

FUND CHARACTERISTICS (AS OF 12/31/13)

NASDAQ Symbol FINAX
Fund Inception Date 10/15/02
Dividends Annually in December
Investment Style International Small Cap
Benchmark MSCI EAFE Small Cap
Index
Lipper Classification International Small-Mid
Cap Growth

Small/Mid Blend
Total Net Assets—All Share 1,765 million

US OE Foreign

Number of Issuers 38 Maximum Initial Sales Charge 5.75%

THIRD-PARTY FUND DATA

Overall Morningstar Rating™

Traditional

Classes



Load Waived



Morningstar Category™

As of December 31, 2013 the fund's Class A shares received a traditional 4 star overall Morningstar Rating™ and a load waived 5 star Morningstar Rating™, measuring risk-adjusted returns against 64, 55 and 26 U.S.-domiciled US OE Foreign Small/Mid Blend funds over the 3-, 5- and 10-year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

Load waived Class A share Morningstar Ratings do not include front-end sales charges and are intended for investors who have access to such purchase terms (e.g., fee-based programs and participants of a defined contribution plan). Investors should contact their financial advisor to determine their eligibility to purchase Class A shares without paying the sales charge.

Effective June 3, 2013, the fund closed to new investors with limited exceptions. Existing shareholders may continue to add money to their accounts.

Franklin International Small Cap Growth Fund—Class A

PRODUCT PROFILE FOURTH QUARTER 2013

FUND DESCRIPTION

The fund seeks long-term capital appreciation by investing predominantly in the equity securities of smaller international companies that the managers feel are poised for long-term growth.

PERFORMANCE DATA

Average Annual Total Returns for Periods Ended December 31, 2013 (%)

	3 Mths*	YTD*	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (10/15/02)
With Sales Charge	0.15	28.38	28.38	12.37	21.18	14.59	17.47
Without Sales Charge	6.26	36.21	36.21	14.61	22.62	15.27	18.09
MSCI EAFE Small Cap Index	5.94	29.69	29.69	9.62	18.89	9.85	13.91

Total Annual Operating Expenses—1.44%

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment returns and principal values will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com for the most recent month-end performance.

Average Annual Total Returns for Periods Ended December 31, 2013 (%)



Calendar Year Returns As of December 31, 2013 (%)



Franklin International Small Cap Growth Fund—Class A Without Sales Charg

MSCI EAFE Small Cap Index

If the Fund's sales charge had been included, the returns would have been lower.

For information related to the "Fund Characteristics," "Third-Party Fund Data," and "Performance Data" sections, please see Explanatory Notes.

^{*}Cumulative Total Returns.

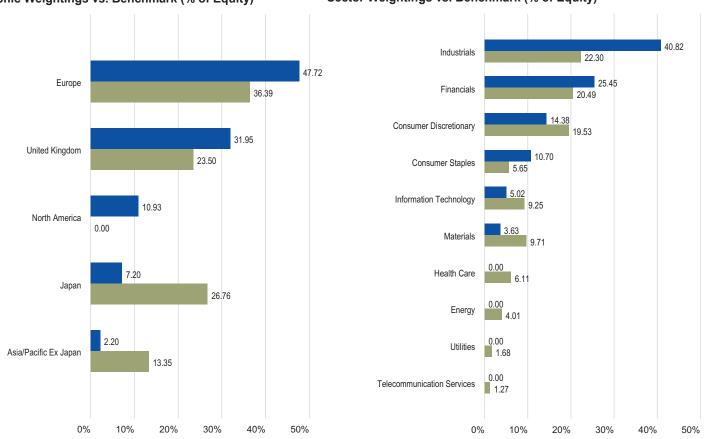
PORTFOLIO DIVERSIFICATION (AS OF 12/31/13)

Top Ten Holdings

Issuer Name		Country	Industry	% of Total
1. GRAFTON GROUP PLC		Ireland	Capital Goods	5.24
2. EULER SA		France	Insurance	4.79
3. OPTIMAL PAYMENTS PLC		United Kingdom	Software & Services	4.65
4. MICHAEL PAGE INTERNATIONAL		United Kingdom	Commercial & Professional Services	4.53
5. PRYSMIAN SPA		Italy	Capital Goods	4.02
6. SLIGRO FOOD GROUP NV		Netherlands	Food & Staples Retailing	3.77
7. UPONOR OYJ	-	Finland	Capital Goods	3.73
8. JUMBO SA		Greece	Retailing	3.64
9. C&C GROUP PLC		Ireland	Food Beverage & Tobacco	3.60
10. ZARDOYA OTIS SA	<u>(A)</u>	Spain	Capital Goods	3.50
Total				41.47

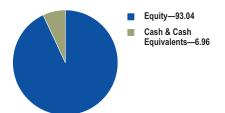
Geographic Weightings vs. Benchmark (% of Equity)

Sector Weightings vs. Benchmark (% of Equity)



Franklin International Small Cap Growth Fund
MSCI EAFE Small Cap Index

Portfolio Allocation (%)



Largest Sector Contributors vs. MSCI EAFE Small Cap Index

Sector	Total Effect (%)
Information Technology	0.87
Industrials	0.49
Financials	0.43
Consumer Discretionary	0.21
Energy	0.19

Smallest Sector Contributors vs. MSCI EAFE Small Cap Index

Sector	Total Effect (%)
Consumer Staples	-1.10
Cash & Other Net Assets	-0.17
Telecommunication Services	-0.08
Utilities	0.01
Health Care	0.02

Contributor data shown is for the period 10/1/13 to 12/31/13

PORTFOLIO CHARACTERISTICS (AS OF 12/31/13)—Fund vs. MSCI EAFE Small Cap Index

	Fund	Benchmark
Weighted Average Market Capitalization (Millions USD)	3,248	2,264
Historical 3 Yr EPS Growth	5.28%	14.91%
Estimated 3-5 Yr EPS Growth	16.60%	13.41%

	Fund	Benchmark
FY1 Price to Earnings	18.65x	16.51x
Enterprise Value/EBITDA	12.72x	27.15x
Annual Turnover Ratio (As of 7/31/13)	22.81%	N/A

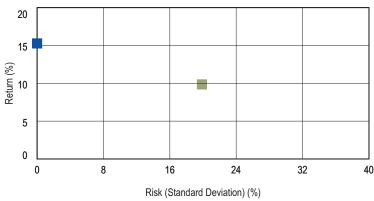
PERFORMANCE RISK STATISTICS - Class A

Modern Portfolio Theory (MPT) Statistics (As of 12/31/13)

Performance Risk Statistics	3 Years	5 Years
Standard Deviation	14.34	16.58
Alpha	6.14	6.84
Beta	0.83	0.79
Sharpe Ratio	1.01	1.36
Information Ratio	0.87	0.56
Tracking Error	5.74	6.70
R-Squared	87.49	90.32

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment returns and principal values will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com for the most recent month-end performance.

Risk vs. Return 10-Year Period Ended 12/31/13



Franklin International Small Cap Growth Fund—Class A Without Sales Charge

MSCI EAFE Small Cap Index

If the Fund's sales charge had been included, the returns would have been lower.

GLOSSARY

Alpha: Alpha measures the difference between a fund's actual returns and its expected returns given its risk level as measured by its beta. A positive alpha figure indicates the fund has performed better than its beta would predict. In contrast, a negative alpha indicates a fund has underperformed, given the expectations established by the fund's beta. Some investors see alpha as a measurement of the value added or subtracted by a fund's manager.

Annual Turnover Ratio: Percentage of a fund's holdings replaced with other holdings during a fund's most recent full fiscal year. A fund's fiscal year end can be found in a fund's current summary prospectus and/or prospectus.

Benchmark: An unmanaged group of securities whose overall performance is used as a standard to measure investment performance.

<u>Beta:</u> A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

EPS Growth: Earning Per Share. The portion of a company's profit allocated to each outstanding share of common stock. Serves as an indicator of a company's profitability.

Enterprise Value/EBITDA: A ratio used to determine the value of a company and is calculated as the enterprise value divided by EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization).

<u>Information Ratio:</u> In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

Market Capitalization: A determination of a company's value, calculated by multiplying the total number of company stock shares outstanding by the price per share.

<u>Price to Earnings:</u> The share price of a stock, divided by its per-share earnings over the past year. For a portfolio, the weighted average P/E ratio of the stocks in the portfolio. P/E is a good indicator of market expectations about a company's prospects; the higher the P/E, the greater the expectations for a company's future growth in earnings.

R-Squared: A measure of how much of a portfolio's performance can be explained by the returns from the overall market (or a benchmark index). If a portfolio's total return precisely matched that of the overall market or benchmark, its R-squared would be 100. If a portfolio's return bore no relationship to the market's returns, its R-squared would be 0.

Sharpe Ratio: To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation

<u>Standard Deviation:</u> A measure of the degree to which a fund's return varies from its previous returns or from the average of all similar funds. The larger the standard deviation, the greater the likelihood (and risk) that a security's performance will fluctuate from the average return.

<u>Tracking Error:</u> Measure of the deviation of the return of a fund compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment fund is managed, the smaller the tracking error.

MARKET REVIEW

Global stock markets generally advanced in the fourth quarter as developed-market equities delivered strong gains and outperformed emerging-market stocks, which also produced positive results. During the quarter, the US Federal Reserve (Fed) deemed that the US economy was stable enough for the central bank to start measuredly reducing its asset-purchase program in January 2014. However, the Fed's promise to keep short-term interest rates ultralow was extended into 2015. European stocks as a whole delivered strong returns in the fourth quarter, mainly due to solid gains from the region's developed markets such as Germany, Finland, Spain and Ireland. In the third quarter, the eurozone's growth slowed, prompting the European Central Bank (ECB) to lower its benchmark interest rate 25 basis points in November. With signs in the fourth quarter that the eurozone's economy was recovering and that inflation was rising, the ECB held rates steady at a record low of 0.25% in December. Overall, Asian equities advanced slightly during the fourth quarter, with both China and Japan posting positive returns.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

Stock selection is the core of our investment approach, and selection in some of the economically sensitive sectors of the market boosted the fund's return relative to its benchmark during the quarter. In general, global equity markets rose in the fourth quarter, as developed-market equities outperformed amid ongoing signs of economic improvement in the US and Europe. Stock selection in the information technology, industrials and financials sectors contributed to the fund's relative outperformance. In contrast, security selection in the consumer staples and consumer discretionary sectors hurt returns, as did our Japan-based stock holdings. Moreover, an overweight allocation to the defensive consumer staples sector weighed on fund performance.

Within the information technology sector, contributors to results included a position in Optimal Payments, a UK-based provider of online financial transaction services to businesses and individuals. The company has been benefiting from growth in its Asia e-wallet business, and we believe it is well positioned to take advantage of regulated online gaming opportunities in the United States.

Many of the fund's other top contributors came from the industrials sector, in which fund holdings are skewed toward companies that we think could benefit from an expected upturn in economic activity in Europe. They included positions in Flughafen Wien, operator of the Vienna airport; Vesuvius, a leading supplier of flow control products to steel producers and refractory products to the foundry industry; and Grafton Group, an Ireland-based company providing products for residential and commercial construction. With the vast majority of Grafton's profits coming from the United Kingdom, the company has been benefiting from a turnaround in the country's construction market.

Other notable sector contributors included Zardoya Otis, a Spain-based manufacturer of elevators, escalators and moving walkways, as well as Keller Group, the world's largest independent ground engineering contractor with operations in over 30 countries and market leadership positions in the US, Australia, western Europe and Poland.

In the financials sector, contributors included positions in Euler Hermes, a France-based credit insurer, and Green REIT, an Ireland-based real estate investment trust. With respect to the fund's investment in Green REIT, we believe it is an opportune time for us to invest in Irish property-related stocks based on housing market fundamentals we view as favorable. Furthermore, we think Green REIT has a strong management team with a good track record.

Other notable contributors included Greece-based discount retailer Jumbo. We believe that as worries related to the struggling Greek economy subside, investors could recognize Jumbo as a company with a strong competitive position, robust balance sheet and compelling growth characteristics.

In contrast, stock selection in the consumer staples sector weighed on relative returns. Detractors included Sligro Food Group, a Netherlands-based food retailer, and McBride, a UK-based private-label household and personal care products manufacturer and distributor. A position in Aderans, a Japan-based custom wig and hairpiece manufacturer, also dented relative returns.

A position in Carpetright in the consumer discretionary sector also undermined performance. Shares of the UK-based specialist floor covering and carpet retailer slumped in December after the company posted a decline in same-store sales for the six months through October. However, we continue to expect Carpetright, with its strong balance sheet and leading market position, to potentially benefit from ongoing improvement in the UK housing market.

With Japanese small-cap stocks generally underperforming those of other countries for the quarter, stock selection in the country also hurt relative performance even as the fund's underweight in the market benefited relative results. Detractors included consumer discretionary stocks such as Asatsu-DK and Sankyo. Asatsu-DK is one of the largest ad agencies in Japan, and we believe the business has the potential to improve over the next few years, especially if the Bank of Japan's monetary stimulus ignites Japan's economic growth. Sankyo is a manufacturing company that supplies leisure equipment and products, specializing in Japanese pachinko machines.

Portfolio Positioning

Overall, the portfolio has continued to migrate toward companies that we believe offer strong risk/reward profiles over the next five years. We are long-term investors and believe that strong bottom-up stockpicking that seeks attractive investments regardless of location can potentially benefit the portfolio over time.

Outlook & Strategy

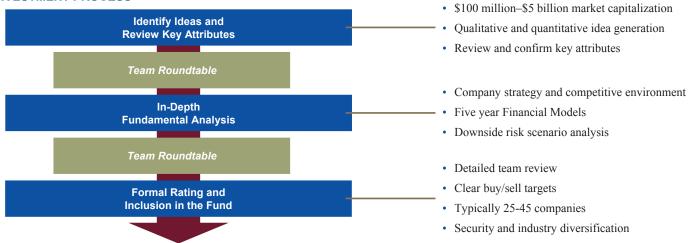
The above commentary does not provide a complete analysis of every material fact regarding any market, region, industry, security, portfolio or pooled investment vehicle. Portfolio holdings information, opinions and other market or economic information and data provided are as of the date of the commentary, unless another date is expressly indicated, and may change without notice. Statements of fact cited by the manager have been obtained from sources considered reliable but no representation is made as to their completeness or accuracy. The manager's assessment of a particular industry, region, security, sector or investment is intended solely to provide insight into the manager's investment process and is not a recommendation to buy or sell any security, nor investment advice. References to particular securities or sectors are only for the limited purpose of illustrating general market or economic conditions and are not recommendations to buy or sell a security. Although historical data is no guarantee of future results, these insights may help you understand our investment management philosophy.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE (CONTINUED)

We believe Europe, as of quarter-end, still offered some of the best valuations globally, particularly in the peripheral eurozone countries and some out-of-favor sectors. We think European stock prices still did not fully reflect a potential pick-up in eurozone growth, which if it occurred could have a favorable impact on stock prices over the next 12 to 18 months, in our view. We have continued to find European stock exchanges and small investment banks attractive. In addition, European companies involved in metals, materials and mining may begin to look attractive to us as capital expenditure in mining enters its third year of decline. In the Asia-Pacific region, we are looking closer at Australia and China as these two economies slow and as good companies potentially become attractively valued.

The above commentary does not provide a complete analysis of every material fact regarding any market, region, industry, security, portfolio or pooled investment vehicle. Portfolio holdings information, opinions and other market or economic information and data provided are as of the date of the commentary, unless another date is expressly indicated, and may change without notice. Statements of fact cited by the manager have been obtained from sources considered reliable but no representation is made as to their completeness or accuracy. The manager's assessment of a particular industry, region, security, sector or investment is intended solely to provide insight into the manager's investment process and is not a recommendation to buy or sell any security, nor investment advice. References to particular securities or sectors are only for the limited purpose of illustrating general market or economic conditions and are not recommendations to buy or sell a security. Although historical data is no guarantee of future results, these insights may help you understand our investment management philosophy.

INVESTMENT PROCESS



Team Roundtable Seeks to Ensure Expertise and Insights of All Team Members Are Applied to Each Investment Idea Focus on Downside Risk Helps Manage Risk in Smaller Capitalization Funds

INVESTMENT AND MANAGEMENT TEAM (AS OF 12/31/13)

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Franklin International Small Cap Growth Fund Management Team	Years with Firm	Years Experience
Edwin Lugo, II, CFA	13	24
Franklin Global Small Cap Investment Team	Years with Firm	Years Experience
Edwin Lugo, II, CFA, Senior Portfolio Manager, Analyst	13	24
Michael Shaman, Research Analyst	5	14
Pankaj Nevatia, CFA, Research Analyst	3	9
Julian Harper, Research Analyst	6	21
Additional Resources		
Franklin Global Large Cap Team		

WHAT ARE THE RISKS

All investments involve risks, including possible loss of principal. The fund is intended for long-term investors who are comfortable with fluctuation in the value of their investment, especially over the short term. Smaller, relatively new and/or unseasoned companies can be particularly sensitive to changing economic conditions, and their prospects for growth are less certain than those of larger, more established companies. Foreign investing involves additional risks such as currency and market volatility, as well as political and social instability. Emerging markets involve heightened risks relating to the same factors. The fund also invests in technology stocks, which can be highly volatile. These and other risks are described in the fund's prospectus.

EXPLANATORY NOTES

FUND CHARACTERISTICS

Number of Issuers: All portfolio holdings are subject to change. Holdings of the same issuer have been combined.

THIRD-PARTY FUND DATA

Morningstar Rating™: Source: Morningstar® 12/31/13. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance after adjusting for sales loads (except for load-waived A shares), redemption fees, and the risk free rate, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. Class A shares of Franklin International Small Cap Growth Fund received a traditional Morningstar Rating of 5, 4 and 4 star(s) for the 3-, 5- and 10-year periods, respectively. Load-waived Class A shares of Franklin International Small Cap Growth Fund received Morningstar Ratings of 5, 5 and 4 star(s) for the 3-, 5- and 10- year periods, respectively. The Morningstar Rating™ may differ among share classes of a mutual fund as a result of different sales loads and/or expense structure. Past performance does not guarantee future results. ©2014 Morningstar, Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

PERFORMANCE DATA

The fund offers other share classes subject to different fees and expenses, which will affect their performance.

Source for Index: FactSet. Indexes are unmanaged and one cannot invest directly in an index.

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Performance figures reflect a restatement of these shares' performance to include both 12b-1 fees and sales charges applicable to each share class as though in effect from the fund's inception. Figures assume reinvestment of dividends and capital gains at net asset value.

PORTFOLIO DIVERSIFICATION

<u>Top Ten Holdings</u>: Holdings of the same issuer have been combined. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included. For updated information, call Franklin Templeton Investments at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com.

<u>Geographic/Sector Weightings</u>: Weightings as percent of equity (unless otherwise noted). Percentage may not equal 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics.

<u>Sector Weightings</u>: Weightings as percent of equity (unless otherwise noted). Percentage may not equal 100% due to rounding. Information is historical and may not reflect current or future portfolio characteristics.

<u>Largest/Smallest Sector Contributors</u>: Total effect represents the opportunity cost of investment decisions in a group relative to overall benchmark.

Source for Index: FactSet. Indexes are unmanaged and one cannot invest directly in an index.

PORTFOLIO CHARACTERISTICS

Source: FactSet. The Price/Earnings ratio calculation for the weighted average uses harmonic means. The Estimated 3-5 Year EPS Growth uses simple weighted average means. There can be no assurance that the Estimated 3-5 Year EPS Growth will be realized. The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalization figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. All portfolio holdings are subject to change.

PERFORMANCE RISK STATISTICS

Risk vs. Return: Risk is measured by the annualized standard deviation of monthly total returns. Performance of the fund does not include sales charges (if applicable), but it does include dividends and capital gains reinvested at net asset value. Source for Index: FactSet. Indexes are unmanaged and one cannot invest directly in an index.

The fund offers other share classes subject to different fees and expenses, which will affect their performance.



Franklin Templeton Distributors, Inc. One Franklin Parkway San Mateo, California 94403-1906 (800) DIAL BEN® (800) 342-5236 franklintempleton.com Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

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