APRIL 30, 2013

SEMIANNUAL REPORT AND SHAREHOLDER LETTER

A series of Franklin Templeton International Trust

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INTERNATIONAL

TEMPLETON FOREIGN SMALLER COMPANIES FUND



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

SPECIALIZED EXPERTISE

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

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

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

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

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

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



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Shareholder Letter

Dear Shareholder:

During the six months ended April 30, 2013, many countries experienced economic growth, although the eurozone economy contracted in the fourth quarter of 2012. Central banks around the world continued using monetary programs designed to support economic growth. Such measures gained traction and helped global developed and emerging market stocks, as measured by the MSCI All Country World Index, generate strong gains during the period.

Although the global economy continues to face challenges, we remain encouraged as the U.S. and some other developed countries, as well as emerging market countries, show continued signs of economic expansion. With this positive economic environment, we believe companies generally should continue to deliver healthy earnings and cash flow, which have historically been favorable for stock prices. We also think equities look particularly interesting in an environment of very low interest rates. Keep in mind in all economic environments we remain committed to our long-term perspective and disciplined investment approach. First and foremost for us, this means conducting rigorous, fundamental analysis of securities with a continual emphasis on investment risk management.

Templeton Foreign Smaller Companies Fund's semiannual report goes into greater detail about prevailing conditions during the period under review. In addition, you will find Fund performance data, financial information and a discussion from the portfolio managers. Please remember all securities markets fluctuate, as do mutual fund share prices.

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

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

We believe active management serves investors well. We also see the important role advisors serve in markets like these and encourage investors to continue to seek their counsel. While headwinds remain and the global recovery may continue to be uneven, we are confident investors with a well-diversified portfolio and a patient, long-term outlook will be well positioned in the years ahead.

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

Sincerely,

Edward B. Jamieson

President and Chief Executive Officer - Investment Management

Edward B. Jamier

Franklin Templeton International Trust

This letter reflects our analysis and opinions as of April 30, 2013. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.

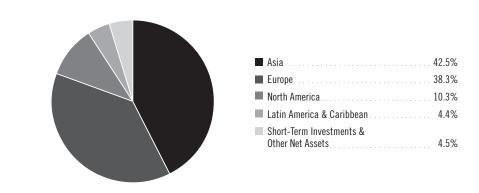
Semiannual Report

Templeton Foreign Smaller Companies Fund

Your Fund's Goal and Main Investments: Templeton Foreign Smaller Companies Fund seeks to provide long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of smaller companies located outside the U.S., including emerging markets.

Geographic Breakdown

Based on Total Net Assets as of 4/30/13



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

We are pleased to bring you Templeton Foreign Smaller Companies Fund's semiannual report for the period ended April 30, 2013.

Performance Overview

For the six months under review, Templeton Foreign Smaller Companies Fund – Class A delivered a +16.67% cumulative total return. In comparison, the MSCI All Country World Index Ex USA Small Cap Index, which measures performance of international small capitalization stocks in developed and emerging markets, excluding the U.S., posted a +14.90% return. Please note that index

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The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 16.

Top 10 Sectors/Industries 4/30/13

	% of Total Net Assets
Household Durables	12.1%
Personal Products	6.9%
Energy Equipment & Services	6.4%
Textiles, Apparel & Luxury Goods	5.4%
Machinery	5.1%
Metals & Mining	5.0%
Capital Markets	4.8%
Auto Components	4.2%
Electronic Equipment, Instruments &	k
Components	4.0%
Food Products	3.9%

performance information is provided for reference and we do not attempt to track an index but rather undertake investments on the basis of fundamental research. You can find the Fund's long-term performance data in the Performance Summary beginning on page 8.

Economic and Market Overview

The global economic recovery was mixed during the period under review. Emerging markets continued to lead the recovery as several emerging economies returned to or exceeded their pre-crisis activity levels. Although some developed economies, such as those of Australia and some Scandinavian countries, also enjoyed relatively strong recoveries, growth in the G-3 (U.S., eurozone and Japan) was slow by the standards of previous recoveries.

Global developed and emerging market stocks, as measured by the MSCI All Country World Index, delivered solid gains during the six months under review as redoubled policy support and continued corporate earnings strength helped buoy global markets. Developed market stocks, as measured by the MSCI World Index, outperformed their emerging market counterparts, as measured by the MSCI Emerging Markets Index, for the six-month period. Frontier markets, as measured by the MSCI Frontier Markets Index, outperformed developed and emerging markets. Emerging markets finished the last quarter of 2012 with resounding gains, largely due to strength in December as concerns about global growth abated. The effects of monetary easing programs implemented by governments globally were evident in the final quarter of 2012 as financial markets remained awash with liquidity. More than half of the total 2012 fund inflows into emerging markets were recorded in the fourth quarter. However, emerging market stocks as a group ended the first quarter of 2013 with declines as concerns about the crisis in Cyprus and its impact on the eurozone led investors to adopt a more risk-averse stance. Within emerging markets, the Asia Pacific region performed relatively well, with stocks in the Philippines, Indonesia and Thailand among the best performers. In contrast, Chinese stocks underperformed their regional peers, even as China reported its first acceleration in economic growth in two years for the fourth quarter of 2012. This development eased fears of a "hard landing" and made a steady and sustainable Chinese growth scenario for 2013 seem more likely.

Although intensifying fiscal uncertainty and budget debates in the U.S. led U.S. stock markets to underperform most other global equity markets in 2012's fourth quarter, the Federal Reserve Board's affirmation for continued monetary stimulus and 2012 corporate profits that expanded for a third year provided reassurance that contributed to new highs for two major U.S. equity indexes amid supportive economic data in the first quarter of 2013. Many key elements of the U.S. economy continued their uptrend, including strong retail sales that reflected consumption that was seemingly undamaged by increased payroll taxes, and a housing rebound supported by large increases in home prices and purchases. Several measures of employment also improved during the period; the jobless rate fell to a post-recession low and multiple measures of consumer sentiment approached or reached five-year highs during the reporting period. Japan's introduction of an inflation target, a monetary policy shift, and talks of increased easing with more and wider asset purchases contributed to optimism that the country's long fight against deflation could eventually be won.

In Europe, Italy's inconclusive election results and failed attempts at forming a new coalition government as well as the concerns about Cyprus's banking sector re-energized the European sovereign debt crisis during the first quarter of 2013. These headwinds pressured European markets while economic conditions in the eurozone remained downbeat. Outside the eurozone, the U.K. economy slowed in 2012's fourth quarter after posting strong third-quarter growth, which together with stressed public finances, contributed to the loss of the country's triple-A credit rating in February 2013.

Investment Strategy

We take a bottom-up, value-oriented, long-term approach to investing. We focus our analysis 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 price/earnings ratio, profit margins and liquidation value. We are patient investors and may hold a security for several years as we wait for the market to recognize a company's true worth.

Manager's Discussion

Several holdings performed well during the period under review. HAJIME CONSTRUCTION is one of the largest single detached home builders in Japan. Unlike most peers, HAJIME remained profitable through a challenging period, helped by its position as the low-cost builder operating at the low end of the market and quickly turning over inventory.

Kingsoft is a leading Chinese information technology firm. The company has transformed itself from what could be perceived as a minor online gaming concern into an Internet leader providing security software, productivity applications and cloud computing solutions. In 2012, earnings beat forecasts, and almost all of the company's business segments reported better-than-expected results, leading to strong share-price appreciation.

Top 10 Equity Holdings 4/30/13

	f Total Assets
HAJIME CONSTRUCTION CO. LTD. Household Durables, Japan	4.0%
Ensign Energy Services Inc. Energy Equipment & Services, Canada	3.1%
Techtronic Industries Co. Ltd. Household Durables, Hong Kong	3.0%
Prince Frog International Holdings Ltd. Personal Products, China	2.6%
Asics Corp. Textiles, Apparel & Luxury Goods, Japan	2.5%
Kobayashi Pharmaceutical Co. Ltd. Personal Products, Japan	2.5%
HudBay Minerals Inc. Metals & Mining, Canada	2.4%
China Minzhong Food Corp. Ltd. Food Products, China	2.4%
Steiner Leisure Ltd. Diversified Consumer Services, Bahamas	2.1% s
BS Financial Group Inc. Commercial Banks, South Korea	2.0%

Azimut Holding (AZM) is one of Italy's largest independent asset managers. Shares performed well amid an increase in assets under management and a gain in market share. AZM is not a leveraged vehicle and has no direct asset exposure to the financially troubled European countries. Furthermore, AZM's assets under management grew faster than those of the Italian mutual fund industry over the past five years, and the company maintained a notably lower financial advisor churn ratio than average.

Certain Fund positions hindered performance during the review period. HudBay Minerals, a Canadian integrated zinc and copper producer, holds assets in North and Central America. We believe that despite its recent underperformance, HudBay's stock price offered an attractive risk-to-reward ratio. In our view, downside risk was limited by a high net cash position, and an increase in metal prices could lead to a rise in production, reserves, net asset value and earnings.

U.K.-based African Minerals is a minerals exploration and development firm. The company has a strong Sierra Leone-based iron ore production growth profile that could, in our view, more than offset any potential further weakness in the underlying commodity price. Although the share price declined during the period, we believe the company could benefit over the longer term from potentially strong revenue and earnings growth as a new project intended to double iron ore production starts, and from low-cost growth options that could increase production significantly over the next five years.

Based in Singapore, First Resources is a leading crude palm oil (CPO) producer. During the period, a sharp decline in palm oil prices resulting from slowing demand from China and the European Union weighed on the company's share price. Looking at the longer term, we believe the company could benefit from CPO's favorable characteristics, including a young and growing area under cultivation and superior yields and prices that may result from better seeds and best industry practices.

It is important to recognize the effect of currency movements on the Fund's performance. In general, if the value of the U.S. dollar goes up compared with a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer U.S. dollars. This can have a negative effect on Fund performance. Conversely, when the U.S. dollar weakens in relation to a foreign currency, an investment traded in that foreign currency will increase in value, which can contribute to Fund performance. For the six months ended April 30, 2013, the U.S. dollar increased in value relative to most major currencies. As a result, the Fund's performance was negatively affected by the portfolio's predominant investment in securities with non-U.S. currency exposure.

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



Martin Cobb



Harlan B. Hodes, CPA

Howlan B. Atola



Cindy L. Sweeting, CFA

Portfolio Management Team Templeton Foreign Smaller Companies Fund

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The foregoing information reflects our analysis, opinions and portfolio holdings as of April 30, 2013, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Performance Summary as of 4/30/13

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table 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.

Price and Distribution Information

Class A (Symbol: FINEX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$2.10	\$16.49	\$14.39
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.2673			
Class C (Symbol: FCFSX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$2.08	\$15.91	\$13.83
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.1617			
Advisor Class (Symbol: FTFAX)		Change	4/30/13	10/31/12
Net Asset Value (NAV)		+\$2.08	\$16.46	\$14.38
Distributions (11/1/12-4/30/13)				
Dividend Income	\$0.3065			

Performance Summary (continued)

Performance

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

Class A	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	+16.67%	+16.84%	+11.70%	+174.54%
Average Annual Total Return ²	+9.95%	+10.09%	+1.04%	+9.97%
Value of \$10,000 Investment ³	\$10,995	\$11,009	\$10,530	\$25,872
Avg. Ann. Total Return (3/31/13) ⁴		+4.53%	+1.62%	+10.80%
Total Annual Operating Expenses ⁵	1.6	5%		
Class C	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	+16.35%	+16.01%	+7.65%	+155.07%
Average Annual Total Return ²	+15.35%	+15.01%	+1.49%	+9.82%
Value of \$10,000 Investment ³	\$11,535	\$11,501	\$10,765	\$25,507
Avg. Ann. Total Return (3/31/13) ⁴		+9.08%	+2.06%	+10.60%
Total Annual Operating Expenses ⁵	2.4	.0%		
Advisor Class	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return ¹	+16.86%	+17.18%	+13.16%	+181.76%
Average Annual Total Return ²	+16.86%	+17.18%	+2.50%	+10.91%
Value of \$10,000 Investment ³	\$11,686	\$11,718	\$11,316	\$28,176
Avg. Ann. Total Return (3/31/13) ⁴		+11.17%	+3.08%	+11.74%
Total Annual Operating Expenses ⁵	1.4	.0%		

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.

Performance Summary (continued)

Endnotes

All investments involve risks, including possible loss of principal. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investments in emerging markets involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size and lesser liquidity. In addition, smaller company stocks have historically exhibited greater price volatility than large-company stocks, particularly over the short term. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

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

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

- 1. Cumulative total return represents the change in value of an investment over the periods indicated.
- 2. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
- 3. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
- 4. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
- 5. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

Your Fund's Expenses

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

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

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

Actual Fund Expenses

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

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

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

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

Hypothetical Example for Comparison with Other Funds

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

Your Fund's Expenses (continued)

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

Class A	Beginning Account Value 11/1/12	Ending Account Value 4/30/13	Expenses Paid During Period* 11/1/12-4/30/13
Actual	\$1,000	\$1,166.70	\$ 8.60
Hypothetical (5% return before expenses)	\$1,000	\$1,016.86	\$ 8.00
Class C			
Actual	\$1,000	\$1,163.50	\$12.61
Hypothetical (5% return before expenses)	\$1,000	\$1,013.14	\$11.73
Advisor Class			
Actual	\$1,000	\$1,168.60	\$ 7.26
Hypothetical (5% return before expenses)	\$1,000	\$1,018.10	\$ 6.76

^{*}Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 1.60%; C: 2.35%; and Advisor: 1.35%), multiplied by the average account value over the period, multiplied 181/365 to reflect the one-half year period.

Financial Highlights

Templeton Foreign Smaller Companies Fund

	Six Months End April 30, 2013		Yea	ar Ended Octo	ber 31,	
Class A	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$14.39	\$13.92	\$15.47	\$12.82	\$ 8.58	\$25.36
Income from investment operations ^a :						
Net investment income ^b	0.02	0.24	0.12	0.08	0.08	0.32
Net realized and unrealized gains (losses)	2.35	0.38	(1.60)	2.68	4.66	(13.11)
Total from investment operations	2.37	0.62	(1.48)	2.76	4.74	(12.79)
Less distributions from:						
Net investment income	(0.27)	(0.15)	(0.07)	(0.11)	(0.45)	(0.28)
Net realized gains					(0.05)	(3.71)
Total distributions	(0.27)	(0.15)	(0.07)	(0.11)	(0.50)	(3.99)
Redemption fees:		_	_	_	_	d
Net asset value, end of period	\$16.49	\$14.39	\$13.92	\$15.47	\$12.82	\$ 8.58
Total returne	16.67%	4.67%	(9.60)%	21.71%	58.99%	(55.75)%
Ratios to average net assets ^f						
Expenses	1.60%g	1.65%	1.55%g	1.59%g	1.71%g	1.53%g
Net investment income	0.32%	1.72%	0.80%	0.56%	0.83%	1.78%
Supplemental data						
Net assets, end of period (000's)	\$116,016	\$103,168	\$121,119	\$163,993	\$144,167	\$99,546
Portfolio turnover rate	22.21%	57.56%	50.03%	19.65%	32.74%	12.68% ^h

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

^bBased on average daily shares outstanding.

cEffective September 1, 2008, the redemption fee was eliminated.

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%.

hExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Financial Highlights (continued)

Templeton Foreign Smaller Companies Fund

	Six Months Ende April 30, 2013	d	Yea	r Ended Octob	per 31,	
Class C	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$13.83	\$13.36	\$14.89	\$12.39	\$ 8.26	\$24.66
Income from investment operations ^a :						
Net investment income (loss) ^b	(0.03)	0.13	0.01	(0.02)	0.01	0.19
Net realized and unrealized gains (losses)	2.27	0.38	(1.54)	2.60	4.51	(12.72)
Total from investment operations	2.24	0.51	(1.53)	2.58	4.52	(12.53)
Less distributions from:						
Net investment income	(0.16)	(0.04)	_	(80.0)	(0.34)	(0.16)
Net realized gains		_	_	_	(0.05)	(3.71)
Total distributions	(0.16)	(0.04)	_	(80.0)	(0.39)	(3.87)
Redemption fees ^c						d
Net asset value, end of period	\$15.91	\$13.83	\$13.36	\$14.89	\$12.39	\$ 8.26
Total return ^e	16.35%	3.85%	(10.28)%	20.90%	57.73%	(56.07)%
Ratios to average net assets ^f						
Expenses	2.35% ^g	2.40%	2.30%g	2.34% ^g	2.46%g	2.26%g
Net investment income (loss)	(0.43)%	0.97%	0.05%	(0.19)%	0.08%	1.05%
Supplemental data	•					
Net assets, end of period (000's)	\$14,353	\$12,814	\$14,457	\$17,202	\$14,349	\$11,220
Portfolio turnover rate	22.21%	57.56%	50.03%	19.65%	32.74%	12.68% ^h

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

^bBased on average daily shares outstanding.

cEffective September 1, 2008, the redemption fee was eliminated.

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.

 $^{{}^{\}rm g}$ Benefit of expense reduction rounds to less than 0.01%.

hExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Financial Highlights (continued)

Templeton Foreign Smaller Companies Fund

	Six Months Ende April 30, 2013		Year	r Ended Octob	per 31,	
Advisor Class	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$14.38	\$13.93	\$15.48	\$12.81	\$ 8.62	\$25.43
Income from investment operations ^a :						
Net investment income ^b	0.04	0.26	0.17	0.11	0.10	0.36
Net realized and unrealized gains (losses)	2.35	0.39	(1.61)	2.69	4.65	(13.14)
Total from investment operations	2.39	0.65	(1.44)	2.80	4.75	(12.78)
Less distributions from:						
Net investment income	(0.31)	(0.20)	(0.11)	(0.13)	(0.51)	(0.32)
Net realized gains		_			(0.05)	(3.71)
Total distributions	(0.31)	(0.20)	(0.11)	(0.13)	(0.56)	(4.03)
Redemption feesc			_	_	_	d
Net asset value, end of period	\$16.46	\$14.38	\$13.93	\$15.48	\$12.81	\$ 8.62
Total return ^e	16.86%	4.90%	(9.38)%	22.06%	59.33%	(55.61)%
Ratios to average net assets ^f						
Expenses	1.35% ^g	1.40%	1.30%g	1.34% ^g	1.46% ^g	1.28% ^g
Net investment income	0.57%	1.97%	1.05%	0.81%	1.08%	2.03%
Supplemental data						
Net assets, end of period (000's)	\$34,548	\$31,817	\$36,902	\$33,172	\$14,438	\$7,849
Portfolio turnover rate	22.21%	57.56%	50.03%	19.65%	32.74%	12.68% ^h

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

^bBased on average daily shares outstanding.

cEffective September 1, 2008, the redemption fee was eliminated.

dAmount rounds to less than \$0.01 per share.

 $^{{\}ensuremath{^{\text{e}}}}\textsc{Total}$ return is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

 $^{{}^{\}rm g}$ Benefit of expense reduction rounds to less than 0.01%.

hExcludes the value of portfolio securities delivered as a result of a redemption in-kind.

Statement of Investments, April 30, 2013 (unaudited)

Templeton Foreign Smaller Companies Fund	Industry	Shares	Value
Common Stocks 95.5%			
Bahamas 2.1%			
^a Steiner Leisure Ltd	Diversified Consumer Services	70,143	\$ 3,397,026
Belgium 1.2%			
Barco NV	Electronic Equipment,		
	Instruments & Components	22,231	1,977,294
Brazil 1.0%			
Diagnosticos da America SA	Health Care Providers & Services	301,500	1,661,942
Canada 10.3%			
AGF Management Ltd.	Capital Markets	148,800	1,698,714
Canaccord Financial Inc.	Capital Markets	352,625	2,012,800
Enerflex Ltd	Energy Equipment & Services	164,100	2,264,347
Ensign Energy Services Inc	Energy Equipment & Services	298,900	5,032,356
HudBay Minerals Inc	Metals & Mining	504,030	4,002,819
Trican Well Service Ltd	Energy Equipment & Services	146,700	1,916,486
			16,927,522
Cayman Islands 1.3%			
Stella International Holdings Ltd	Textiles, Apparel & Luxury Goods	733,000	2,163,078
China 11.0%	, , , , , , , , , , , , , , , , , , ,	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	
China Medical System Holdings Ltd.	Pharmaceuticals	1,275,000	1,250,338
^a China Minzhong Food Corp. Ltd.	Food Products	4,877,000	3,958,925
Kingsoft Corp. Ltd.	Software	2,626,000	3,021,892
MIE Holdings Corp.	Oil, Gas & Consumable Fuels	7,266,000	1,685,391
Minth Group Ltd	Auto Components	1,242,000	2,227,889
Prince Frog International Holdings Ltd	Personal Products	6,823,200	4,264,445
Yingde Gases	Chemicals	1,805,500	1,738,004
			18,146,884
Finland 1.6%			
Amer Sports OYJ	Leisure Equipment & Products	159,140	2,707,252
France 0.6%		•	
lpsos	Media	30,790	1,031,773
Germany 4.2%		,	
Gerresheimer AG	Life Sciences Tools & Services	36,040	2,057,363
Gildemeister AG	Machinery	73,560	1,657,698
GSW Immobilien AG	Real Estate Management	, 0,000	2,007,000
	& Development	36,360	1,458,758
Rational AG	Machinery	4,180	1,295,871
Software AG	Software	13,900	485,830
			6,955,520
Hong Kong 7.9%			
Giordano International Ltd.	Specialty Retail	1,442,000	1,447,556
^a Haier Electronics Group Co. Ltd.	Household Durables	1,294,000	2,311,161
Samsonite International SA	Textiles, Apparel & Luxury Goods	1,095,300	2,693,048
Techtronic Industries Co. Ltd	Household Durables	2,037,590	4,868,097
VTech Holdings Ltd	Communications Equipment	129,600	1,650,876
			12,970,738

Statement of Investments, April 30, 2013 (unaudited) (continued)

Templeton Foreign Smaller Companies Fund	Industry	Shares	Value
Common Stocks (continued)			
Indonesia 1.2%			
^b Sakari Resources Ltd	Metals & Mining	1,342,000	\$ 2,042,685
Italy 4.7%			
Amplifon SpA	Health Care Providers & Services	559,642	2,881,203
Azimut Holding SpA	Capital Markets	116,134	2,159,141
^a Sorin SpA	Health Care Equipment & Supplies	983,993	2,757,087
			7,797,431
Japan 12.1%			
Asahi Co. Ltd	Specialty Retail	79,700	1,338,486
Asics Corp	Textiles, Apparel & Luxury Goods	229,200	4,131,361
HAJIME CONSTRUCTION CO. LTD	Household Durables	102,000	6,644,781
Keihin Corp.	Auto Components	171,100	2,794,472
Kobayashi Pharmaceutical Co. Ltd	Personal Products Multiline Retail	74,379 42,000	4,059,464 1,025,494
Seria Co. Ltu.	Wultillie Retail	42,000	
			19,994,058
Netherlands 2.8%			
Aalberts Industries NV	Machinery	91,427	2,048,299
Arcadis NV a Royal Imtech NV	Construction & Engineering Construction & Engineering	77,330 31,850	2,138,738 353,947
"Noyal lilleen IVV	Construction & Engineering	31,630	
			4,540,984
Philippines 1.0%			
Energy Development Corp	Independent Power Producers	6 006 600	000 047
Samirara Mining Corn	& Energy Traders Oil, Gas & Consumable Fuels	6,286,600 97,530	993,947
Semirara Mining Corp.	on, das & consumable rueis	97,550	710,601
			1,704,548
Singapore 3.5%			
CSE Global Ltd.	IT Services	2,733,000	1,874,653
Ezion Holdings Ltd. First Resources Ltd.	Energy Equipment & Services Food Products	857,000	1,419,174
rirst Resources Ltd	Food Froducts	1,715,000	2,408,434
			5,702,261
South Korea 4.3%			
BS Financial Group Inc.	Commercial Banks	252,935	3,329,270
Halla Visteon Climate Control Corp.	Auto Components	68,230	1,842,614
Hyundai Mipo Dockyard Co. Ltd	Machinery	20,055	1,966,159
			7,138,043
Spain 0.9%			
Construcciones y Auxiliar de Ferrocarriles SA	Machinery	3,860	1,524,739
Sweden 1.9%			
^{a,b} D Carnegie & Co. AB	Capital Markets	456,515	_
Oriflame Cosmetics SA, SDR	Personal Products	85,320	3,087,572
			3,087,572

Statement of Investments, April 30, 2013 (unaudited) (continued)

Templeton Foreign Smaller Companies Fund	Industry	Shares	Value
Common Stocks (continued)			
Switzerland 1.4%			
Lonza Group AG	Life Sciences Tools & Services	14,990	\$ 1,043,939
Tecan Group AG	Life Sciences Tools & Services	14,240	1,324,829
			2,368,768
Taiwan 1.5%			
Simplo Technology Co. Ltd	Computers & Peripherals	251,000	1,068,176
Tripod Technology Corp.	Electronic Equipment, Instruments	,,,,,,	, ,
	& Components	600,000	1,363,174
			2,431,350
Turkey 1.5%			
Aygaz AS	Gas Utilities	450,975	2,459,178
United Kingdom 17.5%		,	
^a African Minerals Ltd.	Metals & Mining	641,950	2,182,703
Bellway PLC	Household Durables	94,457	1,972,842
Bovis Homes Group PLC	Household Durables	166,870	1,991,490
Dignity PLC	Diversified Consumer Services	115,669	2,471,581
Greggs PLC	Food & Staples Retailing	132,129	850,375
Homeserve PLC	Commercial Services & Supplies	889,640	2,894,622
Laird PLC	Electronic Equipment,		
	Instruments & Components	986,251	3,324,639
Man Group PLC	Capital Markets	1,263,280	2,007,578
Micro Focus International PLC	Software	184,081	1,915,221
a Ophir Energy PLC	Oil, Gas & Consumable Fuels Household Durables	315,714 120,550	1,994,889 2,021,562
Persimmon PLC, C	Household Durables	120,550	140,451
SIG PLC	Trading Companies & Distributors	707,670	1,778,716
UBM PLC	Media	116,160	1,321,336
^a Vectura Group PLC	Pharmaceuticals	1,434,850	1,972,636
			28,840,641
Total Common Stocks (Cost \$134,889,504)			157,571,287
Other Assets, less Liabilities 4.5%			7,345,156
Net Assets 100.0%			\$164,916,443

See Abbreviations on page 33.

^aNon-income producing.

bSecurity has been deemed illiquid because it may not be able to be sold within seven days. At April 30, 2013, the aggregate value of these securities was \$2,042,685, representing 1.24% of net assets.

Financial Statements

Statement of Assets and Liabilities

April 30, 2013 (unaudited)

	Templeton
	Foreign Smaller
	Companies Fund
Assets:	
Investments in securities:	
Cost	\$134,889,504
Value	\$157,571,287
Cash	7,356,132
Receivables:	
Capital shares sold	193,248
Dividends	462,860
Other assets	56
Total assets	165,583,583
Liabilities:	
Payables:	
Capital shares redeemed	380,133
Affiliates	223,957
Professional fees	34,220
Accrued expenses and other liabilities	28,830
Total liabilities	667,140
Net assets, at value	\$164,916,443
Net assets consist of:	
Paid-in capital	\$170,999,762
Undistributed net investment income	48,984
Net unrealized appreciation (depreciation)	22,682,967
Accumulated net realized gain (loss)	(28,815,270)
Net assets, at value	\$164,916,443

Financial Statements (continued)

Statement of Assets and Liabilities (continued)

April 30, 2013 (unaudited)

	Templeton
	Foreign Smaller
	Companies Fund
Class A:	
Net assets, at value	\$116,016,229
Shares outstanding	7,033,573
Net asset value per share ^a	\$16.49
Maximum offering price per share (net asset value per share ÷ 94.25%)	\$17.50
Class C:	
Net assets, at value	\$ 14,352,626
Shares outstanding	902,200
Net asset value and maximum offering price per share ^a	\$15.91
Advisor Class:	
Net assets, at value	\$ 34,547,588
Shares outstanding	2,098,577
Net asset value and maximum offering price per share	\$16.46

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

Financial Statements (continued)

Statement of Operations

for the six months ended April 30, 2013 (unaudited)

	Templeton Foreign Smaller Companies Fund
Investment income:	ф 1 4EE C1O
Dividends (net of foreign taxes of \$142,478)	\$ 1,455,610 778
Income from securities loaned	48,201
	1,504,589
Total investment income	1,304,369
Expenses:	755.000
Management fees (Note 3a)	755,888
Class A	137,743
Class B	137,743
Class C	67,516
Transfer agent fees: (Note 3e)	07,510
Class A	128,755
Class B	114
Class C	15,768
Advisor Class	38,696
Custodian fees (Note 4)	15,247
Reports to shareholders	27,186
Registration and filing fees	36,595
Professional fees	27,379
Trustees' fees and expenses	4,633
Other	9,972
Total expenses	1,265,958
Expense reductions (Note 4)	(74)
Net expenses	1,265,884
Net investment income	238,705
Realized and unrealized gains (losses): Net realized gain (loss) from:	
Investments	8,091,432
Foreign currency transactions	(38,100)
Net realized gain (loss)	8,053,332
Net change in unrealized appreciation (depreciation) on:	
Investments	15,765,082
Translation of other assets and liabilities denominated in foreign currencies	8,339
Net change in unrealized appreciation (depreciation)	15,773,421
Net realized and unrealized gain (loss)	23,826,753
Net increase (decrease) in net assets resulting from operations	\$24,065,458
- · ·	

Financial Statements (continued)

Statements of Changes in Net Assets

	Templeton Foreign Smaller Companies Fund		
	April	onths Ended 30, 2013 naudited)	Year Ended October 31, 2012
Increase (decrease) in net assets:			· · · · · · · · · · · · · · · · · · ·
Operations:			
Net investment income	\$	238,705	\$ 2,698,154
Net realized gain (loss) from investments and foreign currency transactions		8,053,332	(13,401,283)
other assets and liabilities denominated in foreign currencies	1	5,773,421	15,922,221
Net increase (decrease) in net assets resulting from operations	2	24,065,458	5,219,092
Distributions to shareholders from: Net investment income:			
Class A	((1,894,784)	(1,300,195)
Class C		(146,239)	(39,953)
Advisor Class		(640,629)	(517,817)
Total distributions to shareholders	((2,681,652)	(1,857,965)
Capital share transactions: (Note 2)			
Class A	((2,292,574)	(19,867,995)
Class B		(219,644)	(900,724)
Class C		(353,165)	(2,036,145)
Advisor Class	((1,601,203)	(6,136,862)
Total capital share transactions	((4,466,586)	(28,941,726)
Net increase (decrease) in net assets	1	6,917,220	(25,580,599)
Net assets:		7 000 000	170 570 000
Beginning of period	14	7,999,223	173,579,822
End of period	\$16	54,916,443	\$147,999,223
Undistributed net investment income included in net assets:			
End of period	\$	48,984	\$ 2,491,931

Notes to Financial Statements (unaudited)

Templeton Foreign Smaller Companies Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Franklin Templeton International Trust (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of four separate funds. The Templeton Foreign Smaller Companies Fund (Fund) is included in this report. The financial statements of the remaining funds in the Trust are presented separately. The Fund offers three classes of shares: Class A, Class C, and Advisor Class. Effective May 1, 2013, the Fund began offering a new class of shares, Class R6. Effective March 22, 2013, all Class B shares were converted to Class A. Each class of shares differs by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees primarily due to differing arrangements for distribution and transfer agent fees.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

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

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC primarily

Notes to Financial Statements (unaudited) (continued)

Templeton Foreign Smaller Companies Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

a. Financial Instrument Valuation (continued)

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. The VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

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

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

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated

Notes to Financial Statements (unaudited) (continued)

Templeton Foreign Smaller Companies Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Foreign Currency Translation (continued)

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 on the Statement of Operations.

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

c. Securities Lending

The Fund participates in an agency based securities lending program. The Fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the market value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the market value of loaned securities, as determined at the close of fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. The collateral is invested in a non-registered money fund. The Fund receives income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. The Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower. At April 30, 2013, the Fund had no securities on loan.

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

Notes to Financial Statements (unaudited) (continued)

Templeton Foreign Smaller Companies Fund

- 1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)
- d. Income and Deferred Taxes (continued)

it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of April 30, 2013, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax iurisdiction statute of limitation.

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

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. Fund specific expenses are charged directly to the fund that incurred the expense.

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

Notes to Financial Statements (unaudited) (continued)

Templeton Foreign Smaller Companies Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

f. Accounting Estimates

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

g. Guarantees and Indemnifications

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

2. SHARES OF BENEFICIAL INTEREST

At April 30, 2013, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended April 30, 2013 ^a			Ended 31, 2012
	Shares	Amount	Shares	Amount
Class A Shares:				
Shares sold	845,368	\$ 12,997,881	2,623,068	\$ 36,625,881
Shares issued in reinvestment of				
distributions	123,662	1,820,300	101,675	1,247,549
Shares redeemed	(1,107,374)	(17,110,755)	(4,252,860)	(57,741,425)
Net increase (decrease)	(138,344)	\$ (2,292,574)	(1,528,117)	\$(19,867,995)
Class B Shares:				_
Shares sold	_	\$ —	371	\$ 4,714
Shares redeemed	(14,472)	(219,644)	(68,669)	(905,438)
Net increase (decrease)	(14,472)	\$ (219,644)	(68,298)	\$ (900,724)
Class C Shares:				
Shares sold	121,613	\$ 1,825,831	182,846	\$ 2,452,961
Shares issued in reinvestment of				
distributions	9,802	139,476	3,159	37,501
Shares redeemed	(155,568)	(2,318,472)	(341,814)	(4,526,607)
Net increase (decrease)	(24,153)	\$ (353,165)	(155,809)	\$ (2,036,145)

Notes to Financial Statements (unaudited) (continued)

Templeton Foreign Smaller Companies Fund

2. Shares of Beneficial Interest (continued)

	Six Months Ended April 30, 2013 ^a				
	Shares	Amount	Shares	Amount	
Advisor Class Shares:					
Shares sold	563,575	\$ 8,784,438	1,414,817	\$ 19,491,652	
Shares issued in reinvestment of					
distributions	38,515	565,022	37,605	459,911	
Shares redeemed	(716,440)	(10,950,663)	(1,889,222)	(26,088,425)	
Net increase (decrease)	(114,350)	\$ (1,601,203)	(436,800)	\$ (6,136,862)	

^aEffective March 22, 2013, all Class B shares were converted to Class A.

3. Transactions with Affiliates

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

I	Subsidiary	Affiliation
	Franklin Templeton Investments Corp. (FTIC)	Investment manager
	Templeton Investment Counsel, LLC (TIC)	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 FTIC based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
1.000%	Up to and including \$100 million
0.900%	Over \$100 million, up to and including \$250 million
0.800%	Over \$250 million, up to and including \$500 million
0.750%	In excess of \$500 million

Under a subadvisory agreement, TIC, an affiliate of FTIC, provides subadvisory services to the Fund. The subadvisory fee is paid by FTIC based on the average daily net assets, and is not an additional expense of the Fund.

Notes to Financial Statements (unaudited) (continued)

Templeton Foreign Smaller Companies Fund

3. Transactions with Affiliates (continued)

b. Administrative Fees

Under an agreement with FTIC, FT Services provides administrative services to the Fund. The fee is paid by FTIC based on 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. Distribution fees are not charged on shares held by affiliates. Under the Fund's Class A reimbursement distribution plan, the Fund reimburses Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate. Under the Class A reimbursement distribution plan, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Fund's Class B and C 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 maximum annual plan rates, based on the average daily net assets, for each class, are as follows:

Class A	0.25%
Class B	1.00%
Class C	1.00%

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		
broker/dealers	\$9	,214
CDSC retained	\$	219

e. Transfer Agent Fees

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

Notes to Financial Statements (unaudited) (continued)

Templeton Foreign Smaller Companies Fund

3. Transactions with Affiliates (continued)

e. Transfer Agent Fees (continued)

For the period ended April 30, 2013, the Fund paid transfer agent fees of \$183,333, of which \$84,957 was retained by Investor Services.

4. EXPENSE OFFSET ARRANGEMENT

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended April 30, 2013, the custodian fees were reduced as noted in the Statement of Operations.

5. INCOME TAXES

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

At October 31, 2012, capital loss carryforwards were as follows:

Capital loss carryforwards subject to expiration:	
2017	\$23,400,846
Capital loss carryforwards not subject to expiration:	
Short term	5,323,895
Long term	7,868,668
Total capital loss carryforwards	\$36,593,409

At April 30, 2013, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$135,316,201
Unrealized appreciation	\$ 34,883,830
Unrealized depreciation	(12,628,744)
Net unrealized appreciation (depreciation)	\$ 22,255,086

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

Notes to Financial Statements (unaudited) (continued)

Templeton Foreign Smaller Companies Fund

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended April 30, 2013, aggregated \$32,880,076 and \$35,912,006, respectively.

7. CONCENTRATION OF RISK

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

8. CREDIT FACILITY

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

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statement of Operations. During the period ended April 30, 2013, 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)

Notes to Financial Statements (unaudited) (continued)

Templeton Foreign Smaller Companies Fund

9. FAIR VALUE MEASUREMENTS (continued)

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

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

A summary of inputs used as of April 30, 2013, in valuing the Fund's assets carried at fair value, is as follows:

	Level	1	Le	evel 2	Level 3	Total
Assets:						
Investments in Securities:						
Equity Investments:						
Indonesia	\$	_	\$	_	\$2,042,685	\$ 2,042,685
All Other Equity Investments ^a	155,528	,602		_	b	155,528,602
Total Investments in Securities	\$155,528	,602	\$	_	\$2,042,685	\$157,571,287

^aFor detailed categories, see the accompanying Statement of Investments.

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 investments at the end of the period. At April 30, 2013, the reconciliation of assets is as follows:

	Balance at Beginning of Period	chases ales)	Trans Into (C Leve	lut of)	Basis tments	Rea	let lized (Loss)	Net Unrealized Gain (Loss)		Net Change in Unrealized Appreciation (Depreciation) on Assets Held at Period End
Assets:										
Investments in Securities:										
Equity Investments:										
Indonesia	\$2,034,500	\$ _	\$	_	\$ _	\$	_	\$8,185	\$2,042,685	\$8,185
Sweden	a	_		_	_		_	_	a	_
Total	\$2,034,500	\$ _	\$	_	\$ _	\$	_	\$8,185	\$2,042,685	\$8,185

^aIncludes securities determined to have no value.

blncludes securities determined to have no value at April 30, 2013.

Notes to Financial Statements (unaudited) (continued)

Templeton Foreign Smaller Companies Fund

9. FAIR VALUE MEASUREMENTS (continued)

Significant unobservable valuation inputs developed by the VLOC for material Level 3 investments and impact to fair value as a result of changes in unobservable valuation inputs as of April 30, 2013, are as follows:

Description	Fair Value at End of Period	Valuation Technique	Unobservable Inputs	Amount	Impact to Fair Value if Input Increases ^a
Assets: Investments in Securities: Equity Investments:					
Indonesia	\$2,042,685	Market approach	Offer price Discount for lack	1.88 SGD	Increase
			of marketability	0-10%	Decreaseb
All Other Investments ^c	_				
Total	\$2,042,685				

^{*}Represents the directional change in the fair value of the Level 3 investments that would result from a significant and reasonable increase in the corresponding input. A significant and reasonable decrease in the input would have the opposite effect. Significant impacts, if any, to fair value and/or net assets have been indicated.

10. New Accounting Pronouncements

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

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.

ABBREVIATIONS

bRepresents a significant impact to fair value and net assets.

clncludes securities determined to have no value.

Shareholder Information

Templeton Foreign Smaller Companies Fund

Board Review of Investment Management Agreement

At a meeting held April 16, 2013, the Board of Trustees (Board), including a majority of noninterested or independent Trustees, approved renewal of the investment management agreement for each of the Funds within the Trust, including Templeton Foreign Smaller Companies Fund (Fund(s)). In reaching this decision, the Board took into account information furnished throughout the year at regular Board meetings, as well as information prepared specifically in connection with the annual renewal review process. Information furnished and discussed throughout the year included investment performance reports and related financial information for each Fund, along with periodic reports on expenses, shareholder services, legal and compliance matters, pricing, brokerage commissions and execution and other services provided by the Investment Manager (Manager) and its affiliates, as well as a third-party survey of transfer agent fees charged funds within the Franklin Templeton Investments complex in comparison with those charged other fund complexes deemed comparable. Information furnished specifically in connection with the renewal process included a report for each Fund prepared by Lipper, Inc. (Lipper), an independent organization, as well as additional material, including a Fund profitability analysis prepared by management. The Lipper reports compared each Fund's investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper. The Fund profitability analysis report discussed the profitability to Franklin Templeton Investments from its overall U.S. fund operations, as well as on an individual fund-by-fund basis. Additional material accompanying such profitability analysis included information on a fund-by-fund basis listing portfolio managers and other accounts they manage, as well as information on management fees charged by the Manager and its affiliates to U.S. mutual funds and other accounts, including management's explanation of differences where relevant. Such material also included a memorandum prepared by management describing project initiatives and capital investments relating to the services provided to the Funds by the Franklin Templeton Investments organization, as well as a memorandum relating to economies of scale and an analysis concerning transfer agent fees charged by an affiliate of the Manager.

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

NATURE, EXTENT AND QUALITY OF SERVICE. The Board was satisfied with the nature and quality of the overall services provided by the Manager and its affiliates to the Fund and its shareholders. In addition to investment performance and expenses discussed later, the Board's opinion was based, in part, upon periodic reports furnished it showing that the investment policies

Shareholder Information (continued)

Templeton Foreign Smaller Companies Fund

Board Review of Investment Management Agreement (continued)

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

INVESTMENT PERFORMANCE. The Board placed significant emphasis on the investment performance of the Fund in view of its importance to shareholders. While consideration was given to performance reports and discussions with portfolio managers at Board meetings throughout the year, particular attention in assessing performance was given to the Lipper reports furnished for the agreement renewal. The Lipper reports prepared for the Fund showed the investment performance

Shareholder Information (continued)

Templeton Foreign Smaller Companies Fund

Board Review of Investment Management Agreement (continued)

of its Class A shares in comparison to a performance universe selected by Lipper. The performance universe for the Fund consisted of the Fund and all retail and institutional international small/midcap core funds as selected by Lipper. Comparative performance within such universe was shown for the one-year period ended January 31, 2013, and the previous 10 years ended that date. The Lipper report showed the Fund's total return for the one-year period to be in the middle performing quintile of such performance universe, and on an annualized basis to be in the middle performing quintile of such universe for the previous three-year period, the second-highest performing quintile of such universe for the previous five-year period, and the second-lowest quintile of such universe for the previous 10-year period. The Board found the Fund's comparative performance as set forth in the Lipper report to be acceptable.

COMPARATIVE EXPENSES. Consideration was given to a comparative analysis of the management fee and total expense ratio of the Fund compared with those of a group of other funds selected by Lipper as constituting its appropriate Lipper expense group. Lipper expense data is based upon information taken from each fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Lipper to be an appropriate measure of comparative expenses. In reviewing comparative costs, Lipper provides information on the Fund's contractual investment management fee in comparison with the investment management fee that would have been charged by other funds within its Lipper expense group assuming they were similar in size to the Fund, as well as the actual total expense ratio of the Fund in comparison with those of its Lipper expense group. The Lipper contractual investment management fee analysis includes administrative charges as being part of the investment management fee, and actual total expenses, for comparative consistency, are shown by Lipper for Fund Class A shares. The Lipper report showed the contractual investment management fee rate of the Fund to be below the median of its Lipper expense group and its actual total expense ratio to be above, but within 15 basis points of, the expense group median. The Board found the contractual investment management fee rate and total expense ratio of the Fund as shown in the Lipper report to be acceptable.

MANAGEMENT PROFITABILITY. The Board also considered the level of profits realized by the Manager and its affiliates in connection with the operation of the Fund. In this respect, the Board reviewed the Fund profitability analysis that addresses the overall profitability of Franklin Templeton's U.S. fund business, as well as its profits in providing management and other services to each of the individual funds during the 12-month period ended September 30, 2012, being the most recent fiscal year-end for Franklin Resources, Inc., the Manager's parent. In reviewing the analysis, attention was given to the methodology followed in allocating costs to the Fund, it being

Shareholder Information (continued)

Templeton Foreign Smaller Companies Fund

Board Review of Investment Management Agreement (continued)

recognized that allocation methodologies are inherently subjective and various allocation methodologies may each be reasonable while producing different results. In this respect, the Board noted that, while being continuously refined and reflecting changes in the Manager's own cost accounting, the allocation methodology was consistent with that followed in profitability report presentations for the Fund made in prior years and that the Fund's independent registered public accounting firm had been engaged by the Manager to periodically review the reasonableness of the allocation methodologies solely for use by the Fund's Board in reference to the profitability analysis. In reviewing and discussing such analysis, management discussed with the Board its belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to the Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. The Board also took into account management's expenditures in improving shareholder services provided the Fund, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from statutes such as the Sarbanes-Oxley and Dodd Frank Acts and recent SEC and other regulatory requirements. In addition, the Board considered a third-party study comparing the profitability of the Manager's parent on an overall basis to other publicly held managers broken down to show profitability from management operations exclusive of distribution expenses, as well as profitability including distribution expenses. The Board also considered the extent to which the Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services and potential benefits resulting from allocation of fund brokerage and the use of commission dollars to pay for research. Based upon its consideration of all these factors, the Board determined that the level of profits realized by the Manager and its affiliates from providing services to the Fund was not excessive in view of the nature, quality and extent of services provided.

ECONOMIES OF SCALE. The Board also considered whether economies of scale are realized by the Manager as the Fund grows larger and the extent to which this is reflected in the level of management fees charged. While recognizing that any precise determination is inherently subjective, the Board noted that based upon the Fund profitability analysis, it appears that as some funds get larger, at some point economies of scale do result in the Manager realizing a larger profit margin on management services provided such a fund. The Board also noted that economies of scale are shared with the Fund and its shareholders through management fee breakpoints so that as a fund grows in size, its effective management fee rate declines. The fee schedule under the investment management agreement for the Fund provides an initial fee of 1% on the first \$100 million of net assets; 0.90% on the next \$150 million; 0.80% on the next \$250 million; and 0.75% on net assets in excess of \$500 million. This Fund's assets were approximately \$155 million at December 31, 2012, and the Board believed that to the extent economies of scale may be realized by the Manager and its affiliates, the schedule of fees provides for a sharing of benefits with the Fund and its shareholders.

Shareholder Information (continued)

Templeton Foreign Smaller Companies Fund

Proxy Voting Policies and Procedures

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

Quarterly Statement of Investments

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

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Franklin Templeton Funds

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

VALUE

Franklin All Cap Value Fund
Franklin Balance Sheet Investment Fund
Franklin Large Cap Value Fund
Franklin MicroCap Value Fund
Franklin MidCap Value Fund
Franklin Small Cap Value Fund
Mutual Beacon Fund
Mutual Quest Fund
Mutual Recovery Fund²
Mutual Shares Fund

BLEND

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

GROWTH

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

SECTOR

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

GLOBAL

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

INTERNATIONAL

Franklin India Growth Fund

Franklin International Growth Fund

Franklin International Small Cap Growth Fund³
Mutual European Fund
Mutual International Fund
Templeton Asian Growth Fund
Templeton BRIC Fund
Templeton China World Fund
Templeton Developing Markets Trust
Templeton Emerging Markets Small Cap Fund
Templeton Foreign Fund
Templeton Foreign Smaller Companies Fund
Templeton Frontier Markets Fund

HYBRID

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

ASSET ALLOCATION

Franklin Templeton Corefolio® Allocation Fund
Franklin Templeton Founding Funds Allocation Fund
Franklin Templeton Conservative Allocation Fund
Franklin Templeton Growth Allocation Fund
Franklin Templeton Moderate Allocation Fund
Franklin LifeSmart™ 2015 Retirement Target Fund⁴
Franklin LifeSmart™ 2020 Retirement Target Fund⁴
Franklin LifeSmart™ 2025 Retirement Target Fund⁴
Franklin LifeSmart™ 2030 Retirement Target Fund⁴
Franklin LifeSmart™ 2045 Retirement Target Fund⁴
Franklin LifeSmart™ 2045 Retirement Target Fund⁴
Franklin LifeSmart™ 2045 Retirement Target Fund⁴
Franklin LifeSmart™ 2050 Retirement Target Fund⁴
Franklin LifeSmart™ 2050 Retirement Target Fund⁴
Franklin LifeSmart™ 2050 Retirement Target Fund⁴
Franklin Templeton Global Allocation Fund
Franklin Templeton Multi-Asset Real Return Fund

FIXED INCOME

Franklin Adjustable U.S. Government Securities Fund⁵ Franklin Floating Rate Daily Access Fund Franklin High Income Fund Franklin Limited Maturity U.S. Government Securities Fund⁵ Franklin Low Duration Total Return Fund Franklin Real Return Fund Franklin Strategic Income Fund Franklin Strategic Mortgage Portfolio Franklin Templeton Hard Currency Fund Franklin Total Return Fund Franklin U.S. Government Securities Fund⁵ Templeton Emerging Markets Bond Fund Templeton Global Bond Fund Templeton Global Total Return Fund Templeton International Bond Fund

TAX-FREE INCOME⁶

National

Double Tax-Free Income Fund⁷ Federal Tax-Free Income Fund High Yield Tax-Free Income Fund Insured Tax-Free Income Fund^{8,9}

Limited-/Intermediate-Term

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

State-Specific

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Alabama	Kentucky	New York
Arizona	Louisiana	(2 funds)
California	Maryland	North Carolina
(4 funds)9	Massachusetts	Ohio
Colorado	Michigan	Oregon
Connecticut	Minnesota	Pennsylvania
Florida	Missouri	Tennessee
Georgia	New Jersey	Virginia

INSURANCE FUNDS

Franklin Templeton Variable Insurance Products Trust¹⁰

- 1. The fund is closed to new investors. Existing shareholders and select retirement plans can continue adding to their accounts.
- 2. The fund is a continuously offered, closed-end fund. Shares may be purchased daily; there is no daily redemption. However, each quarter, pending board approval, the fund will authorize the repurchase of 5%–25% of the outstanding number of shares. Investors may tender all or a portion of their shares during the tender period.
- 3. Effective 6/3/13, the fund closed to new investors, with limited exceptions.
- 4. Effective 5/1/13, the Franklin Templeton Retirement Target Funds changed their names to Franklin LifeSmart Retirement Target Funds. The funds' investment goals and principal investment strategies remained unchanged.
- 5. An investment in the fund is neither insured nor guaranteed by the U.S. government or by any other entity or institution.

- 6. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.
- 7. The fund is closed to all new investments (other than reinvestment of dividends and capital gains distributions).
- 8. The fund invests primarily in insured municipal securities.
- 9. Effective at the close of market 3/1/13, Franklin Insured Tax-Free Income Fund and Franklin California Insured Tax-Free Income Fund closed to all new investments (other than reinvestment of dividends and capital gains distributions).
- 10. The funds of the Franklin Templeton Variable Insurance Products Trust are generally available only through insurance company variable contracts.

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



< GAIN FROM OUR PERSPECTIVE® >

Semiannual Report and Shareholder Letter TEMPLETON FOREIGN SMALLER COMPANIES FUND

Investment Manager

Franklin Templeton Investments Corp.

Subadvisor

Templeton Investment Counsel, LLC

Distributor

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

Shareholder Services

(800) 632-2301

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

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