

SEMIANNUAL REPORT AND SHAREHOLDER LETTER

TEMPLETON CHINA WORLD FUND

February 28, 2021



FRANKLIN
TEMPLETON

SHAREHOLDER LETTER

Dear Shareholder:

China's economy was the only major economy to grow in full calendar-year 2020, underpinned by a diversified domestic economy driven by manufacturing, innovation and digitization. In our view, China has successfully navigated the economic disruptions caused by the pandemic, and the resulting V-shaped recovery bodes well for continued strength in 2021. We continue to see the emergence of high-quality companies that, in our analysis, are well-placed to benefit from ongoing market consolidation and booming domestic consumption.

Geopolitical tension between China and the U.S. remains a key headwind likely to persist, despite some easing under the new U.S. administration. Although this tension is resulting in decoupling between the two countries with regard to technology-related companies, we have seen continued liberalization in China's financial markets, driving increased foreign ownership. Investor interest in China's domestic A-share markets is rising alongside increased bond market flows as China is added to international equity indexes.

The Chinese equity market has presented diverse opportunities to investors, and the depth and breadth of the market has grown exponentially. Digitization, adoption of technology and further consolidation across certain industries should all feed into the long-term opportunities that we have long been watching unfold in China.

We are particularly interested in so-called "new economy" stocks. The trajectory of companies that have harnessed technology to create online platforms from traditional brick-and-mortar businesses has led to various Chinese government initiatives, from lower transaction costs to reaching segments of society that previously did not have that access to goods and services. The concept of digitization extends beyond the consumer section in light of fifth-generation (5G) technology, as we think it could become a tailwind for other sectors to capture this opportunity, particularly in the industrials sector. As we continue to keep an eye on quality businesses with sustainable business models, we also anticipate ongoing Chinese initiatives that could bring fertile investment opportunities.

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.

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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 China World 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,

Manraj S. Sekhon, CFA
Chief Investment Officer
Franklin Templeton Emerging Markets Equity

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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SEMIANNUAL REPORT

Templeton China World Fund

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

Your Fund's Goals and Main Investments

The Fund seeks long-term capital appreciation. Under normal market conditions, the Fund invests at least 80% of its net assets in securities of "China companies." Such companies are those that are organized under the laws of, or with a principal office in, the People's Republic of China (China), Hong Kong or Taiwan; or for which the principal trading market is in China, Hong Kong or Taiwan; or that derive at least 50% of their revenues from goods or services sold or produced, or have at least 50% of their assets, in China.

Performance Overview

For the six months ended February 28, 2021, the Fund's Class A shares posted a total return of +18.00%. For comparison, the Fund's new benchmark, the MSCI China Index-NR, which measures stock market performance of mid- and large-capitalization companies in China, posted a +14.93% cumulative total return for the same period.¹ The Fund's prior benchmark, the MSCI China Index, posted a +14.94% return.¹ The investment manager believes the MSCI China 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 +96.81% cumulative total return, compared with the MSCI China Index-NR's +126.51% and the MSCI China Index's +131.38% cumulative total returns 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 6.

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 sales charges was +7.00%, compared with the 10-year average annual total return of +8.52% for the MSCI China Index-NR and +8.75% for the MSCI China Index.

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.

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

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 13.

Geographic Composition 2/28/21

	% of Total Net Assets
China	97.1%
Hong Kong	1.7%
Short-Term Investments & Other Net Assets	1.2%

Economic and Market Overview

China's economic recovery continued during the six-month period ended February 28, 2021. Year-on-year gross domestic product growth rates accelerated in the third and fourth quarters of 2020, driven by retail sales and government-stimulated industrial production, marking three consecutive quarters of expansion following the contraction caused by the novel coronavirus pandemic in the first quarter. As a net oil importer, generally low oil prices throughout the period also supported the economy. In late 2020, the government signaled its five-year annual growth targets would be on the lower end of prior forecasts, reflecting continued uncertainty about the pandemic's long-term economic impact.

During the six months under review, the People's Bank of China held its benchmark loan prime rate steady, though it offered a record amount of medium-term lending facility in December 2020 to further support liquidity.

Chinese equities rose during the period, though they generally lagged their emerging market peers. The country's continued economic recovery has been the most robust of any major economy and provided a foundation for investor confidence. Gains were limited, however, by investor concerns about increased Chinese government regulation of internet companies, new U.S. Department of Defense-mandated restrictions on U.S. investment in Chinese companies (scheduled to take effect in late 2021), asset overvaluation and the possibility for monetary policy tightening. In this environment, the MSCI China Index-NR posted a +14.93% total return for the six months ended February 28, 2021.¹

Investment Strategy

Our investment strategy employs a fundamental research, 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. We also consider a company's profit and loss outlook, balance sheet strength, cash flow trends and asset value in relation to the current price. Our analysis considers the company's corporate governance behavior as well as its position in its sector, the economic framework and political environment.

Manager's Discussion

During the six months under review, key contributors to the Fund's absolute performance included Tencent Holdings, Luzhou Laojiao and Baidu.

Tencent is one of the largest internet services companies in China. The company provides online gaming, social network, financial technology, cloud and other entertainment-related services. Above-consensus revenue and net profit in the second and third quarters of 2020, driven by strong growth in its online gaming business, continued to support the upward share-price trend. The successful listing of an online video company in which Tencent has a stake and the development of new initiatives led investors to maintain a positive view on the stock. Shares faced some short-term pressure, however, as China unveiled draft anti-monopoly rules for its internet industry.

Luzhou Laojiao is principally engaged in the design, manufacture and distribution of Chinese liquor products in China, and is most well-known for the production of a Chinese liquor distilled from fermented sorghum. The company reported better-than-expected third-quarter 2020 earnings that benefited from an improving product mix and buoyant demand for high-end spirits. In addition, selling, general and administrative cost control measures were well-received. Management guidance of strong growth in 2020 earnings further drove investor confidence in the stock. Expectations of higher product prices and growth in the premium mid-end liquor segments also boded well for the share price.

Top 10 Holdings

2/28/21

Company Sub-Industry	% of Total Net Assets
Tencent Holdings Ltd. <i>Interactive Media & Services</i>	14.1%
Alibaba Group Holding Ltd. <i>Internet & Direct Marketing Retail</i>	10.2%
Meituan Dianping <i>Internet & Direct Marketing Retail</i>	4.9%
JD.com, Inc. <i>Internet & Direct Marketing Retail</i>	3.5%
New Oriental Education & Technology Group, Inc. <i>Education Services</i>	3.3%
Wuxi Biologics Cayman, Inc. <i>Life Sciences Tools & Services</i>	3.2%
China Merchants Bank Co. Ltd. <i>Diversified Banks</i>	3.1%
Luzhou Laojiao Co. Ltd. <i>Distillers & Vintners</i>	2.9%
Baidu, Inc. <i>Interactive Media & Services</i>	2.8%
Ping An Insurance Group Co. of China Ltd. <i>Life & Health Insurance</i>	2.8%

Baidu is China's premier search engine. The company also has a major interest in China's leading online video platform and is also involved in cloud computing and various artificial intelligence initiatives. Baidu's fourth-quarter 2020 earnings and guidance for the first quarter of 2021 exceeded market expectations. News of a strategic partnership with one of China's leading automobile manufacturers to create a standalone electric car company, where Baidu would be the majority shareholder, led shares to jump in the latter part of the reporting period. New strategic partnerships with leading automobile companies for Baidu's autonomous driving solutions further raised investor expectations.

Conversely, major detractors from absolute performance included Alibaba Group Holding, CSPC Pharmaceutical Group and Shimao Group Holdings.

Alibaba is the leading e-commerce company in China. It also provides cloud computing services and is also involved in payment, financing and logistics services. Shares fell as regulators stepped up their scrutiny of the internet industry through a series of actions, including the release of draft online microlending and anti-monopoly rules. Alibaba also grappled with a halt to its plan to publicly list its financial technology arm, as well as an antitrust probe into its merchant policy. Operationally, the company reported solid third-quarter 2020 revenue and earnings growth, which also exceeded market expectations.

CSPC is a Chinese pharmaceutical company that is focused on three key business segments: innovative drugs, generics and bulk drugs. Although the company reported third-quarter 2020 corporate results that met market expectations, concerns of Chinese government-directed price cuts for a key product, NBP (a treatment for acute ischemic strokes), weighed on sentiment in the stock in the first half of the reporting period. Shares recovered off their recent lows in 2021, providing us with an opportunity to sell out of the stock.

Shimao is engaged in the development of residential, hotel, office and commercial properties. Shares in Shimao and the sector as a whole were negatively impacted by the rising supply of new shares in property management companies via initial public offerings (IPOs). The group also completed a partial spinoff of its property management arm via an IPO, which may have led some investors to adjust their positioning from the parent company towards the property management company.

In the past six months, we increased the Fund's holdings in the information technology, materials and industrials sectors. The continued search for undervalued investments led to the addition of numerous new companies to the portfolio. Key purchases included NIO, a major Chinese electric vehicle manufacturer, Shenzhen Capchem Technology, a leading electronic chemicals and functional materials producer in China, and Daqo New Energy, a prominent Chinese manufacturer of high-purity polysilicon for the global solar photovoltaic industry. We also added to existing investments in Chinese clinical-stage biopharmaceutical company I-Mab, Chinese designer and manufacturer of cable assembly and connector system solutions Luxshare Precision Industry, and leading brewery company China Resources Beer Holdings.

Meanwhile, we reduced the Fund's investments in the financials, consumer discretionary and energy sectors in favor of opportunities we found more compelling and to raise funds for dividend and capital gains distribution during the reporting period. In terms of key sales, we reduced holdings in Chinese insurer China Life Insurance, the aforementioned Tencent and Chinese commercial bank China Merchants Bank. The Fund divested its positions in the aforementioned CSPC, Hangzhou Hikvision Digital Technology, a video surveillance products and solutions provider in China, and CNOOC, a Chinese energy company.

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

Michael Lai, CFA
Lead Portfolio Manager

Eric Mok
Portfolio Manager

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 2/28/21

*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 ¹	Average Annual Total Return ²
A³		
6-Month	+18.00%	+11.51%
1-Year	+49.28%	+41.07%
5-Year	+139.88%	+17.78%
10-Year	+96.81%	+6.40%
Advisor		
6-Month	+18.09%	+18.09%
1-Year	+49.69%	+49.69%
5-Year	+142.85%	+19.42%
10-Year	+102.20%	+7.29%

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 7 for Performance Summary footnotes.

Distributions (9/1/20–2/28/21)

Share Class	Short-Term Capital Gain	Long-Term Capital Gain	Total
A	\$0.2991	\$3.9761	\$4.2752
C	\$0.2991	\$3.9761	\$4.2752
R6	\$0.2991	\$3.9761	\$4.2752
Advisor	\$0.2991	\$3.9761	\$4.2752

Total Annual Operating Expenses⁴

Share Class	
A	1.83%
Advisor	1.58%

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. The government's participation in the economy is still high and, therefore, the Fund's investments in China will be subject to larger regulatory risk levels compared to many other countries. In addition, special risks are associated with international investing, including currency fluctuations, economic instability and political developments. Investments in emerging markets involve heightened risks related to the same factors. The Fund may also experience greater volatility than a fund that is more broadly diversified geographically. Historically, smaller and midsized securities have experienced more price volatility than larger company stocks, especially over the short term. Also, as a nondiversified fund investing in China companies, the Fund may invest in a relatively small number of issuers and, as a result, be subject to a greater risk of loss with respect to its portfolio securities. The Fund is designed for the aggressive portion of a well-diversified portfolio. 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. Cumulative total return represents the change in value of an investment over the periods indicated.
2. Average annual total return represents the average annual change in value of an investment over the periods indicated. Return for less than one year, if any, has not been annualized.
3. 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%.
4. 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	\$1,180.00	\$9.07	\$1,016.47	\$8.39	1.68%
C	\$1,000	\$1,175.55	\$13.10	\$1,012.75	\$12.12	2.43%
R6	\$1,000	\$1,182.09	\$7.38	\$1,018.03	\$6.82	1.36%
Advisor	\$1,000	\$1,180.90	\$7.73	\$1,017.70	\$7.15	1.43%

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

	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	\$20.71	\$18.01	\$22.42	\$23.49	\$21.51	\$26.19
Income from investment operations ^a :						
Net investment income (loss) ^b	(0.14)	(0.07)	0.14	0.29 ^c	0.15	0.17
Net realized and unrealized gains (losses)	3.40	5.95	(1.76)	1.29	4.59	2.19
Total from investment operations	3.26	5.88	(1.62)	1.58	4.74	2.36
Less distributions from:						
Net investment income	—	(0.13)	(0.30)	(0.25)	(0.19)	(0.46)
Net realized gains	(4.28)	(3.05)	(2.49)	(2.40)	(2.57)	(6.58)
Total distributions	(4.28)	(3.18)	(2.79)	(2.65)	(2.76)	(7.04)
Net asset value, end of period	\$19.69	\$20.71	\$18.01	\$22.42	\$23.49	\$21.51
Total return ^d	18.00%	36.80%	(6.46)%	7.26%	26.00%	11.19%
Ratios to average net assets^e						
Expenses before waiver and payments by affiliates	1.68%	1.86%	1.87%	1.85%	1.94%	1.91%
Expenses net of waiver and payments by affiliates	1.68% ^f	1.85%	1.83%	1.85% ^f	1.94% ^{f,g}	1.91% ^{f,g}
Net investment income (loss)	(1.33)%	(0.39)%	0.76%	1.26% ^c	0.71%	0.77%
Supplemental data						
Net assets, end of period (000's)	\$194,554	\$164,145	\$146,709	\$178,315	\$188,885	\$186,850
Portfolio turnover rate	18.45%	59.87%	5.69%	12.15%	7.92%	3.87%

^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 \$0.10 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.83%.

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

^eRatios are annualized for periods less than one year.

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

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

	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	\$20.57	\$17.91	\$22.13	\$23.12	\$21.18	\$25.76
Income from investment operations ^a :						
Net investment income (loss) ^b	(0.21)	(0.20)	(—) ^c	0.10 ^d	(0.03)	— ^c
Net realized and unrealized gains (losses)	3.36	5.91	(1.72)	1.31	4.54	2.17
Total from investment operations	3.15	5.71	(1.72)	1.41	4.51	2.17
Less distributions from:						
Net investment income	—	—	(0.01)	(—) ^c	—	(0.17)
Net realized gains	(4.28)	(3.05)	(2.49)	(2.40)	(2.57)	(6.58)
Total distributions	(4.28)	(3.05)	(2.50)	(2.40)	(2.57)	(6.75)
Net asset value, end of period	\$19.44	\$20.57	\$17.91	\$22.13	\$23.12	\$21.18
Total return ^e	17.55%	35.80%	(7.16)%	6.52%	24.97%	10.41%
Ratios to average net assets^f						
Expenses before waiver and payments by affiliates	2.43%	2.61%	2.62%	2.60%	2.69%	2.66%
Expenses net of waiver and payments by affiliates	2.43% ^g	2.60%	2.58%	2.60% ^g	2.69% ^{g,h}	2.66% ^{g,h}
Net investment income (loss)	(2.06)%	(1.15)%	0.01% ⁱ	0.51% ^d	(0.04)%	0.02%
Supplemental data						
Net assets, end of period (000's)	\$12,593	\$12,376	\$15,744	\$36,678	\$42,577	\$48,769
Portfolio turnover rate	18.45%	59.87%	5.69%	12.15%	7.92%	3.87%

^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.

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

^dNet investment income per share includes approximately \$0.10 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.08%.

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

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

ⁱRatio is calculated based on the Fund level net investment income, as reflected in the Statement of Operations, and adjusted for class specific expenses. The amount may not correlate with the per share amount due to the timing of income earned and/or fluctuating fair value of the investments of the Fund in relation to the timing of sales and repurchases of Fund shares.

	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	\$20.88	\$18.14	\$22.55	\$23.66	\$21.68	\$26.41
Income from investment operations ^a :						
Net investment income (loss) ^b	(0.10)	0.01	0.26	0.45 ^c	0.27	0.31
Net realized and unrealized gains (losses)	3.42	5.99	(1.81)	1.25	4.59	2.18
Total from investment operations	3.32	6.00	(1.55)	1.70	4.86	2.49
Less distributions from:						
Net investment income	—	(0.21)	(0.37)	(0.41)	(0.31)	(0.64)
Net realized gains	(4.28)	(3.05)	(2.49)	(2.40)	(2.57)	(6.58)
Total distributions	(4.28)	(3.26)	(2.86)	(2.81)	(2.88)	(7.22)
Net asset value, end of period	\$19.92	\$20.88	\$18.14	\$22.55	\$23.66	\$21.68
Total return ^d	18.21%	37.42%	(6.08)%	7.75%	26.62%	11.76%
Ratios to average net assets^e						
Expenses before waiver and payments by affiliates	1.41%	1.56%	1.57%	1.50%	1.49%	1.45%
Expenses net of waiver and payments by affiliates	1.36%	1.42%	1.42%	1.42%	1.44% ^f	1.42% ^f
Net investment income (loss)	(1.01)%	0.05%	1.17%	1.69% ^c	1.21%	1.26%
Supplemental data						
Net assets, end of period (000's)	\$4,287	\$3,437	\$3,395	\$3,412	\$1,213	\$720
Portfolio turnover rate	18.45%	59.87%	5.69%	12.15%	7.92%	3.87%

^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 \$0.10 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.26%.

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

^eRatios are annualized for periods less than one year.

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

	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	\$20.94	\$18.18	\$22.60	\$23.68	\$21.68	\$26.39
Income from investment operations ^a :						
Net investment income (loss) ^b	(0.11)	(0.02)	0.20	0.35 ^c	0.22	0.22
Net realized and unrealized gains (losses)	3.43	6.01	(1.79)	1.30	4.60	2.22
Total from investment operations	3.32	5.99	(1.59)	1.65	4.82	2.44
Less distributions from:						
Net investment income	—	(0.18)	(0.34)	(0.33)	(0.25)	(0.57)
Net realized gains	(4.28)	(3.05)	(2.49)	(2.40)	(2.57)	(6.58)
Total distributions	(4.28)	(3.23)	(2.83)	(2.73)	(2.82)	(7.15)
Net asset value, end of period	\$19.98	\$20.94	\$18.18	\$22.60	\$23.68	\$21.68
Total return ^d	18.09%	37.20%	(6.25)%	7.54%	26.31%	11.51%
Ratios to average net assets^e						
Expenses before waiver and payments by affiliates	1.43%	1.61%	1.62%	1.60%	1.69%	1.66%
Expenses net of waiver and payments by affiliates	1.43% ^f	1.60%	1.58%	1.60% ^f	1.69% ^{f,g}	1.66% ^{f,g}
Net investment income (loss)	(1.08)%	(0.12)%	1.01%	1.51% ^c	0.96%	1.02%
Supplemental data						
Net assets, end of period (000's)	\$85,702	\$74,741	\$67,189	\$79,456	\$83,172	\$73,504
Portfolio turnover rate	18.45%	59.87%	5.69%	12.15%	7.92%	3.87%

^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 \$0.10 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.08%.

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

^eRatios are annualized for periods less than one year.

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

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

Statement of Investments (unaudited), February 28, 2021

	Country	Shares	Value
Common Stocks 98.8%			
Air Freight & Logistics 0.5%			
SF Holding Co. Ltd., A.	China	100,221	\$1,624,580
Application Software 0.7%			
Hundsun Technologies, Inc., A.	China	156,520	2,113,714
Auto Parts & Equipment 1.0%			
Minth Group Ltd.	China	664,000	2,911,576
Automobile Manufacturers 1.3%			
^a NIO, Inc., ADR	China	84,696	3,877,383
Biotechnology 4.6%			
^a BeiGene Ltd.	China	170,631	4,145,393
^a I-Mab, ADR.	China	47,345	2,802,351
^{a,b,c} InnoCare Pharma Ltd., 144A, Reg S	China	565,200	1,373,686
^{a,b,c} Innovent Biologics, Inc., 144A, Reg S	China	518,327	5,334,025
			13,655,455
Brewers 1.3%			
China Resources Beer Holdings Co. Ltd.	China	498,646	3,762,151
Construction Machinery & Heavy Trucks 1.7%			
Weichai Power Co. Ltd., H	China	1,742,693	5,129,537
Construction Materials 2.6%			
Anhui Conch Cement Co. Ltd., H.	China	764,500	4,912,893
Asia Cement China Holdings Corp.	China	71,271	67,014
Beijing Oriental Yuhong Waterproof Technology Co. Ltd., A	China	380,020	2,772,398
			7,752,305
Distillers & Vintners 2.9%			
Luzhou Laojiao Co. Ltd., A.	China	239,189	8,705,913
Diversified Banks 3.1%			
China Merchants Bank Co. Ltd., H.	China	1,209,430	9,274,820
Diversified Metals & Mining 0.6%			
China Molybdenum Co. Ltd., H	China	2,268,000	1,749,289
Education Services 3.3%			
^a New Oriental Education & Technology Group, Inc., ADR	China	55,878	9,925,050
Electrical Components & Equipment 1.1%			
Sunwoda Electronic Co. Ltd., A	China	860,889	3,290,917
Electronic Components 1.7%			
Luxshare Precision Industry Co. Ltd., A	China	470,690	3,375,854
Sunny Optical Technology Group Co. Ltd.	China	66,710	1,662,184
			5,038,038
Environmental & Facilities Services 1.9%			
^{b,c} A-Living Smart City Services Co. Ltd., H, 144A, Reg S	China	1,362,250	5,703,958
Financial Exchanges & Data 1.8%			
East Money Information Co. Ltd., A	China	396,000	1,863,000
Hong Kong Exchanges & Clearing Ltd.	Hong Kong	54,934	3,377,500
			5,240,500
Footwear 2.4%			
ANTA Sports Products Ltd.	China	466,435	7,145,969

	Country	Shares	Value
Common Stocks (continued)			
Health Care Services 0.6%			
^{a,c} New Horizon Health Ltd., 144A, Reg S	China	221,500	\$1,714,841
Industrial Machinery 0.6%			
Jiangsu Hengli Hydraulic Co. Ltd., A	China	127,533	1,872,172
Interactive Home Entertainment 3.2%			
^a Bilibili, Inc., ADR	China	28,132	3,543,788
NetEase, Inc.	China	269,129	5,874,782
			9,418,570
Interactive Media & Services 18.0%			
^a Baidu, Inc., ADR	China	29,386	8,329,756
^{a,c} Kuaishou Technology, 144A, Reg S	China	80,000	3,184,962
Tencent Holdings Ltd.	China	482,300	41,958,659
			53,473,377
Internet & Direct Marketing Retail 21.7%			
^a Alibaba Group Holding Ltd.	China	1,009,592	30,337,418
^{a,b} Baozun, Inc., ADR.	China	109,940	5,049,544
^a JD.com, Inc., A	China	222,454	10,433,044
^{a,c} Meituan Dianping, B, 144A, Reg S	China	324,898	14,592,618
^a Vipshop Holdings Ltd., ADR	China	105,235	3,927,370
			64,339,994
Internet Services & Infrastructure 2.0%			
^a GDS Holdings Ltd., ADR	China	57,566	5,880,943
Life & Health Insurance 3.2%			
China Life Insurance Co. Ltd., H	China	606,497	1,280,832
Ping An Insurance Group Co. of China Ltd., H	China	662,500	8,198,156
			9,478,988
Life Sciences Tools & Services 4.2%			
^c WuXi AppTec Co. Ltd., H, 144A, Reg S	China	148,800	3,098,141
^{a,c} Wuxi Biologics Cayman, Inc., 144A, Reg S	China	756,848	9,376,531
			12,474,672
Packaged Foods & Meats 0.3%			
Jonjee Hi-Tech Industrial And Commercial Holding Co. Ltd., A	China	123,383	988,452
Paper Products 0.5%			
Nine Dragons Paper Holdings Ltd.	Hong Kong	956,541	1,540,175
Pharmaceuticals 1.2%			
Jiangsu Hengrui Medicine Co. Ltd., A	China	233,594	3,673,685
Real Estate Development 3.2%			
China Resources Land Ltd.	China	1,196,000	5,683,555
Shimao Group Holdings Ltd.	China	1,118,300	3,682,506
			9,366,061
Real Estate Operating Companies 0.1%			
^{a,c} KWG Living Group Holdings Ltd., Reg S	China	178,249	211,939
^{a,c} Shimao Services Holdings Ltd., 144A, Reg S	China	26,201	50,040
			261,979
Restaurants 1.2%			
Yum China Holdings, Inc.	China	57,625	3,448,280

	Country	Shares	Value
Common Stocks (continued)			
Semiconductor Equipment 1.5%			
^a Daqo New Energy Corp., ADR	China	41,726	\$4,349,935
Semiconductors 1.9%			
Will Semiconductor Co. Ltd. Shanghai, A.	China	130,971	5,731,225
Specialty Chemicals 1.1%			
Shenzhen Capchem Technology Co. Ltd., A.	China	280,518	3,365,124
Specialty Stores 1.8%			
China Tourism Group Duty Free Corp. Ltd., A	China	110,757	5,266,489
Total Common Stocks (Cost \$164,014,650)			293,546,117
Short Term Investments 2.7%			
	Country	Shares	Value
Money Market Funds 1.7%			
^{d,e} Institutional Fiduciary Trust - Money Market Portfolio, 0%	United States	5,044,817	5,044,817
Total Money Market Funds (Cost \$5,044,817)			5,044,817
Investments from Cash Collateral Received for Loaned Securities 1.0%			
Money Market Funds 1.0%			
^{d,e} Institutional Fiduciary Trust - Money Market Portfolio, 0%	United States	3,068,119	3,068,119
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$3,068,119)			3,068,119
Total Short Term Investments (Cost \$8,112,936)			8,112,936
Total Investments (Cost \$172,127,586) 101.5%			\$301,659,053
Other Assets, less Liabilities (1.5)%			(4,524,186)
Net Assets 100.0%			\$297,134,867

See Abbreviations on page 28.

^a Non-income producing.

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

^c 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 \$44,640,741, representing 15.0% of net assets.

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

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

^f See Note 1(c) regarding securities on loan.

Statement of Assets and Liabilities

February 28, 2021 (unaudited)

	Templeton China World Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$164,014,650
Cost - Non-controlled affiliates (Note 3f)	8,112,936
Value - Unaffiliated issuers (Includes securities loaned of \$3,951,605)	\$293,546,117
Value - Non-controlled affiliates (Note 3f)	8,112,936
Cash	2,243
Receivables:	
Capital shares sold	460,207
Other assets	437
Total assets	<u>302,121,940</u>
Liabilities:	
Payables:	
Investment securities purchased	992,042
Capital shares redeemed	380,353
Management fees	348,414
Distribution fees	50,680
Transfer agent fees	47,051
Payable upon return of securities loaned (Note 1c)	3,068,119
Accrued expenses and other liabilities	100,414
Total liabilities	<u>4,987,073</u>
Net assets, at value	<u>\$297,134,867</u>
Net assets consist of:	
Paid-in capital	\$158,686,810
Total distributable earnings (losses)	138,448,057
Net assets, at value	<u>\$297,134,867</u>

Statement of Assets and Liabilities (continued)

February 28, 2021 (unaudited)

	Templeton China World Fund
Class A:	
Net assets, at value	\$194,553,578
Shares outstanding	9,880,469
Net asset value per share ^a	\$19.69
Maximum offering price per share (net asset value per share + 94.50%)	\$20.84
Class C:	
Net assets, at value	\$12,592,519
Shares outstanding	647,701
Net asset value and maximum offering price per share ^a	\$19.44
Class R6:	
Net assets, at value	\$4,286,625
Shares outstanding	215,151
Net asset value and maximum offering price per share	\$19.92
Advisor Class:	
Net assets, at value	\$85,702,145
Shares outstanding	4,289,645
Net asset value and maximum offering price per share	\$19.98

^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 China World Fund
Investment income:	
Dividends: (net of foreign taxes of \$25,726)	
Unaffiliated issuers	\$462,180
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	14,517
Total investment income	<u>476,697</u>
Expenses:	
Management fees (Note 3a)	1,629,474
Distribution fees: (Note 3c)	
Class A	218,039
Class C	61,932
Transfer agent fees: (Note 3e)	
Class A	78,998
Class C	5,611
Class R6	1,267
Advisor Class	35,940
Custodian fees	8,586
Reports to shareholders	43,453
Registration and filing fees	50,235
Professional fees	51,669
Trustees' fees and expenses	15,436
Other	11,603
Total expenses	2,212,243
Expenses waived/paid by affiliates (Note 3f and 3g)	(4,966)
Net expenses	<u>2,207,277</u>
Net investment income (loss)	<u>(1,730,580)</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	14,136,828
Foreign currency transactions	(30,985)
Net realized gain (loss)	<u>14,105,843</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	31,220,372
Translation of other assets and liabilities denominated in foreign currencies	(16)
Net change in unrealized appreciation (depreciation)	<u>31,220,356</u>
Net realized and unrealized gain (loss)	<u>45,326,199</u>
Net increase (decrease) in net assets resulting from operations	<u>\$43,595,619</u>

Statements of Changes in Net Assets

	Templeton China World Fund	
	Six Months Ended February 28, 2021 (unaudited)	Year Ended August 31, 2020
Increase (decrease) in net assets:		
Operations:		
Net investment income (loss)	\$(1,730,580)	\$(823,115)
Net realized gain (loss)	14,105,843	75,457,889
Net change in unrealized appreciation (depreciation)	31,220,356	(2,201,973)
Net increase (decrease) in net assets resulting from operations	43,595,619	72,432,801
Distributions to shareholders:		
Class A	(33,391,528)	(24,649,838)
Class C	(2,395,172)	(2,304,710)
Class R6	(675,504)	(573,952)
Advisor Class	(15,703,973)	(11,698,806)
Total distributions to shareholders	(52,166,177)	(39,227,306)
Capital share transactions: (Note 2)		
Class A	35,659,787	(4,000,337)
Class C	578,609	(4,978,138)
Class R6	947,658	(446,417)
Advisor Class	13,820,928	(2,117,940)
Total capital share transactions	51,006,982	(11,542,832)
Net increase (decrease) in net assets	42,436,424	21,662,663
Net assets:		
Beginning of period	254,698,443	233,035,780
End of period	\$297,134,867	\$254,698,443

Notes to Financial Statements (unaudited)

1. Organization and Significant Accounting Policies

Templeton China World Fund (Fund) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). The Fund offers four classes of shares: Class A, Class C, 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 Fund'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.

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 securities on the last business day and the last calendar day

1. Organization and Significant Accounting Policies

(continued)

a. Financial Instrument Valuation (continued)

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. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. Any cash collateral received is deposited into a joint 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 \$1,573,272 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.

d. 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.

1. Organization and Significant Accounting Policies

(continued)

d. Income and Deferred Taxes (continued)

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.

e. 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. Estimated expenses are accrued daily. Dividend income is recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

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.

f. 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.

g. Guarantees and Indemnifications

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

2. 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	1,175,705	\$24,482,180	1,637,185	\$28,718,789
Shares issued in reinvestment of distributions	1,828,143	32,412,982	1,424,398	23,858,673
Shares redeemed	(1,048,308)	(21,235,375)	(3,284,677)	(56,577,799)
Net increase (decrease)	1,955,540	\$35,659,787	(223,094)	\$(4,000,337)
Class C Shares:				
Shares sold	85,244	\$1,767,648	89,115	\$1,517,497
Shares issued in reinvestment of distributions	134,598	2,359,504	133,589	2,233,607
Shares redeemed ^a	(173,762)	(3,548,543)	(500,380)	(8,729,242)
Net increase (decrease)	46,080	\$578,609	(277,676)	\$(4,978,138)
Class R6 Shares:				
Shares sold	63,654	\$1,337,754	27,223	\$484,613
Shares issued in reinvestment of distributions	37,670	675,419	34,097	573,857
Shares redeemed	(50,763)	(1,065,515)	(83,905)	(1,504,887)
Net increase (decrease)	50,561	\$947,658	(22,585)	\$(446,417)
Advisor Class Shares:				
Shares sold	628,175	\$13,377,862	815,555	\$14,197,900
Shares issued in reinvestment of distributions	785,723	14,135,152	615,112	10,395,376
Shares redeemed	(693,489)	(13,692,086)	(1,557,209)	(26,711,216)
Net increase (decrease)	720,409	\$13,820,928	(126,542)	\$(2,117,940)

^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 Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Templeton Asset Management Ltd. (Asset Management)	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

3. Transactions with Affiliates (continued)

a. Management Fees

The Fund pays an investment management fee to Asset Management based on the average weekly net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
1.200%	Up to and including \$4 billion
1.150%	Over \$4 billion, up to and including \$10 billion
1.100%	Over \$10 billion, up to and including \$15 billion
1.050%	Over \$15 billion, up to and including \$20 billion
1.000%	In excess of \$20 billion

Effective March 1, 2021, the Fund will pay fees to Asset Management based on the average weekly net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
1.200%	Up to and including \$1 billion
1.150%	Over \$1 billion, up to and including \$5 billion
1.100%	Over \$5 billion, up to and including \$10 billion
1.050%	Over \$10 billion, up to and including \$15 billion
1.000%	In excess of \$15 billion

For the period ended February 28, 2021, the annualized gross effective investment management fee rate was 1.20% of the Fund's average weekly net assets.

b. Administrative Fees

Under an agreement with Asset Management, FT Services provides administrative services to the Fund. The fee is paid by Asset Management based on the Fund's average weekly 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 compensation distribution plan, 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. 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	0.35%
Class C	1.00%

The Board has set the current rate at 0.25% per year for Class A shares until further notice and approval by the Board.

3. Transactions with Affiliates (continued)

d. Sales Charges/Underwriting Agreements

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

Sales charges retained net of commissions paid to unaffiliated brokers/dealers	\$15,439
CDSC retained	\$288

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 \$121,816, of which \$83,617 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:

	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
Templeton China World Fund								
Non-Controlled Affiliates								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$3,642,614	\$45,875,640	\$(44,473,437)	\$—	\$—	\$5,044,817	5,044,817	\$—
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$2,257,156	\$34,799,319	\$(33,988,356)	\$—	\$—	\$3,068,119	3,068,119	\$—
Total Affiliated Securities	\$5,899,770	\$80,674,959	\$(78,461,793)	\$—	\$—	\$8,112,936		\$—

3. Transactions with Affiliates (continued)

g. Waiver and Expense Reimbursements

Asset Management has contractually agreed in advance to waive or limit its fees and to assume as its 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) for each class of the Fund do not exceed 1.60%, 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 1.42% based on the average net assets of the class.

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

4. Income Taxes

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

Cost of investments	\$172,127,586
Unrealized appreciation	\$132,367,065
Unrealized depreciation	(2,835,598)
Net unrealized appreciation (depreciation)	\$129,531,467

5. Investment Transactions

Purchases and sales of investments (excluding short term securities and in-kind transactions) for the period ended February 28, 2021, aggregated \$48,582,781 and \$51,527,846, respectively.

At February 28, 2021, in connection with securities lending transactions, the Fund loaned equity investments and received \$3,068,119 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 securities of "China companies" may include certain risks and considerations not typically associated with investing in U.S. securities. In general, China companies are those that are organized under the laws of, or with a principal office or principal trading market in, the People's Republic of China, Hong Kong, or Taiwan. Such risks include fluctuating currency values and changing local, regional and global economic, political and social conditions, which may result in greater market volatility. In addition, these 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. 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.

9. 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 China World Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Air Freight & Logistics	\$—	\$1,624,580	\$—	\$1,624,580
Application Software	—	2,113,714	—	2,113,714
Auto Parts & Equipment	—	2,911,576	—	2,911,576
Automobile Manufacturers	3,877,383	—	—	3,877,383
Biotechnology	2,802,351	10,853,104	—	13,655,455
Brewers	—	3,762,151	—	3,762,151
Construction Machinery & Heavy Trucks	—	5,129,537	—	5,129,537
Construction Materials	—	7,752,305	—	7,752,305
Distillers & Vintners	—	8,705,913	—	8,705,913
Diversified Banks	—	9,274,820	—	9,274,820
Diversified Metals & Mining	—	1,749,289	—	1,749,289
Education Services	9,925,050	—	—	9,925,050
Electrical Components & Equipment	—	3,290,917	—	3,290,917
Electronic Components	—	5,038,038	—	5,038,038
Environmental & Facilities Services	—	5,703,958	—	5,703,958
Financial Exchanges & Data	—	5,240,500	—	5,240,500
Footwear	—	7,145,969	—	7,145,969
Health Care Services	1,714,841	—	—	1,714,841

9. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
Templeton China World Fund (continued)				
Assets:				
Common Stocks:				
Industrial Machinery	\$—	\$1,872,172	\$—	\$1,872,172
Interactive Home Entertainment	3,543,788	5,874,782	—	9,418,570
Interactive Media & Services	11,514,718	41,958,659	—	53,473,377
Internet & Direct Marketing Retail	8,976,914	55,363,080	—	64,339,994
Internet Services & Infrastructure	5,880,943	—	—	5,880,943
Life & Health Insurance	—	9,478,988	—	9,478,988
Life Sciences Tools & Services	—	12,474,672	—	12,474,672
Packaged Foods & Meats	—	988,452	—	988,452
Paper Products	—	1,540,175	—	1,540,175
Pharmaceuticals	—	3,673,685	—	3,673,685
Real Estate Development	—	9,366,061	—	9,366,061
Real Estate Operating Companies	—	261,979	—	261,979
Restaurants	3,448,280	—	—	3,448,280
Semiconductor Equipment	4,349,935	—	—	4,349,935
Semiconductors	—	5,731,225	—	5,731,225
Specialty Chemicals	—	3,365,124	—	3,365,124
Specialty Stores	—	5,266,489	—	5,266,489
Short Term Investments	8,112,936	—	—	8,112,936
Total Investments in Securities	\$64,147,139	\$237,511,914 ^a	\$—	\$301,659,053

^a Includes foreign securities valued at \$237,511,914, 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.

10. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board 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.

11. 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 other than those already disclosed in the financial statements.

Abbreviations

Selected Portfolio

ADR American Depositary Receipt

Shareholder Information

Board Approval of Investment Management Agreements

TEMPLETON CHINA WORLD FUND (Fund)

At a meeting held on February 23, 2021 (Meeting), the Board of Trustees (Board) of the Fund, 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 Asset Management Ltd. (Manager) and 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 China region funds. The Board noted that the Fund's annualized total return for the one- and 10-year periods was below the median of its Performance Universe, but that its annualized total return for the three-year period was above and for the five-year period was equal to the median of its Performance Universe. The Board discussed this performance with management and management explained that, over the past few years, market performance was largely driven by the internet and technology sectors. Management further explained that, while the Fund's benchmark was tilted toward these two sectors, the Fund followed its long-term value strategy and held positions in cyclical sectors, such as energy and materials, which did not perform as well and resulted in the Fund's relative underperformance to its peers and benchmark. Management further explained that the Performance Universe, which included funds that follow a benchmark that is weighted 40% to China A-Shares listed in Mainland China, was not directly comparable to the Fund, in part, as the Fund primarily invested in Chinese equities listed outside of Mainland China, which is the primary focus of the Fund's benchmark. This difference was significant in that the China A-Shares market returned 44% for the one-year period. Management then discussed with the Board the actions that have been taken in an effort to improve Fund performance, in particular the repositioning of the

Fund's portfolio in December 2019 toward higher quality and sustainable growth, enhancements to the Fund's investment process, changes to the benchmark and additions to the Fund's portfolio management team. The Board noted the favorable 34.68% annualized total return of the Fund for the one-year period and concluded that the Fund's Management Agreement should be continued for an additional one-year period, while management's efforts 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 to 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 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 and eight other China region funds. The Board noted that the Management Rate was above the median of its Expense Group and the actual total expense ratio for the Fund was approximately 8.5 basis points above the median of its Expense Group. The Board discussed the expenses of the Fund with management and noted that two of the nine funds in the Expense Group had significantly more exposure to China A-Shares than the Fund and the other funds in the

Expense Group. Management explained that the expenses for the Expense Group are in a tight range and, if these two funds with outlier strategies were removed from the Expense Group, the Fund's actual total expense ratio would be less than five basis points above the median of the remaining funds. Management also explained that the cost includes factors relating to the Fund's operations, such as the quality and experience of its portfolio manager and research staff, and the depth of the Manager's physical presence and coverage in the geographical area in which the Fund invests. The Board recalled that management had reduced the Fund's Management Rate effective July 1, 2019 and again on July 1, 2020. The Board then noted that, at the request of the Independent Trustees at the Meeting, management agreed to further amend the Fund's current Management Rate fee schedule by lowering the level of net assets at each breakpoint in the schedule, effective March 1, 2021. The Board also noted that the Fund's actual total expense ratio reflected a fee waiver from management. In light of the above, the Board concluded that the Management Rate charged to the Fund is reasonable.

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. The Board recognized that,

given the Fund has not yet reached an asset size that would enable the Fund to achieve economies of scale, the Fund is not expected to experience additional economies of scale in the foreseeable future.

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.

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.

Proxy Voting Policies and Procedures

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

Quarterly Statement of Investments

The Fund files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year 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

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.



Semiannual Report and Shareholder Letter
Templeton China World Fund

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Templeton Asset
Management Ltd.

Distributor
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