

APRIL 30, 2014

**SEMIANNUAL REPORT
AND SHAREHOLDER LETTER**

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INTERNATIONAL

TEMPLETON FOREIGN SMALLER COMPANIES FUND



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



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Shareholder Letter

Dear Shareholder:

The global economy expanded during the six months ended April 30, 2014, amid a generally accommodative monetary policy environment. Some concerns about the timing of the U.S. Federal Reserve Board's (Fed's) reduction of its asset purchases contributed to market volatility during the period. Global financial liquidity remained high, however, as major developed market central banks kept interest rates low. Investors were generally optimistic about global stocks during the six-month period, despite concerns about moderating global economic growth and geopolitical tensions in several regions. U.S. stocks, as measured by the Standard & Poor's® 500 Index,¹ and global developed market stocks, as measured by the MSCI World Index,² rose for the period, while emerging market stocks, as measured by the MSCI Emerging Markets Index,² declined.

Although the global economy continued to face challenges, we remained encouraged as the U.S. economy improved, the eurozone economy expanded and many emerging market economies continued to show signs of growth. With this economic environment, we believe companies generally could continue to deliver healthy earnings and cash flow, which have historically been favorable for equity markets. 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 diligent, 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.

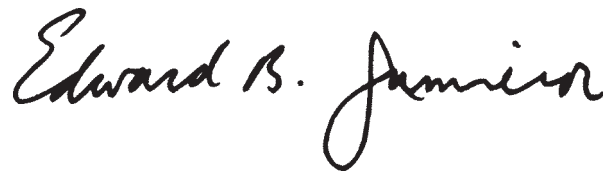
NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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

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

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

Sincerely,

A handwritten signature in black ink that reads "Edward B. Jamieson". The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Edward B. Jamieson
President and Chief Executive Officer – Investment Management
Franklin Templeton International Trust

This letter reflects our analysis and opinions as of April 30, 2014. 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.

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Semiannual Report

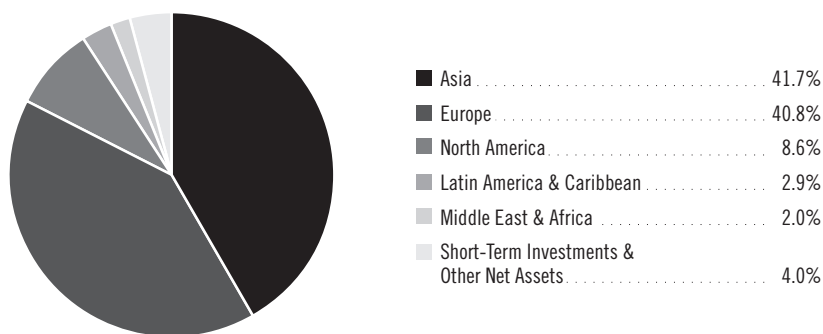
Templeton Foreign Smaller Companies Fund

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 4/30/14



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.

This semiannual report for Templeton Foreign Smaller Companies Fund covers the period ended April 30, 2014. At the market close on December 10, 2013, the Fund closed to new investors. Existing shareholders may add to their accounts. We believe this closure will help us effectively manage our current level of assets.

Performance Overview

For the six months under review, Templeton Foreign Smaller Companies Fund – Class A delivered a +0.51% cumulative total return. In comparison, the MSCI All Country World Index (ACWI) Ex USA Small Cap Index, which measures performance of international small capitalization stocks in developed

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 17.

Top 10 Sectors/Industries

4/30/14

	% of Total Net Assets
Household Durables	7.1%
Energy Equipment & Services	6.1%
Metals & Mining	6.1%
Electronic Equipment, Instruments & Components	5.0%
Textiles, Apparel & Luxury Goods	4.8%
Life Sciences Tools & Services	4.5%
Auto Components	4.2%
Machinery	4.1%
Personal Products	3.7%
Pharmaceuticals	3.2%

and emerging markets, excluding the U.S., generated a +4.99% total return.^{1, 2} Please note that index 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 economy grew moderately during the six months under review as many developed markets continued to recover and many emerging markets continued to show growth. Major developed market central banks reaffirmed their accommodative monetary policies in an effort to support ongoing recovery. Central bank actions were more mixed in emerging markets, as several central banks cut interest rates in an effort to boost economic growth while others raised rates in an effort to control inflation and currency depreciation.

U.S. economic growth and employment trends were generally encouraging during the period, despite severe weather across many states in early 2014 that suppressed economic activity. In January, Congress passed a spending bill to fund the federal government through September 2014. Congress also approved the suspension of the debt ceiling until March 2015. The U.S. Federal Reserve Board (Fed) began reducing bond purchases by \$10 billion a month in January 2014, based on continued positive economic and employment data.

Outside the U.S., growth rose in the U.K., supported by the services and manufacturing sectors. Economic activity was slower in Japan, although business sentiment and private consumption improved and unemployment reached its lowest level since 2007. Despite a weaker yen, export growth slowed in the period's second half, resulting in part from lower shipments to China. At period-end, the Bank of Japan kept its monetary policy unchanged as it maintained an upbeat inflation forecast and reiterated that the economy continued to recover moderately, despite challenges resulting from the consumption tax increase. Although out of recession, the eurozone experienced weak employment trends and deflationary risks. After cutting its benchmark interest rate to 0.25% in November 2013, the European Central Bank kept the rate unchanged and stated that it would maintain a highly accommodative monetary policy and provide additional stimulus should deflationary risks increase.

In several emerging markets, including China, growth remained solid though moderating, as domestic demand and exports weakened. Emerging market equities declined and regional currencies depreciated against the U.S. dollar amid political turmoil in certain countries and concerns over the potential impact of the Fed's tapering its asset purchases. The geopolitical crisis between

Russia and Ukraine also weighed on markets. Central banks in several emerging market countries, including Brazil, India, Turkey, South Africa and Russia, raised interest rates during the period in an effort to curb inflation and support their currencies.

The stock market rally in developed markets progressed during the period amid a generally accommodative monetary policy environment, continued strength in corporate earnings and signs of an economic recovery. Emerging market stocks rebounded toward period-end but ended the period lower, with eastern European stocks as some of the worst performers. Gold prices declined slightly for the period despite a solid rally in early 2014, and oil prices rose amid supply concerns related to political unrest.

Investment Strategy

We employ 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. U.K.-based Homeserve provides home emergency insurance covering heating, plumbing, drainage and electrical problems. In our opinion, the company's business model offers a sustainable, competitive advantage, operating in a duopoly in the U.K. Homeserve's partners are exclusive, and scale also benefits the business, as it allows the company to serve its customers at the lowest cost. Additionally, Homeserve is expanding internationally through major operations in Spain, France and the U.S., where penetration rates are significantly lower than in the U.K.

Hong Kong-based Techtronic Industries is a brand leader in power tools, product innovation and product extension. Techtronic continues to improve gross margins by changing its product mix of cordless products and accessories, using higher pricing power through various brands and attaining operating efficiencies. In addition to benefiting from a recovery in the U.S., Techtronic has opportunities in new markets such as Latin America, eastern Europe and Asia.

Top 10 Equity Holdings

4/30/14

Company Sector/Industry, Country	% of Total Net Assets
Techtronic Industries Co. Ltd. <i>Household Durables, Hong Kong</i>	3.1%
HudBay Minerals Inc. <i>Metals & Mining, Canada</i>	3.0%
Homeserve PLC <i>Commercial Services & Supplies, U.K.</i>	2.8%
LIC Housing Finance Ltd. <i>Thriffs & Mortgage Finance, India</i>	2.7%
Tripod Technology Corp. <i>Electronic Equipment, Instruments & Components, Taiwan</i>	2.6%
Ensign Energy Services Inc. <i>Energy Equipment & Services, Canada</i>	2.6%
Kobayashi Pharmaceutical Co. Ltd. <i>Personal Products, Japan</i>	2.5%
Asics Corp. <i>Textiles, Apparel & Luxury Goods, Japan</i>	2.4%
APR Energy PLC <i>Diversified Financial Services, U.K.</i>	2.3%
Samsonite International SA <i>Textiles, Apparel & Luxury Goods, Hong Kong</i>	2.3%

Based in Singapore, First Resources is a leading crude palm oil (CPO) producer. We believe the company should continue to benefit from the structurally positive CPO story, a young and growing area under cultivation and superior yields and prices that result from better seeds and best industry practices.

In contrast, the Fund had some detractors from performance during the six months under review. Digital China Holdings is China's largest information technology (IT) distributor. The share price declined because of growth concerns in China as well as penalties issued by the Ministry of Finance. Looking at the longer term, we believe Digital China will benefit from growth in China's IT demand. As growth shifts from enterprise hardware to IT services, we believe the company is also likely to benefit from a product mix shift and that margins could likely expand.

Sierra Leone-based African Minerals is a minerals exploration and development firm. The company's share price fell in line with iron-ore price expectations during the period as commodity-price weakness impacted metals stocks. However, the company has a strong, Sierra Leone-based iron ore production growth profile that could, in our view, offset any potential further weakness in the underlying commodity price.

During the period, shares of Swedish cosmetics retailer Oriflame Cosmetics slipped to their lowest level in nearly nine years after the company missed earnings estimates and issued weak guidance. Heavy exposure to Russia and Ukraine, which combined, account for more than one-third of Oriflame's sales, also intensified downward pressure on the stock. Yet, Oriflame has a long track record of managing through volatility, and we believe the market is currently undervaluing the firm's long-term growth potential as it cuts costs, increases salesforce productivity and expands its presence in attractive new markets.

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, 2014, the U.S. dollar decreased in value relative to many currencies in which the Fund's investment were traded. As a result, the Fund's performance was positively affected by the portfolio's predominant investment in securities with non-U.S. currency exposure. However, one cannot expect the same results in future periods.

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



A stylized, cursive handwritten signature in black ink.

Martin Cobb



A stylized, cursive handwritten signature in black ink.

Harlan B. Hodes, CPA



A stylized, cursive handwritten signature in black ink.

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, 2014, 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.

The index is unmanaged and includes reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

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Performance Summary as of 4/30/14

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.

Net Asset Value

Share Class	4/30/14	10/31/13	Change
A (FINEX)	\$17.84	\$18.02	-\$0.18
C (FCFSX)	\$17.18	\$17.31	-\$0.13
R6 (n/a)	\$17.83	\$18.03	-\$0.20
Advisor (FTFAX)	\$17.81	\$18.00	-\$0.19

Distributions

Share Class	Dividend Income
A (11/1/13–4/30/14)	\$0.2555
C (11/1/13–4/30/14)	\$0.1423
R6 (11/1/13–4/30/14)	\$0.3313
Advisor (11/1/13–4/30/14)	\$0.2954

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:** 1% contingent deferred sales charge in first year only; **Class R6/Advisor Class:** no sales charges.

Share Class	Cumulative Total Return ¹	Average Annual Total Return ²	Value of \$10,000 Investment ³	Average Annual Total Return (3/31/14) ⁴	Total Annual Operating Expenses ⁵
A					1.65%
6-Month	+0.51%	-5.28%	\$9,472		
1-Year	+9.77%	+3.44%	\$10,344	+4.71%	
5-Year	+119.90%	+15.70%	\$20,737	+19.99%	
10-Year	+102.55%	+6.68%	\$19,092	+6.25%	
C					2.40%
6-Month	+0.09%	-0.90%	\$9,910		
1-Year	+8.90%	+7.90%	\$10,790	+9.33%	
5-Year	+111.79%	+16.19%	\$21,179	+20.53%	
10-Year	+87.88%	+6.51%	\$18,788	+6.08%	
R6⁶					1.13%
6-Month	+0.78%	+0.78%	\$10,078		
Since Inception (5/1/13) ⁷	+9.92%	+9.92%	\$10,992	+9.24%	
Advisor					1.40%
6-Month	+0.63%	+0.63%	\$10,063		
1-Year	+10.04%	+10.04%	\$11,004	+11.46%	
5-Year	+122.52%	+17.35%	\$22,252	+21.73%	
10-Year	+107.66%	+7.58%	\$20,766	+7.16%	

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)*

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: These shares have higher annual fees and expenses than Class A shares.

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

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

1. Cumulative total return represents the change in value of an investment over the periods indicated.
2. Average annual total return represents the average annual change in value of an investment over the periods indicated. 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.
6. Class R6 shares have an expense reduction contractually guaranteed through at least 2/28/15. Investment results for this share class reflect the expense reduction, to the extent applicable; without this reduction, the results would have been lower.
7. Performance shown is not annualized.

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.

Share Class	Beginning Account Value 11/1/13	Ending Account Value 4/30/14	Expenses Paid During Period* 11/1/13–4/30/14
A			
Actual	\$1,000	\$1,005.10	\$ 8.25
Hypothetical (5% return before expenses)	\$1,000	\$1,016.56	\$ 8.30
C			
Actual	\$1,000	\$1,000.90	\$11.96
Hypothetical (5% return before expenses)	\$1,000	\$1,012.84	\$12.03
R6			
Actual	\$1,000	\$1,007.80	\$ 5.53
Hypothetical (5% return before expenses)	\$1,000	\$1,019.29	\$ 5.56
Advisor			
Actual	\$1,000	\$1,006.30	\$ 7.01
Hypothetical (5% return before expenses)	\$1,000	\$1,017.80	\$ 7.05

*Expenses are calculated using the most recent six-month expense ratio, net of expense waivers for Class R6, annualized for each class (A: 1.66%; C: 2.41%; R6: 1.11%; and Advisor: 1.41%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

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Financial Highlights

Templeton Foreign Smaller Companies Fund

Class A	Six Months Ended April 30, 2014 (unaudited)		Year Ended October 31,			
	2013	2012	2011	2010	2009	
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$18.02	\$14.39	\$13.92	\$15.47	\$12.82	\$ 8.58
Income from investment operations ^a :						
Net investment income ^b	— ^{c,d}	0.13	0.24	0.12	0.08	0.08
Net realized and unrealized gains (losses)	0.08	3.77	0.38	(1.60)	2.68	4.66
Total from investment operations	0.08	3.90	0.62	(1.48)	2.76	4.74
Less distributions from:						
Net investment income	(0.26)	(0.27)	(0.15)	(0.07)	(0.11)	(0.45)
Net realized gains	—	—	—	—	—	(0.05)
Total distributions	(0.26)	(0.27)	(0.15)	(0.07)	(0.11)	(0.50)
Net asset value, end of period	\$17.84	\$18.02	\$14.39	\$13.92	\$15.47	\$12.82
Total return ^e	0.51%	27.43%	4.67%	(9.60)%	21.71%	58.99%
Ratios to average net assets^f						
Expenses	1.66%	1.65% ^g	1.65%	1.55% ^g	1.59% ^g	1.71% ^g
Net investment income	0.02% ^d	0.83%	1.72%	0.80%	0.56%	0.83%
Supplemental data						
Net assets, end of period (000's)	\$118,926	\$131,844	\$103,168	\$121,119	\$163,993	\$144,167
Portfolio turnover rate	18.05%	42.94%	57.56%	50.03%	19.65%	32.74%

^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 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 \$0.05 per share received in the form of special dividends paid in connection with certain Fund's holdings. Excluding these non-reoccurring amounts, the ratio of net investment income to average net assets would have been (0.53)%.

^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%.

Franklin Templeton International Trust

Financial Highlights *(continued)*

Templeton Foreign Smaller Companies Fund

Class C	Six Months Ended April 30, 2014 (unaudited)		Year Ended October 31,			
	2013	2012	2011	2010	2009	
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$17.31	\$13.83	\$13.36	\$14.89	\$12.39	\$ 8.26
Income from investment operations ^a :						
Net investment income (loss) ^b	(0.06) ^c	0.01	0.13	0.01	(0.02)	0.01
Net realized and unrealized gains (losses)	0.07	3.63	0.38	(1.54)	2.60	4.51
Total from investment operations	0.01	3.64	0.51	(1.53)	2.58	4.52
Less distributions from:						
Net investment income	(0.14)	(0.16)	(0.04)	—	(0.08)	(0.34)
Net realized gains	—	—	—	—	—	(0.05)
Total distributions	(0.14)	(0.16)	(0.04)	—	(0.08)	(0.39)
Net asset value, end of period	\$17.18	\$17.31	\$13.83	\$13.36	\$14.89	\$12.39
Total return ^d	0.09%	26.58%	3.85%	(10.28)%	20.90%	57.73%
Ratios to average net assets^e						
Expenses	2.41%	2.40% ^f	2.40%	2.30% ^f	2.34% ^f	2.46% ^f
Net investment income (loss)	(0.73)% ^c	0.08%	0.97%	0.05%	(0.19)%	0.08%
Supplemental data						
Net assets, end of period (000's)	\$15,538	\$16,027	\$12,814	\$14,457	\$17,202	\$14,349
Portfolio turnover rate	18.05%	42.94%	57.56%	50.03%	19.65%	32.74%

^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 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 \$0.05 per share received in the form of special dividends paid in connection with certain Fund's holdings. Excluding these non-reoccurring amounts, the ratio of net investment income to average net assets would have been (1.28)%.

^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 expense reduction rounds to less than 0.01%.

Franklin Templeton International Trust

Financial Highlights *(continued)*

Templeton Foreign Smaller Companies Fund

Class R6

Per share operating performance

(for a share outstanding throughout the period)

	Six Months Ended April 30, 2014 (unaudited)	Period Ended October 31, 2013 ^a
Net asset value, beginning of period	\$18.03	\$16.53
Income from investment operations ^b :		
Net investment income ^c	0.03 ^d	0.16
Net realized and unrealized gains (losses)	0.10	1.34
Total from investment operations	0.13	1.50
Less distributions from net investment income	(0.33)	—
Net asset value, end of period	\$17.83	\$18.03
Total return ^e	0.78%	9.07%

Ratios to average net assets^f

Expenses before waiver and payment by affiliates	1.12%	2.55% ^g
Expenses net of waiver and payments by affiliates	1.11%	1.12% ^g
Net investment income	0.57% ^d	1.36%

Supplemental data

Net assets, end of period (000's)	\$973	\$5
Portfolio turnover rate	18.05%	42.94%

^aFor the period May 1, 2013 (effective date) to October 31, 2013.

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

^cBased on average daily shares outstanding.

^dNet investment income per share includes approximately \$0.05 per share received in the form of special dividends paid in connection with certain Fund's holdings. Excluding these non-recurring amounts, the ratio of net investment income to average net assets would have been 0.02%.

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

^fRatios are annualized for periods less than one year.

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

Franklin Templeton International Trust

Financial Highlights *(continued)*

Templeton Foreign Smaller Companies Fund

Advisor Class	Six Months Ended April 30, 2014 (unaudited)		Year Ended October 31,			
	2013	2012	2011	2010	2009	
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$18.00	\$14.38	\$13.93	\$15.48	\$12.81	\$ 8.62
Income from investment operations ^a :						
Net investment income ^b	0.03 ^c	0.18	0.26	0.17	0.11	0.10
Net realized and unrealized gains (losses)	0.08	3.75	0.39	(1.61)	2.69	4.65
Total from investment operations	0.11	3.93	0.65	(1.44)	2.80	4.75
Less distributions from:						
Net investment income	(0.30)	(0.31)	(0.20)	(0.11)	(0.13)	(0.51)
Net realized gains	—	—	—	—	—	(0.05)
Total distributions	(0.30)	(0.31)	(0.20)	(0.11)	(0.13)	(0.56)
Net asset value, end of period	\$17.81	\$18.00	\$14.38	\$13.93	\$15.48	\$12.81
Total return ^d	0.63%	27.79%	4.90%	(9.38)%	22.06%	59.33%
Ratios to average net assets^e						
Expenses	1.41%	1.40% ^f	1.40%	1.30% ^f	1.34% ^f	1.46% ^f
Net investment income	0.27% ^c	1.08%	1.97%	1.05%	0.81%	1.08%
Supplemental data						
Net assets, end of period (000's)	\$46,648	\$40,832	\$31,817	\$36,902	\$33,172	\$14,438
Portfolio turnover rate	18.05%	42.94%	57.56%	50.03%	19.65%	32.74%

^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 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 \$0.05 per share received in the form of special dividends paid in connection with certain Fund's holdings. Excluding these non-reoccurring amounts, the ratio of net investment income to average net assets would have been (0.28)%.

^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%.

Franklin Templeton International Trust

Statement of Investments, April 30, 2014 (unaudited)

Templeton Foreign Smaller Companies Fund	Industry	Shares	Value
Common Stocks 95.1%			
Bahamas 1.7%			
^a Steiner Leisure Ltd.	Diversified Consumer Services	70,143	\$ 3,028,073
Brazil 1.2%			
Companhia de Saneamento de Minas Gerais	Water Utilities	144,200	2,250,902
Canada 8.6%			
AGF Management Ltd.	Capital Markets	148,800	1,657,632
Enerflex Ltd.	Energy Equipment & Services	111,400	1,772,562
Ensign Energy Services Inc.	Energy Equipment & Services	298,900	4,704,188
HudBay Minerals Inc.	Metals & Mining	640,530	5,464,126
Trican Well Service Ltd.	Energy Equipment & Services	146,700	2,101,355
			15,699,863
China 6.8%			
China Medical System Holdings Ltd.	Pharmaceuticals	1,984,000	2,349,216
Digital China Holdings Ltd.	Electronic Equipment, Instruments & Components	1,654,000	1,529,654
Haier Electronics Group Co. Ltd.	Household Durables	1,294,000	3,171,221
Minh Group Ltd.	Auto Components	2,190,000	3,440,567
Yingde Gases	Chemicals	1,805,500	1,821,138
			12,311,796
Finland 1.8%			
Amer Sports OYJ	Leisure Products	159,140	3,284,894
Germany 7.2%			
DMG MORI SEIKI AG	Machinery	107,100	3,362,119
^a Gerresheimer AG	Life Sciences Tools & Services	59,030	4,001,379
Leoni AG	Auto Components	27,910	2,072,508
^a MorphoSys AG	Life Sciences Tools & Services	27,240	2,332,234
Rational AG	Machinery	4,180	1,333,654
			13,101,894
Hong Kong 10.3%			
Luk Fook Holdings (International) Ltd.	Specialty Retail	1,069,000	3,033,465
MIE Holdings Corp.	Oil, Gas & Consumable Fuels	9,224,000	1,737,044
NewOcean Energy Holdings Ltd.	Oil, Gas & Consumable Fuels	3,184,000	2,102,721
Samsonite International SA	Textiles, Apparel & Luxury Goods	1,290,600	4,103,432
Stella International Holdings Ltd.	Textiles, Apparel & Luxury Goods	89,500	220,724
Techtronic Industries Co. Ltd.	Household Durables	1,794,090	5,715,836
Value Partners Group Ltd.	Capital Markets	2,979,700	1,913,994
			18,827,216
India 2.7%			
LIC Housing Finance Ltd.	Thriffs & Mortgage Finance	1,121,285	4,884,649
Indonesia 1.1%			
^b Sakari Resources Ltd.	Metals & Mining	1,342,000	2,007,326

Franklin Templeton International Trust

Statement of Investments, April 30, 2014 (unaudited) *(continued)*

Templeton Foreign Smaller Companies Fund	Industry	Shares	Value
Common Stocks (continued)			
Italy 5.3%			
Amplifon SpA	Health Care Providers & Services	493,204	\$ 3,215,611
Marr SpA	Food & Staples Retailing	126,626	2,450,396
^a Sorin SpA	Health Care Equipment & Supplies	1,299,393	3,958,329
			<u>9,624,336</u>
Japan 8.3%			
Asics Corp.	Textiles, Apparel & Luxury Goods	229,200	4,460,217
Iida Group Holdings Co. Ltd.	Household Durables	272,866	4,057,884
Keihin Corp.	Auto Components	147,200	2,131,455
Kobayashi Pharmaceutical Co. Ltd.	Personal Products	74,379	4,511,787
			<u>15,161,343</u>
Netherlands 3.0%			
Aalberts Industries NV	Machinery	83,407	2,775,117
Arcadis NV	Construction & Engineering	77,330	2,744,022
			<u>5,519,139</u>
Philippines 3.3%			
Energy Development Corp.	Independent Power & Renewable Electricity Producers	19,130,700	2,403,160
^a Metropolitan Bank & Trust Co.	Banks	533,700	1,015,829
Vista Land & Lifescapes Inc.	Real Estate Management & Development	18,543,400	2,512,735
			<u>5,931,724</u>
Portugal 1.1%			
^{a,c} CTT-Correios de Portugal SA, 144A	Air Freight & Logistics	177,689	1,954,421
Russia 1.6%			
^d Globaltrans Investment PLC, GDR, Reg S	Road & Rail	13,600	129,608
^{a,d} X5 Retail Group NV, GDR, Reg S	Food & Staples Retailing	155,950	2,754,857
			<u>2,884,465</u>
Sierra Leone 2.0%			
^a African Minerals Ltd.	Metals & Mining	1,713,872	3,609,251
Singapore 2.9%			
Ezion Holdings Ltd.	Energy Equipment & Services	1,402,800	2,540,169
First Resources Ltd.	Food Products	1,312,000	2,689,726
			<u>5,229,895</u>
South Korea 2.8%			
BS Financial Group Inc.	Banks	182,615	2,792,873
Daum Communication Corp.	Internet Software & Services	33,095	2,399,395
			<u>5,192,268</u>
Sweden 1.2%			
^{a,b} D Carnegie & Co. AB	Real Estate Management & Development	228	—
^e Oriflame Cosmetics SA, SDR	Personal Products	85,320	2,175,480
			<u>2,175,480</u>

Franklin Templeton International Trust

Statement of Investments, April 30, 2014 (unaudited) *(continued)*

Templeton Foreign Smaller Companies Fund	Industry	Shares	Value
Common Stocks (continued)			
Switzerland 1.2%			
^a Basilea Pharmaceutica AG	Biotechnology	3,489	\$ 364,499
Tecan Group AG	Life Sciences Tools & Services	14,240	1,776,461
			<u>2,140,960</u>
Taiwan 2.6%			
Tripod Technology Corp.	Electronic Equipment, Instruments & Components	2,406,000	4,728,652
Thailand 0.9%			
Tisco Financial Group PCL, fgn.	Banks	1,374,500	1,688,392
Turkey 1.0%			
Aygaz AS	Gas Utilities	450,975	1,857,885
United Kingdom 16.5%			
APR Energy PLC	Diversified Financial Services	308,100	4,116,620
Dignity PLC	Diversified Consumer Services	97,981	2,368,553
Homeserve PLC	Commercial Services & Supplies	889,640	5,069,330
^a Just Retirement Group PLC	Insurance	172,260	472,392
^{a,c} Just Retirement Group PLC, 144A	Insurance	939,600	2,576,682
Laird PLC	Electronic Equipment, Instruments & Components	598,867	2,804,368
Man Group PLC	Capital Markets	1,285,703	2,140,010
Micro Focus International PLC	Software	135,060	1,768,099
^a Ophir Energy PLC	Oil, Gas & Consumable Fuels	315,714	1,405,140
^{a,c} Royal Mail PLC, 144A	Air Freight & Logistics	189,400	1,693,749
SIG PLC	Trading Companies & Distributors	707,670	2,288,290
^a Vectura Group PLC	Pharmaceuticals	1,434,850	3,412,232
			<u>30,115,465</u>
Total Common Stocks (Cost \$152,034,731)			<u>173,210,289</u>
Preferred Stocks (Cost \$1,809,209) 0.9%			
Germany 0.9%			
Draegerwerk AG & Co. KGAA, pfd.	Health Care Equipment & Supplies	13,700	1,619,196
Total Investments before Short Term Investments (Cost \$153,843,940)			
			<u>174,829,485</u>
Short Term Investments (Cost \$1,479,500) 0.8%			
^f Investments from Cash Collateral Received for Loaned Securities 0.8%			
United States 0.8%			
^g BNY Mellon Overnight Government Fund, 0.05%		1,479,500	1,479,500
Total Investments (Cost \$155,323,440) 96.8%			176,308,985
Other Assets, less Liabilities 3.2%			5,774,959
Net Assets 100.0%			<u>\$182,083,944</u>

Franklin Templeton International Trust

Statement of Investments, April 30, 2014 (unaudited) *(continued)*

Templeton Foreign Smaller Companies Fund

See Abbreviations on page 36.

^aNon-income producing.

^bSecurity has been deemed illiquid because it may not be able to be sold within seven days. At April 30, 2014, the aggregate value of these securities was \$2,007,326, representing 1.10% of net assets.

^cSecurity was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At April 30, 2014, the value of these securities was \$6,224,852, representing 3.42% of net assets.

^dSecurity was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States. Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At April 30, 2014, the aggregate value of these securities was \$2,884,465, representing 1.58% of net assets.

^eA portion or all of the security is on loan at April 30, 2014. See Note 1(c).

^fSee Note 1(c) regarding securities on loan.

^gThe rate shown is the annualized seven-day yield at period end.

Franklin Templeton International Trust

Financial Statements

Statement of Assets and Liabilities

April 30, 2014 (unaudited)

Templeton
Foreign Smaller
Companies Fund

Assets:

Investments in securities:

Cost	\$155,323,440
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Value (Includes securities loaned \$1,402,384)	\$176,308,985
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Cash	7,670,582
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Receivables:

Investment securities sold	93,413
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Capital shares sold	102,754
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Dividends and interest	490,503
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Other assets	108
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Total assets	<u>184,666,345</u>
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Liabilities:

Payables:

Investment securities purchased	549,577
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Capital shares redeemed	234,039
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Management fees	143,065
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Distribution fees	36,433
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Transfer agent fees	61,699
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Payable upon return of securities loaned	1,479,500
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Accrued expenses and other liabilities	78,088
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Total liabilities	<u>2,582,401</u>
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Net assets, at value	<u>\$182,083,944</u>
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Net assets consist of:

Paid-in capital	\$174,475,165
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Distributions in excess of net investment income	(1,186,118)
--	-------------

Net unrealized appreciation (depreciation)	20,989,845
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Accumulated net realized gain (loss)	(12,194,948)
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Net assets, at value	<u>\$182,083,944</u>
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Franklin Templeton International Trust

Financial Statements *(continued)*

Statement of Assets and Liabilities *(continued)*

April 30, 2014 (unaudited)

	Templeton Foreign Smaller Companies Fund
Class A:	
Net assets, at value	\$118,925,912
Shares outstanding	6,665,412
Net asset value per share ^a	\$17.84
Maximum offering price per share (net asset value per share ÷ 94.25%)	\$18.93
Class C:	
Net assets, at value	\$ 15,537,847
Shares outstanding	904,183
Net asset value and maximum offering price per share ^a	\$17.18
Class R6:	
Net assets, at value	\$ 972,600
Shares outstanding	54,557
Net asset value and maximum offering price per share	\$17.83
Advisor Class:	
Net assets, at value	\$ 46,647,585
Shares outstanding	2,619,272
Net asset value and maximum offering price per share	\$17.81

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

Franklin Templeton International Trust

Financial Statements *(continued)*

Statement of Operations

for the six months ended April 30, 2014 (unaudited)

	Templeton Foreign Smaller Companies Fund
Investment income:	
Dividends (net of foreign taxes of \$119,038)	\$ 1,526,336
Income from securities loaned	24,830
Total investment income	1,551,166
Expenses:	
Management fees (Note 3a)	881,190
Distribution fees: (Note 3c)	
Class A	157,081
Class C	79,820
Transfer agent fees: (Note 3e)	
Class A	192,978
Class C	24,386
Class R6	47
Advisor Class	63,983
Custodian fees (Note 4)	17,450
Reports to shareholders	21,602
Registration and filing fees	54,635
Professional fees	24,905
Trustees' fees and expenses	4,259
Other	9,535
Total expenses	1,531,871
Expenses waived/paid by affiliates (Note 3f)	(17)
Net expenses	1,531,854
Net investment income	19,312
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	6,484,707
Foreign currency transactions	1,111
Net realized gain (loss)	6,485,818
Net change in unrealized appreciation (depreciation) on:	
Investments	(5,593,395)
Translation of other assets and liabilities denominated in foreign currencies	(12,735)
Net change in unrealized appreciation (depreciation)	(5,606,130)
Net realized and unrealized gain (loss)	879,688
Net increase (decrease) in net assets resulting from operations	\$ 899,000

Franklin Templeton International Trust

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Templeton Foreign Smaller Companies Fund	
	Six Months Ended April 30, 2014 (unaudited)	Year Ended October 31, 2013
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 19,312	\$ 1,359,853
Net realized gain (loss) from investments and foreign currency transactions	6,485,818	18,518,622
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	(5,606,130)	19,686,429
Net increase (decrease) in net assets resulting from operations	899,000	39,564,904
Distributions to shareholders from:		
Net investment income:		
Class A	(1,901,056)	(1,894,784)
Class C	(135,379)	(146,239)
Class R6	(100)	—
Advisor Class	(669,813)	(640,629)
Total distributions to shareholders	(2,706,348)	(2,681,652)
Capital share transactions: (Note 2)		
Class A	(11,713,877)	2,778,802
Class B	—	(219,644)
Class C	(374,109)	53,502
Class R6	972,077	5,000
Advisor Class	6,298,293	1,208,773
Total capital share transactions	(4,817,616)	3,826,433
Net increase (decrease) in net assets	(6,624,964)	40,709,685
Net assets:		
Beginning of period	188,708,908	147,999,223
End of period	\$182,083,944	\$188,708,908
Undistributed net investment income (distributions in excess of net investment income) included in net assets:		
End of period	\$ (1,186,118)	\$ 1,500,918

Franklin Templeton International Trust

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 management 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 four classes of shares: Class A, Class C, Class R6, and Advisor Class. 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 Fund was closed to new investors effective at the close of market December 10, 2013. Existing shareholders may add to their accounts through exchanges or additional purchases.

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 per share at the close of the New York Stock Exchange (NYSE), generally at 4 p.m. Eastern time (NYSE close) on each day the NYSE is open for trading. 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 as of the NYSE close, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the NYSE close 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 non-registered money market funds are valued at the closing net asset value.

Franklin Templeton International Trust

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

Templeton Foreign Smaller Companies Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

a. Financial Instrument Valuation *(continued)*

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

Also, when the last day of the reporting period is a non-business day, certain foreign markets may be open on those 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.

Franklin Templeton International Trust

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

Templeton Foreign Smaller Companies Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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 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 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. The collateral is invested in a non-registered money fund as indicated on the Statement of Investments. 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.

Franklin Templeton International Trust

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

Templeton Foreign Smaller Companies Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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.

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, 2014, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

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.

Franklin Templeton International Trust

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

Templeton Foreign Smaller Companies Fund

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES *(continued)*

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

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.

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, 2014, 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, 2014		Year Ended October 31, 2013 ^a	
	Shares	Amount	Shares	Amount
Class A Shares:				
Shares sold	511,869	\$ 9,118,815	1,901,123	\$ 31,085,928
Shares issued in reinvestment of distributions	103,179	1,796,352	123,662	1,820,300
Shares redeemed	(1,268,181)	(22,629,044)	(1,878,157)	(30,127,426)
Net increase (decrease)	(653,133)	\$(11,713,877)	146,628	\$ 2,778,802
Class B Shares:				
Shares redeemed			(14,472)	\$ (219,644)

Franklin Templeton International Trust

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

Templeton Foreign Smaller Companies Fund

2. SHARES OF BENEFICIAL INTEREST *(continued)*

	Six Months Ended April 30, 2014		Year Ended October 31, 2013 ^b	
	Shares	Amount	Shares	Amount
Class C Shares:				
Shares sold	97,845	\$ 1,674,846	238,972	\$ 3,756,164
Shares issued in reinvestment of distributions	7,685	129,192	9,802	139,476
Shares redeemed	(127,240)	(2,178,147)	(249,234)	(3,842,138)
Net increase (decrease)	(21,710)	\$ (374,109)	(460)	\$ 53,502
Class R6 Shares:				
Shares sold	55,353	\$ 991,678	302	\$ 5,000
Shares redeemed	(1,098)	(19,601)	—	—
Net increase (decrease)	54,255	\$ 972,077	302	\$ 5,000
Advisor Class Shares:				
Shares sold	712,006	\$ 12,722,570	1,080,618	\$ 17,530,116
Shares issued in reinvestment of distributions	32,798	569,372	38,515	565,022
Shares redeemed	(393,677)	(6,993,649)	(1,063,915)	(16,886,365)
Net increase (decrease)	351,127	\$ 6,298,293	55,218	\$ 1,208,773

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

^bFor the period May 1, 2013 (effective date) to October 31, 2013 for Class R6.

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:

Subsidiary	Affiliation
Franklin Templeton Investment 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

Franklin Templeton International Trust

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

Templeton Foreign Smaller Companies Fund

3. TRANSACTIONS WITH AFFILIATES *(continued)*

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.

b. Administrative Fees

Under an agreement with FTIC, FT Services provides administrative services to the Fund. The fee is paid by FTIC based on the 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 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	0.25%
Class C	1.00%

Franklin Templeton International Trust

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

Templeton Foreign Smaller Companies Fund

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 broker/dealers	\$12,494
CDSC retained	\$ 362

e. Transfer Agent Fees

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

For the period ended April 30, 2014, the Fund paid transfer agent fees of \$281,394, of which \$110,508 was retained by Investor Services.

f. Waiver and Expense Reimbursements

Investor Services has contractually agreed in advance to waive or limit its fees so that the Class R6 transfer agent fees do not exceed 0.01% until February 28, 2015.

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, 2014, there were no credits earned.

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, 2013, the Fund had capital loss carryforwards of \$18,442,662 expiring in 2017.

Franklin Templeton International Trust

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

Templeton Foreign Smaller Companies Fund

5. INCOME TAXES *(continued)*

At April 30, 2014, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	<u>\$157,137,899</u>
Unrealized appreciation	\$ 38,029,455
Unrealized depreciation	<u>(18,858,369)</u>
Net unrealized appreciation (depreciation)	<u>\$ 19,171,086</u>

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.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended April 30, 2014, aggregated \$33,589,764 and \$31,767,310, 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 February 13, 2015. 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, 2014, the Fund did not use the Global Credit Facility.

Franklin Templeton International Trust

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

Templeton Foreign Smaller Companies Fund

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.

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, 2014, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities:				
Equity Investments:				
Indonesia	\$ —	\$ —	\$2,007,326	\$ 2,007,326
All Other Equity Investments ^{a,b}	172,822,159	—	— ^c	172,822,159
Short Term Investments	—	1,479,500	—	1,479,500
Total Investments in Securities	\$172,822,159	\$1,479,500	\$2,007,326	\$176,308,985

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

^bIncludes common and preferred stocks.

^cIncludes securities determined to have no value at April 30, 2014.

Franklin Templeton International Trust

Notes to Financial Statements (unaudited) (continued)

Templeton Foreign Smaller Companies Fund

9. FAIR VALUE MEASUREMENTS (continued)

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 financial investments at the end of the period. At April 30, 2014, the reconciliations of assets are as follows:

	Balance at Beginning of Period	Purchases (Sales)	Transfers Into (Out of) Level 3	Cost Basis Adjustments	Net Realized Gain (Loss)	Net Unrealized Gain (Loss)	Balance at End of Period	Net Change in Unrealized Appreciation (Depreciation) on Assets Held at Period End
Assets:								
Investments in Securities:								
Equity Investments:								
Indonesia	\$2,025,748	\$ —	\$ —	\$ —	\$ —	\$(18,422)	\$2,007,326	\$(18,422)
Sweden	— ^a	—	—	—	—	—	— ^a	—
Total	\$2,025,748	\$ —	\$ —	\$ —	\$ —	\$(18,422)	\$2,007,326	\$(18,422)

^aIncludes securities determined to have no value.

Significant unobservable valuation inputs developed by the VLOC for material Level 3 financial instruments and impact to fair value as a result of changes in unobservable valuation inputs as of April 30, 2014, are as follows:

Description	Fair Value at End of Year	Valuation Technique	Unobservable Inputs	Amount	Impact to Fair Value if Input Increases ^a
Assets:					
Investments in Securities:					
Equity Investments:					
Indonesia	\$2,007,326	Market approach	Offer price	1.88 SGD	Increase
		Market comparables	Discount for lack of marketability	0-10%	Decrease ^b
All Other Investments ^c	—				
Total	\$2,007,326				

^aRepresents 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.

^bRepresents a significant impact to fair value and net assets.

^cIncludes securities determined to have no value.

Franklin Templeton International Trust

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

Templeton Foreign Smaller Companies Fund

10. NEW ACCOUNTING PRONOUNCEMENTS

In June 2013, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2013-08, Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements. The ASU modifies the criteria used in defining an investment company under U.S. Generally Accepted Accounting Principles and also sets forth certain measurement and disclosure requirements. Under the ASU, an entity that is registered under the 1940 Act automatically qualifies as an investment company. The ASU is effective for interim and annual reporting periods beginning after December 15, 2013. 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.

ABBREVIATIONS

Currency

SGD - Singapore Dollar

Selected Portfolio

GDR - Global Depositary Receipt

SDR - Swedish Depositary Receipt

Franklin Templeton International Trust

Shareholder Information

Templeton Foreign Smaller Companies Fund

Board Review of Investment Management Agreement

At a meeting held April 15, 2014, the Board of Trustees (Board), including a majority of non-interested 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. 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 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 and restrictions for the Fund were consistently complied with as well as other reports periodically

Franklin Templeton International Trust

Shareholder Information *(continued)*

Templeton Foreign Smaller Companies Fund

Board Review of Investment Management Agreement *(continued)*

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 continual 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 period of the 2012 Hurricane Sandy. Among other factors taken into account by the Board were the Manager's best execution trading policies, including a favorable report by an independent portfolio trading analytical firm, which also covered FOREX transactions. Consideration was also given to the experience of the Fund's portfolio management team, the number of accounts managed and general method of compensation. In this latter respect, the Board noted that a primary factor in management's determination of a portfolio manager's bonus compensation was the relative investment performance of the funds he or she managed and that a portion of such bonus was required to be invested in a predesignated list of funds within such person's fund management area so as to be aligned with the interests of shareholders. The Board also took into account the quality of transfer agent and shareholder services provided Fund shareholders by an affiliate of the Manager and the continual enhancements to the Franklin Templeton website. Particular attention was given to management's conservative approach and diligent risk management procedures, including continual 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 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

Franklin Templeton International Trust

Shareholder Information *(continued)*

Templeton Foreign Smaller Companies Fund

Board Review of Investment Management Agreement *(continued)*

small/mid-cap core funds as selected by Lipper. Comparative performance within such universe was shown for the one-year period ended January 31, 2014, 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 lowest performing quintile of such performance universe, and on an annualized basis to be in the second-lowest 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 discussed with management the reasons for the one-year underperformance of the Fund during which discussion management expressed its view that its securities holdings reflected its conservative approach to investing, which was out of favor in current market conditions, and stated its conviction that the value of such holdings would eventually be recognized. Management further advised the Board that it had carefully assessed the Fund's portfolio from a quantitative and qualitative viewpoint as part of its continuous review process and still held the conviction that each holding was undervalued. The Board found the Fund's comparative performance as set forth in the Lipper report to be acceptable and did not warrant any present change in portfolio management. In doing so, the Board took into account management's explanation and noted the Fund's favorable five-year comparative performance and that its total return for the one-year period as shown in the Lipper report exceeded 12%.

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 eight 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.

Franklin Templeton International Trust

Shareholder Information *(continued)*

Templeton Foreign Smaller Companies Fund

Board Review of Investment Management Agreement *(continued)*

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, 2013, being the most recent fiscal year-end for Franklin Resources, Inc., the Manager's parent. In reviewing the analysis, the Board recognized that allocation methodologies are inherently subjective and various allocation methodologies may be reasonable while producing different results. In this respect, the Board noted that while management continually makes refinements to its methodologies in response to organizational and product related changes, the overall approach as defined by the primary drivers and activity measurements has remained consistent with that used in the Fund's profitability report presentations from prior years. Additionally, the Fund's independent registered public accounting firm had been engaged by the Manager to periodically review the reasonableness of the allocation methodologies to be used solely 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

Franklin Templeton International Trust

Shareholder Information *(continued)*

Templeton Foreign Smaller Companies Fund

Board Review of Investment Management Agreement *(continued)*

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 asset level of the Fund was approximately \$193 million on December 31, 2013, and the Board believed the size of the Fund afforded no meaningful economies of scale.

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 or etf.franklintempleton.com for Franklin Short Duration U.S. Government ETF. 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.

VALUE

Franklin All Cap Value Fund
Franklin Balance Sheet Investment Fund
Franklin Large Cap Value Fund
Franklin MicroCap Value Fund¹
Franklin MidCap Value Fund
Franklin Small Cap Value Fund
Franklin Mutual Beacon Fund
Franklin Mutual Quest Fund
Franklin Mutual Recovery Fund²
Franklin Mutual Shares Fund

BLEND

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

GROWTH

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

SECTOR

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

GLOBAL

Franklin World Perspectives Fund
Franklin 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
Franklin Mutual European Fund
Franklin Mutual International 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 Fund⁴
Templeton Frontier Markets Fund⁵

HYBRID

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

ALTERNATIVE

Franklin K2 Alternative Strategies Fund
Franklin Pelagos Commodities Strategy Fund

ASSET ALLOCATION

Franklin Corefolio® Allocation Fund
Franklin Founding Funds Allocation Fund
Franklin Conservative Allocation Fund
Franklin Growth Allocation Fund
Franklin Moderate Allocation Fund
Franklin LifeSmart™ Retirement Target Funds (2015-2050)
Franklin Global Allocation Fund
Franklin Multi-Asset Real Return Fund

FIXED INCOME

Franklin Adjustable U.S. Government Securities Fund⁶
Franklin Floating Rate Daily Access Fund
Franklin Global Government Bond Fund
Franklin High Income Fund

Franklin Low Duration Total Return Fund
Franklin Real Return Fund
Franklin Short Duration U.S. Government ETF
Franklin Strategic Income Fund
Franklin Strategic Mortgage Portfolio
Franklin Total Return Fund
Franklin U.S. Government Securities Fund⁶
Templeton Constrained Bond Fund
Templeton Emerging Markets Bond Fund
Templeton Global Bond Fund
Templeton Global Total Return Fund
Templeton Hard Currency Fund
Templeton International Bond Fund

TAX-FREE INCOME⁷

National

Double Tax-Free Income Fund⁸
Federal Tax-Free Income Fund
High Yield Tax-Free Income Fund
Insured Tax-Free Income Fund^{9, 10}

Limited-/Intermediate-Term

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

State-Specific

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

INSURANCE FUNDS

Franklin Templeton Variable Insurance Products Trust¹¹

1. The fund is closed to new investors. Existing shareholders and select retirement plans may add to their accounts.

2. The fund is a continuously offered, closed-end fund. Shares may be purchased daily; there is no daily redemption. However, each quarter, pending board approval, the fund will authorize the repurchase of 5%–25% of the outstanding number of shares. Investors may tender all or a portion of their shares during the tender period.

3. Effective 6/3/13, the fund closed to new investors, with limited exceptions.

4. Effective 12/10/13, the fund closed to new investors, with limited exceptions.

5. Effective 6/28/13, the fund closed to new investors. Existing shareholders and select retirement plans may add to their accounts.

6. An investment in the fund is neither insured nor guaranteed by the U.S. government or by any other entity or institution.

7. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.

8. The fund is closed to all new investments (other than reinvestment of dividends and capital gains distributions).

9. The fund invests primarily in insured municipal securities.

10. Franklin Insured Tax-Free Income Fund and Franklin California Insured Tax-Free Income Fund are closed to all new investments (other than reinvestment of dividends and capital gains distributions).

11. The funds of the Franklin Templeton Variable Insurance Products Trust are generally available only through insurance company variable contracts.

VALUE	BLEND	GROWTH	SECTOR	GLOBAL	INTERNATIONAL	HYBRID	ALTERNATIVE	ASSET ALLOCATION	FIXED INCOME	TAX-FREE INCOME
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< 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 help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.