



# Templeton BRIC Fund—Class A

## Product Profile

Fourth Quarter 2014

### FUND CHARACTERISTICS (AS OF 12/31/14)

NASDAQ Symbol	TABRX
Fund Inception Date	6/1/06
Dividends	Annually in December
Investment Style	Core Value
Benchmark	MSCI BRIC Index
Lipper Classification	Emerging Markets Funds
Morningstar Category™	Diversified Emerging Markets
Total Net Assets—All Share Classes	199 million
Number of Issuers	52
Maximum Initial Sales Charge	5.75%

### FUND DESCRIPTION

The fund seeks long-term capital appreciation by normally investing at least 80% of its net assets in securities of "BRIC companies"—those companies that are organized under the laws of, have a principal office in, or have their principal trading market in Brazil, Russia, India or China (including the People's Republic of China, Hong Kong and Taiwan); or derive a significant share of their total revenue or profit from, or have a significant portion of their assets in, BRIC countries.

### PERFORMANCE DATA

#### Average Annual Total Returns for Periods Ended December 31, 2014 (%)

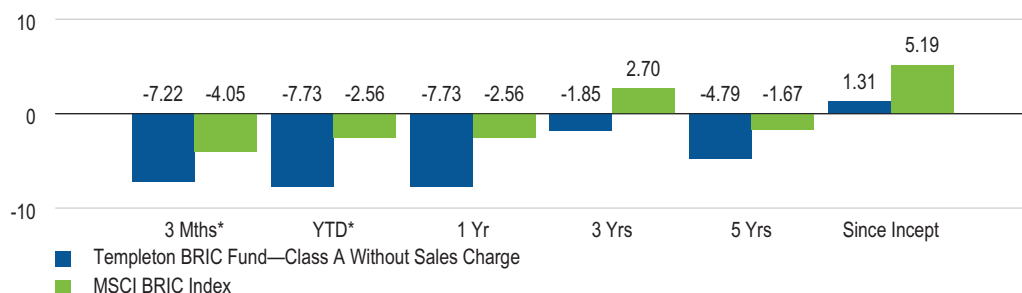
	3 Mths*	YTD*	1 Yr	3 Yrs	5 Yrs	Since Incept (6/1/06)
With Sales Charge	-12.56	-13.01	-13.01	-3.77	-5.91	0.61
Without Sales Charge	-7.22	-7.73	-7.73	-1.85	-4.79	1.31
MSCI BRIC Index	-4.05	-2.56	-2.56	2.70	-1.67	5.19

#### Total Annual Operating Expenses—With Waiver: 2.00% Without Waiver: 2.10%

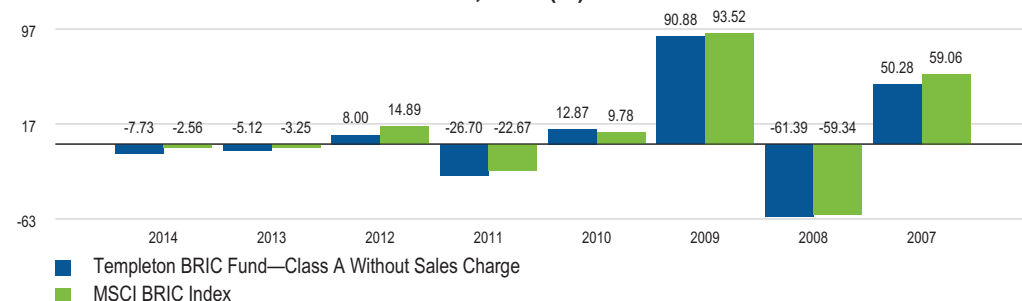
Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin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

The fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year-end. Fund investment results reflect the fee waiver; without this reduction, the results would have been lower.

#### Average Annual Total Returns for Periods Ended December 31, 2014 (%)



#### Calendar Year Returns As of December 31, 2014 (%)













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

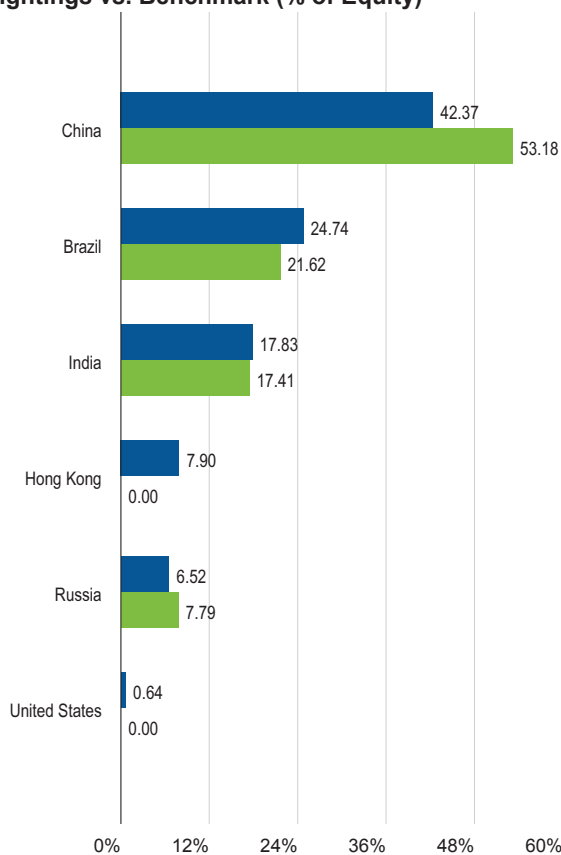
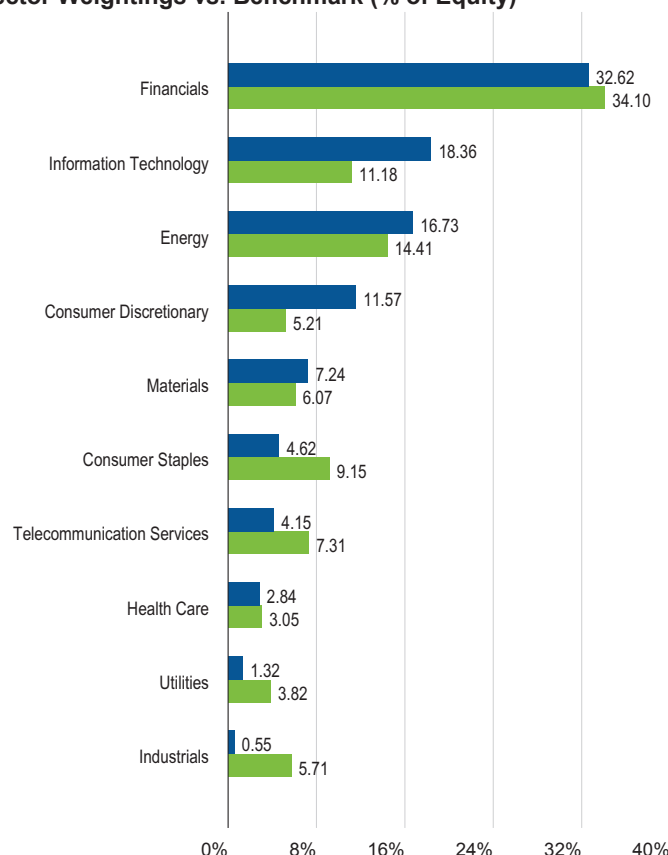
\*Cumulative Total Returns.

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

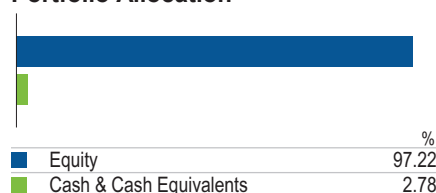
**Not FDIC Insured | May Lose Value | No Bank Guarantee**

**PORTFOLIO DIVERSIFICATION (AS OF 12/31/14)**
**Top Ten Holdings**

Issuer Name		Country	Industry	% of Total
1. ITAUSA - INVESTIMENTOS ITAU SA		Brazil	Banks	5.47
2. LUK FOOK HOLDINGS (INTERNATIONAL) LTD		Hong Kong	Retailing	5.41
3. INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD		China	Banks	5.18
4. TENCENT HOLDINGS LTD		China	Software & Services	4.97
5. BANCO BRADESCO SA		Brazil	Banks	4.68
6. CHINA CONSTRUCTION BANK CORP		China	Banks	4.36
7. CHINA MOBILE LTD		China	Telecommunication Services	4.04
8. ITAU UNIBANCO HOLDING SA		Brazil	Banks	3.48
9. TRAVELSKY TECHNOLOGY LTD		China	Software & Services	3.08
10. CHINA PETROLEUM & CHEMICAL CORP (SINOPEC)		China	Energy	2.98
<b>Total</b>				<b>43.63</b>

**Geographic Weightings vs. Benchmark (% of Equity)**

**Sector Weightings vs. Benchmark (% of Equity)**


■ Templeton BRIC Fund  
■ MSCI BRIC Index

**Portfolio Allocation**

**Largest Sector Contributors vs. MSCI BRIC Equity Index**

Sector	Total Effect (%)
Consumer Discretionary	0.71
Telecommunication Services	0.61
Energy	0.51
Utilities	-0.02
Consumer Staples	-0.06

**Smallest Sector Contributors vs. MSCI BRIC Equity Index**

Sector	Total Effect (%)
Financials	-2.35
Materials	-1.09
Industrials	-0.53
Health Care	-0.18
Information Technology	-0.17

Contributor data shown is for the period 10/1/14 to 12/31/14

**PORTFOLIO CHARACTERISTICS (AS OF 12/31/14)—Fund vs. MSCI BRIC Index**

		<b>Fund</b>	<b>Benchmark</b>
Weighted Average Market Capitalization (Millions USD)		64,292	54,884
Median Market Capitalization (Millions USD)		4,935	5,160
<b>Price to Earnings</b>	<b>Fund</b>	<b>Benchmark</b>	
Weighted Average	8.59x	11.06x	
Median	10.82x	14.85x	
<b>Price to Book Value</b>	<b>Fund</b>	<b>Benchmark</b>	
Weighted Average	1.21x	1.39x	
Median	1.29x	1.70x	
<b>Price to Cash Flow</b>	<b>Fund</b>	<b>Benchmark</b>	
Weighted Average	5.91x	7.29x	
Median	9.08x	9.38x	

**PERFORMANCE RISK STATISTICS - Class A****Modern Portfolio Theory (MPT) Statistics  
(As of 12/31/14)**

<b>Performance Risk Statistics</b>	<b>3 Years</b>	<b>5 Years</b>
Standard Deviation	18.27	21.32
Alpha	-4.28	-3.05
Beta	0.96	1.00
Sharpe Ratio	-0.10	-0.23
Information Ratio	-0.92	-0.62
Tracking Error	4.97	5.01
R-Squared	92.78	94.49

*Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value 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](http://franklintempleton.com) for the most recent month-end performance.*

**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.

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

**Beta:** 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%.

**Information Ratio:** 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.

**Price to Book Value (P/BV):** The price per share of a stock divided by its book value (i.e., net worth) per share. For a portfolio, the ratio is the weighted average price/book ratio of the stocks it holds.

**Price to Cash Flow (P/CF):** Supplements price/earnings ratio as a measure of relative value; represents a weighted average of the price/cash flow ratios for the underlying fund holdings.

**Price to Earnings (P/E):** The share price of a stock, divided by its per-share earnings over the past year. 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.

**Standard Deviation:** 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.

**Tracking Error:** 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

A volatile quarter saw the four BRIC markets ending with very different performances. In China, subdued economic data prompted a policy response from the authorities. The People's Bank of China (PBOC) surprised markets in November with an interest rate cut and followed up in December with adjustments to regulations on loan deposit ratios that had the effect of relaxing policy. The Chinese government ended a policy meeting with a commitment to steady economic growth as a primary economic goal, reinforcing the impact of new railway investment commitments. With signs emerging that earlier easing measures had begun to revive real estate market activity, investors reacted positively to the initiatives.

India saw a more muted performance, making modest progress in the earlier part of the quarter followed by weakness in December that offset the gains. Muted economic growth signals and worries about rising global risk aversion in the wake of oil market turmoil prompted profit-taking after the market's strong performance during the rest of the year.

Brazil saw significant weakness during the quarter. The sharp falls in global oil prices prompted by the decision by major producers to maintain production levels in the face of market oversupply threatened both the indebted state oil company and the fragile finances of the government. Weak trends in some other commodities added to the pressure on the Brazilian market, while demand for dollar assets on the part of risk-averse global investors sent the real lower. Moves potentially to raise taxes on Brazil's banks affected a hitherto buoyant market segment. An ongoing corruption scandal also pressured market sentiment.

Russia experienced weakness as the slump in oil prices threatened the finances of a government heavily dependent on energy revenues to finance itself and with sanctions over events in Ukraine limiting sources of relief for an economy that was already slowing. Efforts by investors to withdraw from Russia weighed on both the equity market and the ruble, with efforts to defend the currency through much higher interest rates having little effect.

## PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

### Performance Review

The fund lost ground in absolute terms during the quarter. Brazil was the largest detractor. A holding in a major oil company suffered significant weakness due to a combination of oil market turbulence and a corruption enquiry. Long delays in the release of third quarter results as the group sought to quantify the impact of suspicious transactions pressured sentiment, while weakening oil and gas prices caused nervousness among investors due to the group's heavy debt burden. Positions in an iron ore miner affected by ongoing weakness in prices of the commodity also lost ground, while banking stocks that had been relatively resilient in October and November fell sharply in December in response to tax fears and rising concerns about economic conditions in the domestic banking market.

Russia suffered a larger percentage fall than Brazil, but the smaller size of the fund holding led to a lesser influence on overall performance. Russian energy stocks including an oil and gas business and a gas producer and distributor were responsible for the bulk of the decline, but all fund holdings in the country lost ground on the combination of oil price concerns, much higher interest rates and fears of capital flight that sent the ruble lower.

India also detracted, though to a much lesser extent than Brazil and Russia. Energy related stocks were once again the major detractors from absolute performance, with a manufacturer of steel tubes for oil and gas pipelines and petrochemical facilities under particular pressure on fears that an already highly competitive market for its products would become even more difficult due to project cancellations and investment cuts by energy industry customers. An IT services company achieved a small gain, however, helped by indications of strong revenue growth in some key business areas.

China with Hong Kong was a solid contributor to absolute performance as the fund benefited from exposure to a relatively buoyant market. A Hong Kong based jewelry stock was a notably strong contributor as third quarter earnings exceeded market forecasts and the company's management suggested that the fourth quarter was showing improved sales trends. Positions in Chinese banks also rose, boosted by the PBOC measures to ease monetary policy.

In sector terms, Chinese banks helped financials to a solid contribution to fund performance, while strength in specialty retail helped consumer discretionary to a more modest gain. Energy, however, was a large detractor, while mining stocks within materials, and Internet services businesses in IT, also saw significant weakness.

### Portfolio Positioning

During the quarter, the fund's largest sector weights were in financials, IT and energy. China with Hong Kong was the largest absolute country exposure. The positions were the outcome of our fundamental stock-by-stock research metrics.

### Outlook & Strategy

Moving into 2015 the BRIC bloc appears to be splitting into two very different parts, a fast-growing Asian element characterized by rapid economic growth, solid finances and a strong commitment to economic reform that has the potential over time to transform the economic outlook. In stark contrast, Brazil and Russia are struggling as moves in commodity markets have highlighted their overdependence on commodity exports and exposed issues of governance. We recognize the differing economic trajectories of the four countries, but also stress firstly that stock markets discount the future and not the past, and secondly that investment portfolios are made up of companies and not countries.

While in China and India economic reforms could, in our opinion, facilitate both economic growth and rising corporate profitability, the reforms must be pressed home in order for their beneficial effects to emerge. The economic changes could affect some companies and sectors negatively even as others prosper. In addition, we must always ensure that the earnings potential that we identify is not already incorporated into stock prices. In contrast, in Brazil and Russia, a weak external background could hone strong managements and lead to the undervaluation of attractive assets and business models such that any improvement in the economic background, through commodity price recovery or a new commitment to reform could produce disproportionate benefits.

Thus, even more so than usual, we believe that detailed stock-by-stock fundamental research is vital for investment success. We believe that we can discern potentially attractive long-term investments across all four of these very diverse markets.

## INVESTMENT PHILOSOPHY AND PROCESS

Templeton's approach is based on presence on the ground—a network of local offices, onsite company research visits, and more than a decade of pioneering new emerging markets and investment opportunities. The advantage in our process comes from our in-house investment research capabilities, the length of our track record, and the independence of the emerging markets team and process. Templeton's approach to the market is founded on three tenets: Value, Patience, and Bottom-Up stock selection.

### Value

We seek companies trading at a substantial discount to what our research indicates the company may be worth.

### Patience

Security prices can fluctuate more widely than underlying security values. In our opinion, market efficiencies should recognize and correct these security prices over time.

### Bottom-Up

We identify value through rigorous fundamental analysis of a company's business to determine what we consider its economic worth to be based on future earnings potential, cash flow or asset value potential. Templeton's investment process involves five steps and is designed to add value for investors over the long term.

#### STEP 1

Identify stocks for potential purchase

#### STEP 2

Analyze securities

#### STEP 3

Evaluate securities with research team

#### STEP 4

Construct portfolio

#### STEP 5

Manage and maintain portfolio

## INVESTMENT AND MANAGEMENT TEAM (AS OF 12/31/14)

### Templeton BRIC Fund Management Team

	Years with Firm	Years Experience
Mark Mobius, Ph.D.- Executive Chairman	27	47
Dennis Lim	24	30
Tom Wu	27	29
Allan Lam	27	27

### Templeton Emerging Markets Management Team

	Years with Firm	Years Experience
Mark Mobius, Ph.D.- Executive Chairman	27	47

### Templeton Emerging Markets Team

	Number of Members	Average Years Experience
Portfolio Managers/Analysts	8	28
Research Analysts	42	12

## WHAT ARE THE RISKS

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 BRIC companies, which are located in, or operate in, emerging market countries, involve heightened risks related to the same factors, in addition to those associated with these companies' smaller size, lesser liquidity and the lack of established legal, political, business and social frameworks to support securities markets in the countries in which they operate. The fund is a non-diversified fund. It may invest a greater portion of its assets in the securities of one issuer than a diversified fund, which may result in greater fluctuation in the value of the fund's shares. All investments in emerging markets should be considered long-term investments that could experience significant price volatility in any given year. Templeton BRIC Fund is designed for the aggressive portion of a well-diversified portfolio. These and other risk considerations are discussed 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.

**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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**PORTFOLIO DIVERSIFICATION**

Top Ten Holdings: 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](http://franklintempleton.com).

Geographic/Sector Weightings: 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.

Sector Weightings: 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.

Largest/Smallest Sector Contributors: 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**

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.

Source: FactSet. For the portfolio, the Price to Earnings, Price to Cash Flow, and Price to Book Value calculations for the weighted average use harmonic means. Values less than 0.01 (i.e., negative values) are excluded and values in excess of 200x are capped at 200x. For the benchmark, no limits are applied to these ratios in keeping with the benchmark's calculation methodology. Market capitalization statistics are indicated in the base currency for the portfolio presented.

*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](http://franklintempleton.com). Please carefully read a prospectus before you invest or send money.*



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