)	(0.86)	0.03	1.09	0.25
Less distributions from:						
Net investment income	(0.12)	(0.27)	(0.21)	(0.15)	(0.17)	(0.13)
Net realized gains	—	—	—	—	—	(—) ^d
Total distributions	(0.12)	(0.27)	(0.21)	(0.15)	(0.17)	(0.13)
Net asset value, end of period	\$7.32	\$6.12	\$6.51	\$7.58	\$7.70	\$6.78
Total return ^e	21.70%	(2.38)%	(11.34)%	0.24%	16.52%	3.92%
Ratios to average net assets^f						
Expenses before waiver and payments by affiliates	0.80%	0.79%	0.77%	0.73%	0.74%	0.72%
Expenses net of waiver and payments by affiliates	0.69%	0.70%	0.68%	0.68% ^g	0.73% ^g	0.72% ^{g,h}
Net investment income	3.74% ^c	1.96%	3.09%	1.97%	2.03%	2.16%
Supplemental data						
Net assets, end of period (000's)	\$537,987	\$594,452	\$906,474	\$1,496,328	\$1,757,902	\$880,092
Portfolio turnover rate	18.53%	42.37% ⁱ	30.81%	23.01%	42.56%	22.89%

^aThe 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.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.09 per share related to an adjustment for EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.09%.

^dAmount rounds to less than \$0.01 per share.

^eTotal return is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

^gBenefit of expense reduction rounds to less than 0.01%.

^hBenefit of waiver and payments by affiliates rounds to less than 0.01%.

ⁱExcludes the value of portfolio securities received as a result of a subscription in-kind. See Note 10.

Templeton Foreign Fund (continued)

	Six Months Ended February 28, 2021 (unaudited)	Year Ended August 31,				
		2020	2019	2018	2017	2016
Advisor Class						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$6.12	\$6.51	\$7.58	\$7.70	\$6.78	\$6.66
Income from investment operations ^a :						
Net investment income ^b	0.12 ^c	0.11	0.20	0.14	0.13	0.12
Net realized and unrealized gains (losses)	1.20	(0.24)	(1.07)	(0.12)	0.94	0.11
Total from investment operations	1.32	(0.13)	(0.87)	0.02	1.07	0.23
Less distributions from:						
Net investment income	(0.11)	(0.26)	(0.20)	(0.14)	(0.15)	(0.11)
Net realized gains	—	—	—	—	—	(—) ^d
Total distributions	(0.11)	(0.26)	(0.20)	(0.14)	(0.15)	(0.11)
Net asset value, end of period	\$7.33	\$6.12	\$6.51	\$7.58	\$7.70	\$6.78
Total return ^e	21.73%	(2.57)%	(11.53)%	0.16%	16.10%	3.65%
Ratios to average net assets^f						
Expenses before waiver and payments by affiliates	0.91%	0.94%	0.90%	0.91%	0.96%	0.97%
Expenses net of waiver and payments by affiliates	0.83%	0.85%	0.83%	0.86% ^g	0.96% ^{g,h}	0.97% ^{g,h}
Net investment income	3.62% ^c	1.79%	2.94%	1.79%	1.80%	1.91%
Supplemental data						
Net assets, end of period (000's)	\$1,007,582	\$857,179	\$857,482	\$1,627,827	\$1,717,937	\$1,125,431
Portfolio turnover rate	18.53%	42.37%	30.81%	23.01%	42.56%	22.89%

^aThe 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.

^bBased on average daily shares outstanding.

^cNet investment income per share includes approximately \$0.09 per share related to an adjustment for EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.96%.

^dAmount rounds to less than \$0.01 per share.

^eTotal return is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

^gBenefit of expense reduction rounds to less than 0.01%.

^hBenefit of waiver and payments by affiliates rounds to less than 0.01%.

Statement of Investments (unaudited), February 28, 2021

Templeton Foreign Fund

	Industry	Shares	Value
Common Stocks 93.8%			
Australia 0.5%			
Downer EDI Ltd.	Commercial Services & Supplies	4,912,542	\$19,469,784
Belgium 0.4%			
^a Galapagos NV	Biotechnology	188,781	15,587,262
Brazil 1.2%			
Wheaton Precious Metals Corp.	Metals & Mining	1,201,999	42,991,274
Canada 1.0%			
Cenovus Energy, Inc.	Oil, Gas & Consumable Fuels	5,237,216	38,763,711
China 4.5%			
^a Alibaba Group Holding Ltd.	Internet & Direct Marketing Retail	1,420,640	42,689,075
^a Baidu, Inc., ADR	Interactive Media & Services	116,389	32,991,626
China Overseas Land & Investment Ltd.	Real Estate Management & Development	11,964,500	30,315,394
^{a,b} Kuaishou Technology, 144A, Reg S	Interactive Media & Services	498,440	19,843,907
Sinopec Engineering Group Co. Ltd., H	Construction & Engineering	45,622,300	24,343,338
Sinopharm Group Co. Ltd., H	Health Care Providers & Services	7,806,579	18,277,689
			168,461,029
France 1.6%			
^a Dassault Aviation SA.	Aerospace & Defense	31,370	33,727,145
Sanofi.	Pharmaceuticals	277,036	25,422,735
			59,149,880
Germany 9.3%			
Bayer AG	Pharmaceuticals	1,545,072	93,845,591
Bayerische Motoren Werke AG	Automobiles	586,173	50,648,479
^b Covestro AG, 144A, Reg S	Chemicals	735,051	53,219,917
E.ON SE.	Multi-Utilities	5,457,759	55,647,520
Fresenius Medical Care AG & Co. KGaA	Health Care Providers & Services	793,721	54,949,064
^{a,b,c} Just Eat Takeaway.com NV, 144A, Reg S	Internet & Direct Marketing Retail	390,410	37,566,310
			345,876,881
Hong Kong 4.8%			
AIA Group Ltd.	Insurance	5,903,853	74,456,029
CK Asset Holdings Ltd.	Real Estate Management & Development	11,079,206	65,118,861
Swire Pacific Ltd., A	Real Estate Management & Development	3,997,362	29,297,401
^c Value Partners Group Ltd.	Capital Markets	16,596,989	10,973,401
			179,845,692
India 2.0%			
Housing Development Finance Corp. Ltd.	Thrifts & Mortgage Finance	2,169,157	74,609,510
Japan 23.6%			
Hitachi Ltd.	Electronic Equipment, Instruments & Components	2,246,579	103,623,276
Honda Motor Co. Ltd.	Automobiles	2,001,635	55,330,371
Isuzu Motors Ltd.	Automobiles	5,096,656	53,641,451
Kirin Holdings Co. Ltd.	Beverages	1,258,873	24,802,026
Komatsu Ltd.	Machinery	1,914,267	57,469,998
Matsumotokiyoshi Holdings Co. Ltd.	Food & Staples Retailing	902,607	35,575,738
Mitsui Fudosan Co. Ltd.	Real Estate Management & Development	1,832,533	41,678,569
Nippon Television Holdings, Inc.	Media	1,088,496	14,493,389
Seria Co. Ltd.	Multiline Retail	682,367	21,749,843
Sony Corp.	Household Durables	565,814	59,753,430
Sumitomo Metal Mining Co. Ltd.	Metals & Mining	1,696,493	82,288,882

Templeton Foreign Fund (continued)

	Industry	Shares	Value
Common Stocks (continued)			
Japan (continued)			
Sumitomo Mitsui Financial Group, Inc.	Banks	1,700,723	\$60,047,553
Sundrug Co. Ltd.	Food & Staples Retailing	845,939	31,811,538
Taisei Corp.	Construction & Engineering	1,503,600	53,321,558
Takeda Pharmaceutical Co. Ltd.	Pharmaceuticals	2,901,020	97,765,543
TBS Holdings, Inc.	Media	1,192,568	21,869,339
Tosoh Corp.	Chemicals	1,683,121	30,942,071
Toyota Industries Corp.	Auto Components	372,514	32,006,946
			878,171,521
Luxembourg 2.0%			
ArcelorMittal SA	Metals & Mining	3,240,772	75,673,179
Netherlands 5.9%			
EXOR NV	Diversified Financial Services	305,979	24,525,889
ING Groep NV	Banks	4,208,010	46,087,212
NXP Semiconductors NV	Semiconductors & Semiconductor Equipment	532,357	97,181,770
SBM Offshore NV	Energy Equipment & Services	2,917,441	51,810,410
			219,605,281
Norway 1.8%			
Equinor ASA	Oil, Gas & Consumable Fuels	3,542,085	67,184,333
Portugal 0.9%			
Galp Energia SGPS SA, B	Oil, Gas & Consumable Fuels	3,146,927	35,176,256
South Korea 7.2%			
KB Financial Group, Inc.	Banks	1,638,236	63,184,402
Samsung Electronics Co. Ltd.	Technology Hardware, Storage & Peripherals	2,114,490	154,412,751
Shinhan Financial Group Co. Ltd.	Banks	1,685,431	48,884,352
			266,481,505
Spain 1.0%			
^a Amadeus IT Group SA	IT Services	290,086	20,252,173
^a Tecnicas Reunidas SA	Energy Equipment & Services	1,145,160	16,657,079
			36,909,252
Switzerland 1.4%			
Roche Holding AG	Pharmaceuticals	154,370	50,642,470
Taiwan 2.9%			
Taiwan Semiconductor Manufacturing Co. Ltd.	Semiconductors & Semiconductor Equipment	4,946,914	108,023,055
Thailand 1.4%			
Kasikornbank PCL	Banks	11,050,667	50,387,071
United Kingdom 13.6%			
BAE Systems plc	Aerospace & Defense	7,379,848	49,943,887
BP plc.	Oil, Gas & Consumable Fuels	18,829,151	77,098,696
CK Hutchison Holdings Ltd.	Industrial Conglomerates	11,025,586	83,203,138
Imperial Brands plc	Tobacco	3,181,295	59,263,204
^a Informa plc	Media	4,400,809	33,753,946
^a International Consolidated Airlines Group SA	Airlines	19,743,370	53,392,655
Prudential plc	Insurance	2,069,250	41,211,172
^a Standard Chartered plc	Banks	11,407,711	73,810,824
Vodafone Group plc	Wireless Telecommunication Services	19,045,689	32,596,207
			504,273,729

Templeton Foreign Fund (continued)

	Industry	Shares	Value
Common Stocks (continued)			
United States 6.8%			
Avnet, Inc.	Electronic Equipment, Instruments & Components	1,014,139	\$38,608,272
^a Berkshire Hathaway, Inc., B.	Diversified Financial Services	274,353	65,984,640
^a Booking Holdings, Inc.	Internet & Direct Marketing Retail	20,334	47,347,922
H&R Block, Inc.	Diversified Consumer Services	2,222,960	42,747,521
ManpowerGroup, Inc.	Professional Services	599,289	56,596,853
			251,285,208
Total Common Stocks (Cost \$2,850,652,514)			3,488,567,883
		<u>Warrants</u>	
Warrants 0.0%[†]			
Canada 0.0%[†]			
^a Cenovus Energy, Inc., 1/01/26.	Oil, Gas & Consumable Fuels	434,598	1,628,846
Total Warrants (Cost \$1,464,609)			1,628,846
Total Long Term Investments (Cost \$2,852,117,123)			3,490,196,729
Short Term Investments 1.5%			
		<u>Principal Amount[†]</u>	<u>Value</u>
Time Deposits 1.1%			
Canada 1.1%			
National Bank of Canada, 0.05%, 3/01/21		20,000,000	20,000,000
Royal Bank of Canada, 0.06%, 3/01/21		21,000,000	21,000,000
Total Time Deposits (Cost \$41,000,000)			41,000,000
		<u>Shares</u>	
^dInvestments from Cash Collateral Received for Loaned Securities 0.4%			
Money Market Funds 0.4%			
^e Institutional Fiduciary Trust - Money Market Portfolio, 0%.		15,691,500	15,691,500
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$15,691,500)			15,691,500
Total Short Term Investments (Cost \$56,691,500)			56,691,500
Total Investments (Cost \$2,908,808,623) 95.3%			\$3,546,888,229
Other Assets, less Liabilities 4.7%			172,029,449
Net Assets 100.0%			\$3,718,917,678

See Abbreviations on page 32.

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

[†]Rounds to less than 0.1% of net assets.

^aNon-income producing.

Templeton Foreign Fund (continued)

^b Security was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities 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. Regulation S securities 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 February 28, 2021, the aggregate value of these securities was \$110,630,134, representing 3.0% of net assets.

^c A portion or all of the security is on loan at February 28, 2021. See Note 1(d).

^d See Note 1(d) regarding securities on loan.

^e See Note 3(f) regarding investments in affiliated management investment companies.

^f The rate shown is the annualized seven-day effective yield at period end.

Statement of Assets and Liabilities

February 28, 2021 (unaudited)

**Templeton
Foreign Fund**

Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$2,893,117,123
Cost - Non-controlled affiliates (Note 3f)	15,691,500
Value - Unaffiliated issuers (Includes securities loaned of \$14,909,448)	\$3,531,196,729
Value - Non-controlled affiliates (Note 3f)	15,691,500
Cash	683,120
Foreign currency, at value (cost \$135,630,329)	134,018,818
Receivables:	
Investment securities sold	6,469,261
Capital shares sold	1,683,518
Dividends and interest	18,829,895
European Union tax reclaims (Note 1e)	65,413,669
Other assets	5,710
Total assets	<u>3,773,992,220</u>
Liabilities:	
Payables:	
Investment securities purchased	7,808,119
Capital shares redeemed	4,335,833
Management fees	1,765,369
Distribution fees	475,416
Transfer agent fees	1,214,978
IRS closing agreement fees for European Union tax reclaims (Note 1e)	18,159,672
Payable upon return of securities loaned (Note 1d)	15,691,500
Deferred tax	4,697,893
Accrued expenses and other liabilities	925,762
Total liabilities	<u>55,074,542</u>
Net assets, at value	<u>\$3,718,917,678</u>
Net assets consist of:	
Paid-in capital	\$3,815,401,155
Total distributable earnings (losses)	(96,483,477)
Net assets, at value	<u>\$3,718,917,678</u>

Statement of Assets and Liabilities (continued)

February 28, 2021 (unaudited)

	Templeton Foreign Fund
Class A:	
Net assets, at value	\$1,996,251,146
Shares outstanding	267,704,750
Net asset value per share ^a	\$7.46
Maximum offering price per share (net asset value per share + 94.50%)	\$7.89
Class C:	
Net assets, at value	\$53,146,535
Shares outstanding	7,158,080
Net asset value and maximum offering price per share ^a	\$7.42
Class R:	
Net assets, at value	\$123,951,500
Shares outstanding	16,997,282
Net asset value and maximum offering price per share	\$7.29
Class R6:	
Net assets, at value	\$537,986,864
Shares outstanding	73,517,196
Net asset value and maximum offering price per share	\$7.32
Advisor Class:	
Net assets, at value	\$1,007,581,633
Shares outstanding	137,524,674
Net asset value and maximum offering price per share	\$7.33

^aRedemption price is equal to net asset value less contingent deferred sales charges, if applicable.

Statement of Operations

for the six months ended February 28, 2021 (unaudited)

**Templeton
Foreign Fund**

Investment income:	
Dividends: (net of foreign taxes of \$4,600,269)	
Unaffiliated issuers	\$30,487,920
Interest:	
Unaffiliated issuers	29,772
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	54,906
Other income (Note 1e)	63,814,982
Less: IRS closing agreement fees for European Union tax reclaims (Note 1e)	(18,159,672)
Total investment income	<u>76,227,908</u>
Expenses:	
Management fees (Note 3a)	11,939,427
Distribution fees: (Note 3c)	
Class A	2,318,733
Class C	262,659
Class R	285,233
Transfer agent fees: (Note 3e)	
Class A	1,536,453
Class C	43,425
Class R	95,175
Class R6	151,570
Advisor Class	746,348
Custodian fees	213,325
Reports to shareholders	286,392
Registration and filing fees	71,774
Professional fees	59,026
Trustees' fees and expenses	109,604
Other	117,971
Total expenses	<u>18,237,115</u>
Expenses waived/paid by affiliates (Note 3f and 3g)	<u>(1,387,849)</u>
Net expenses	<u>16,849,266</u>
Net investment income	<u>59,378,642</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments: (net of foreign taxes of \$41,432)	
Unaffiliated issuers	76,527,305
Written options	146,721
Foreign currency transactions	4,997,121
Net realized gain (loss)	<u>81,671,147</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	541,559,474
Translation of other assets and liabilities denominated in foreign currencies	(4,034,938)
Change in deferred taxes on unrealized appreciation	<u>(4,248,967)</u>
Net change in unrealized appreciation (depreciation)	<u>533,275,569</u>
Net realized and unrealized gain (loss)	<u>614,946,716</u>
Net increase (decrease) in net assets resulting from operations	<u>\$674,325,358</u>

Statements of Changes in Net Assets

	Templeton Foreign Fund	
	Six Months Ended February 28, 2021 (unaudited)	Year Ended August 31, 2020
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$59,378,642	\$63,838,421
Net realized gain (loss)	81,671,147	(499,686,561)
Net change in unrealized appreciation (depreciation)	533,275,569	353,612,661
Net increase (decrease) in net assets resulting from operations	674,325,358	(82,235,479)
Distributions to shareholders:		
Class A	(25,789,554)	(79,858,470)
Class C	(254,786)	(1,948,865)
Class R	(1,399,512)	(4,201,944)
Class R6	(9,135,018)	(35,631,273)
Advisor Class	(14,872,436)	(28,374,973)
Total distributions to shareholders	(51,451,306)	(150,015,525)
Capital share transactions: (Note 2)		
Class A	(108,629,048)	(507,216,275)
Class C	(10,817,772)	(29,035,746)
Class R	(6,294,593)	(11,200,337)
Class R6	(145,591,417)	(247,767,572)
Advisor Class	(13,900,575)	34,825,853
Total capital share transactions	(285,233,405)	(760,394,077)
Net increase (decrease) in net assets	337,640,647	(992,645,081)
Net assets:		
Beginning of period	3,381,277,031	4,373,922,112
End of period	\$3,718,917,678	\$3,381,277,031

Notes to Financial Statements (unaudited)

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 February 28, 2021, 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 referred to as "market level fair value". 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 8 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

Templeton Foreign Fund (continued)

1. Organization and Significant Accounting Policies
 (continued)

d. Securities Lending (continued)

deposited into a joint 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. Additionally, the Fund received \$528,015 in U.S. Government and Agency securities as collateral. 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.

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. In the event that EU reclaims received by the Fund during the fiscal year exceed foreign withholding taxes paid, and the Fund previously passed foreign tax credit on to its shareholders, the Fund will enter into a closing agreement with the Internal Revenue Service (IRS) in order to pay the associated tax liability on behalf of the Fund's shareholders. The Fund determined to enter into a closing agreement with the IRS and recorded the estimated fees as a reduction to income, as reflected in the Statement of Operations.

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 February 28, 2021, 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

Templeton Foreign Fund (continued)

1. Organization and Significant Accounting Policies
 (continued)

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

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 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.

2. Shares of Beneficial Interest

At February 28, 2021, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended February 28, 2021		Year Ended August 31, 2020	
	Shares	Amount	Shares	Amount
Class A Shares:				
Shares sold ^a	16,380,585	\$111,948,423	69,357,092	\$423,459,874
Shares issued in reinvestment of distributions	3,171,886	22,520,388	10,008,404	72,260,672
Shares redeemed	(35,743,712)	(243,097,859)	(157,643,462)	(1,002,936,821)
Net increase (decrease)	(16,191,241)	\$(108,629,048)	(78,277,966)	\$(507,216,275)
Class C Shares:				
Shares sold	346,839	\$2,375,014	1,009,042	\$6,191,651
Shares issued in reinvestment of distributions	35,520	251,483	254,680	1,833,698
Shares redeemed ^a	(1,998,039)	(13,444,269)	(5,809,614)	(37,061,095)
Net increase (decrease)	(1,615,680)	\$(10,817,772)	(4,545,892)	\$(29,035,746)
Class R Shares:				
Shares sold	1,171,175	\$7,661,227	3,392,420	\$20,676,976
Shares issued in reinvestment of distributions	200,428	1,392,973	582,573	4,118,799
Shares redeemed	(2,325,946)	(15,348,793)	(5,730,365)	(35,996,112)
Net increase (decrease)	(954,343)	\$(6,294,593)	(1,755,372)	\$(11,200,337)

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.

Templeton Foreign Fund (continued)

2. Shares of Beneficial Interest (continued)

	Six Months Ended February 28, 2021		Year Ended August 31, 2020	
	Shares	Amount	Shares	Amount
Class R6 Shares:				
Shares sold	9,004,577	\$60,948,564	26,657,151	\$166,908,516
Shares sold in-kind (Note 10)	—	—	4,415,123	25,960,926
Shares issued in reinvestment of distributions	1,210,174	8,422,813	4,730,244	33,490,128
Shares redeemed	(33,854,653)	(214,962,794)	(77,893,716)	(474,127,142)
Net increase (decrease)	(23,639,902)	\$(145,591,417)	(42,091,198)	\$(247,767,572)
Advisor Class Shares:				
Shares sold	17,223,793	\$116,764,249	73,215,449	\$446,263,258
Shares issued in reinvestment of distributions	2,047,132	14,268,511	3,669,165	26,051,069
Shares redeemed	(21,706,170)	(144,933,335)	(68,556,435)	(437,488,474)
Net increase (decrease)	(2,435,245)	\$(13,900,575)	8,328,179	\$34,825,853

^aMay 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 period ended February 28, 2021, the annualized gross effective investment management fee rate was 0.694% 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 period:

Sales charges retained net of commissions paid to unaffiliated brokers/dealers	\$54,900
CDSC retained	\$4,483

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 period ended February 28, 2021, the Fund paid transfer agent fees of \$2,572,971, of which \$719,683 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 period ended February 28, 2021, 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 Period	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Period	Number of Shares Held at End of Period	Investment Income	Income from securities loaned
Templeton Foreign Fund									
Non-Controlled Affiliates									
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$—	\$31,187,734	\$(15,496,234)	\$—	\$—	\$15,691,500	15,691,500	\$—	
Total Affiliated Securities	\$—	\$31,187,734	\$(15,496,234)	\$—	\$—	\$15,691,500		\$—	

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 each class of the Fund do not exceed 0.85%, based on the average net assets of each class until December 31, 2021. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

Prior to January 1, 2021, expenses (excluding certain fees and expenses as previously disclosed) for Class R6 were limited to 0.70% based on the average net assets of the class.

Investor Services has contractually agreed in advance to its fees so that the Class R6 transfer agent fees do not exceed 0.03% based on the average net assets of the class until December 31, 2021.

4. 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
Total capital loss carryforwards	\$798,603,625

At February 28, 2021, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$2,970,337,760
Unrealized appreciation	\$846,030,793
Unrealized depreciation	(269,480,324)
Net unrealized appreciation (depreciation)	\$576,550,469

Templeton Foreign Fund (continued)

4. Income Taxes (continued)

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

5. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended February 28, 2021, aggregated \$573,580,694 and \$716,631,318, respectively.

At February 28, 2021, in connection with securities lending transactions, the Fund loaned equity investments and received \$15,691,500 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

6. 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.

7. 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.

8. Other Derivative Information

For the period ended February 28, 2021, 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 Period	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Period
Templeton Foreign Fund				
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Equity Contracts	Written options	\$146,721	Written options	\$—
Total		\$146,721		\$—

See Note 1(c) regarding derivative financial instruments.

Templeton Foreign Fund (continued)

9. 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 \$2.675 billion (Global Credit Facility) which matures on February 4, 2022. 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 period ended February 28, 2021, the Fund did not use the Global Credit Facility.

10. 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.

11. Fair Value Measurements

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

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

The 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 February 28, 2021, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Templeton Foreign Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Australia	\$—	\$19,469,784	\$—	\$19,469,784
Belgium	—	15,587,262	—	15,587,262
Brazil	42,991,274	—	—	42,991,274
Canada	38,763,711	—	—	38,763,711
China	52,835,533	115,625,496	—	168,461,029

Templeton Foreign Fund (continued)

11. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Templeton Foreign Fund (continued)				
Assets:				
Investments in Securities:				
Common Stocks:				
France	\$—	\$59,149,880	\$—	\$59,149,880
Germany	—	345,876,881	—	345,876,881
Hong Kong	—	179,845,692	—	179,845,692
India	—	74,609,510	—	74,609,510
Japan	—	878,171,521	—	878,171,521
Luxembourg	—	75,673,179	—	75,673,179
Netherlands	97,181,770	122,423,511	—	219,605,281
Norway	—	67,184,333	—	67,184,333
Portugal	—	35,176,256	—	35,176,256
South Korea	—	266,481,505	—	266,481,505
Spain	—	36,909,252	—	36,909,252
Switzerland	—	50,642,470	—	50,642,470
Taiwan	—	108,023,055	—	108,023,055
Thailand	—	50,387,071	—	50,387,071
United Kingdom	—	504,273,729	—	504,273,729
United States	251,285,208	—	—	251,285,208
Warrants	1,628,846	—	—	1,628,846
Short Term Investments	15,691,500	41,000,000	—	56,691,500
Total Investments in Securities	\$500,377,842	\$3,046,510,387^a	\$—	\$3,546,888,229

^a Includes foreign securities valued at \$3,005,510,387, which were categorized as Level 2 as a result of the application of market level fair value procedures. See the Financial Instrument Valuation note for more information.

12. 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.

13. 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

Tax Information (unaudited)

Templeton Foreign Fund

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. As shown in the table below, the Fund hereby reports to shareholders the foreign source income and foreign taxes paid, pursuant to Section 853 of the Internal Revenue Code. This written statement will allow shareholders of record on December 17, 2020, to treat their proportionate share of foreign taxes paid by the Fund as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

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

Class	Foreign Tax Paid Per Share	Foreign Source Income Per Share	Foreign Source Qualified Dividends Per Share
Class A	\$0.0223	\$0.1163	\$0.0944
Class C	\$0.0223	\$0.0555	\$0.0451
Class R	\$0.0223	\$0.1031	\$0.0837
Class R6	\$0.0223	\$0.1438	\$0.1168
Advisor Class	\$0.0223	\$0.1364	\$0.1108

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

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

Foreign Source Qualified Dividends Per Share is the amount per share of foreign source qualified dividends plus any foreign taxes withheld on these dividends. These amounts represent the portion of the Foreign Source Income Per Share that were derived from qualified foreign securities held by the Fund.¹

At the beginning of each calendar year, shareholders will receive Form 1099-DIV which will include their share of taxes paid during the prior calendar year. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their income tax returns.

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

Shareholder Information

Board Approval of Investment Management Agreements

TEMPLETON FUNDS

Templeton Foreign Fund (Fund)

At a meeting held on February 23, 2021 (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 best interests of the Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board’s 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 in the current work-from-home environment 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 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 outsourcing of certain administrative functions, and growth opportunities,

as evidenced by its recent acquisition of the Legg Mason companies. The Board also noted FT's attention focused on expanding the distribution opportunities for all funds in the FT family of funds.

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 November 30, 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 blend and growth styles, which has negatively impacted the Fund's relative returns during a period of outperformance of blend and growth investing strategies over value investing strategies. Management also explained that the Fund has a larger allocation to the energy sector in comparison to some of the other funds in the Performance Universe, which has significantly underperformed for the one-year period. 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 communication services, energy, financials and health care sectors. The Board noted management's steps to address the underperformance of the Fund, including making enhancements to the Fund's investment personnel and process. 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 closely 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, three international multi-cap growth funds, and five 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, 2020, 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. The Board further noted management's representation that the profitability analysis excluded the impact of the recent acquisition of the Legg Mason companies and that management expects to incorporate the legacy Legg Mason companies into the profitability analysis beginning next year. The Board also noted that PricewaterhouseCoopers LLP, auditor to FRI and certain FT funds, has been engaged by the Manager to periodically 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 management's outsourcing of certain operations, which effort has required 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.

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.

Proxy Voting Policies and Procedures

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

Quarterly Statement of Investments

The 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. 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, or receive notice of the availability of, the Fund's financial reports every six months. In addition, you will receive an annual updated summary prospectus (detail 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 (to the extent received by mail) 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.

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.



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Templeton Foreign Fund

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