FRANKLIN TEMPLETON INVESTMENTS

Templeton Hard Currency Fund—Class A

Product Profile Fourth Quarter 2015

FUND CHARACTERISTICS (AS OF 12/31/15)

NASDAQ Symbol	ICPHX
Fund Inception Date	11/17/89
Dividends	Annually
Benchmark	JP Morgan 3-Month Global Cash Index
Lipper Classification	Alternative Currency Strategies Funds
Total Net Assets—All Share Classes	100 million
Number of Holdings	13
Maximum Initial Sales Charge	2.25%

FUND DESCRIPTION

The Fund seeks to protect against depreciation of the U.S. dollar relative to other currencies by investing in money market instruments and currency forward contracts, denominated in currencies of countries whose economic policies have historically resulted in low rates of inflation.

PERFORMANCE DATA

Average Annual Total Returns for Periods Ended December 31, 2015 (%)

	3 Mths*	YTD*	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (11/17/89)
With Sales Charge	-1.76	-11.55	-11.55	-7.48	-3.97	1.01	3.13
Without Sales Charge	0.51	-9.50	-9.50	-6.78	-3.54	1.24	3.22
JP Morgan 3-Month Global Cash Index	-1.68	-8.54	-8.54	-6.43	-3.51	1.25	3.97

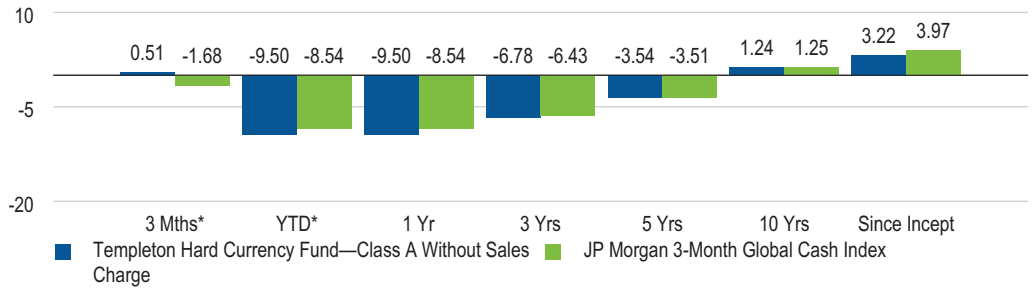
Total Annual Operating Expenses—*With Waiver:*1.15% *Without Waiver:*1.19%

30-Day Standardized Yield (As of 12/31/15)—With Waiver: -1.00% Without Waiver: -1.06%

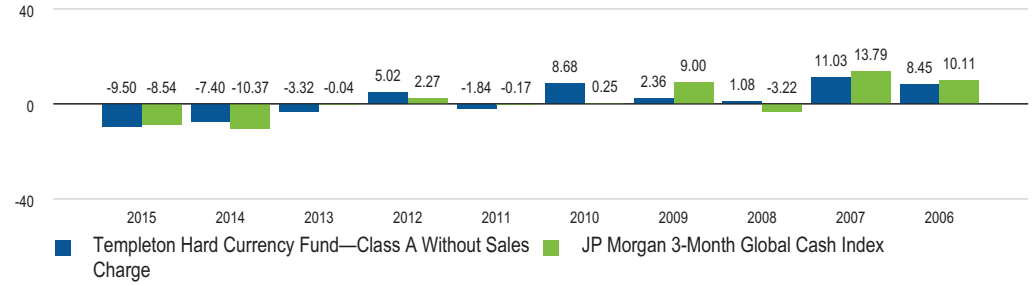
Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin 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, 2015 (%)



Calendar Year Returns As of December 31, 2015 (%)



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

The 30-Day Standardized Yield reflects an estimated yield to maturity. It should be regarded as an estimate of the fund's rate of investment income, and it may not equal the fund's actual income distribution rate, which reflects the fund's past dividends paid to shareholders.

A negative 30-Day Standardized Yield results from accrued expenses exceeding income collected over the past 30 days.

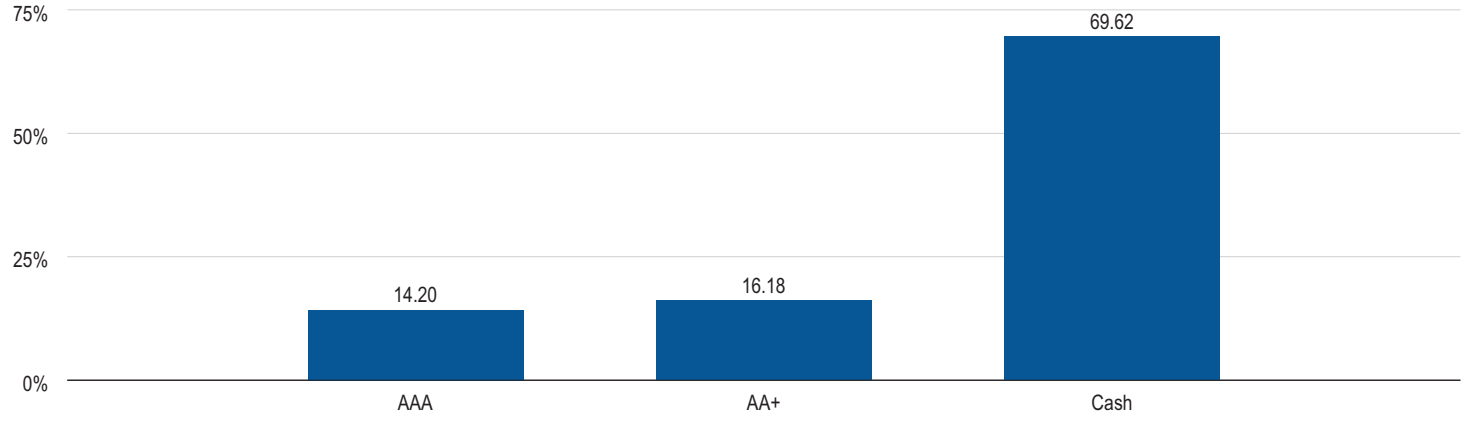
*Cumulative Total Returns.

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

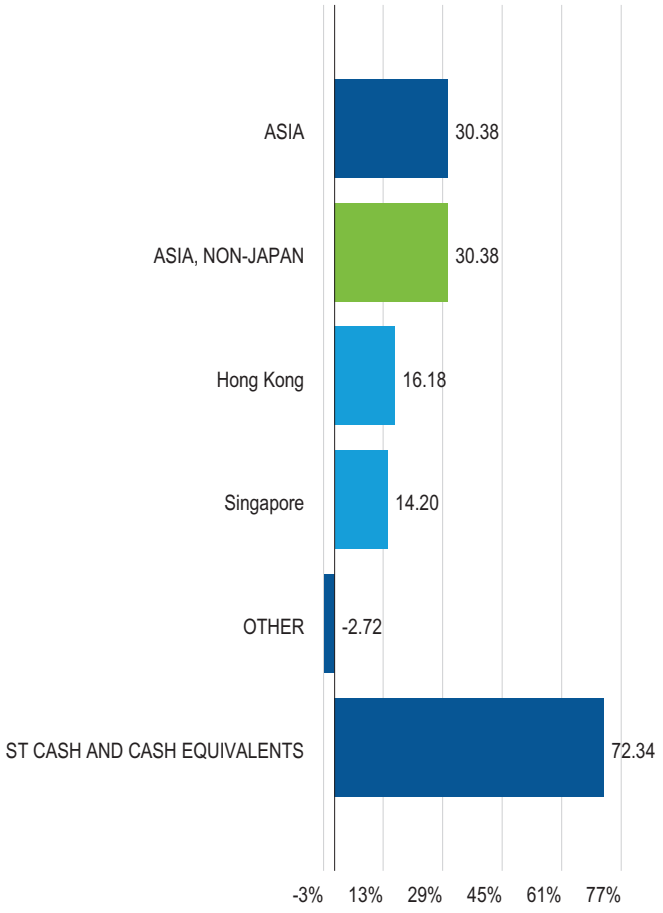
Not FDIC Insured | May Lose Value | No Bank Guarantee

PORTFOLIO DIVERSIFICATION (AS OF 12/31/15)—Fund

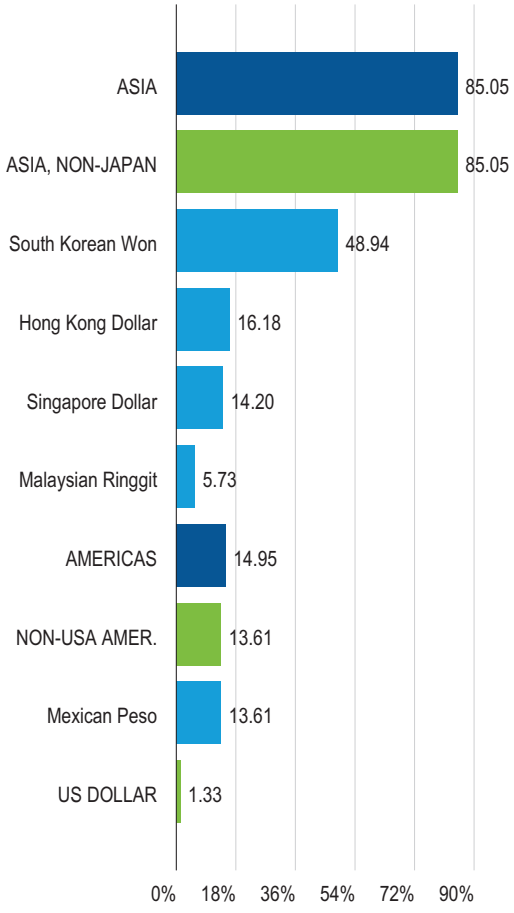
Quality Weightings



Geographic Allocation



Currency Allocation



Quality Weightings: Ratings shown are assigned by one or more Nationally Recognized Statistical Rating Organizations ("NRSRO"), such as Standard & Poor's, Moody's and Fitch. The ratings are an indication of an issuer's creditworthiness and typically range from AAA or Aaa (highest) to D (lowest). When ratings from all three agencies are available, the middle rating is used; when two are available, the lowest rating is used; and when only one is available, that rating is used. Foreign government bonds without a specific rating are assigned the country rating provided by an NRSRO, if available. Cash includes equivalents, which may be rated. Derivatives are excluded from this breakdown.

Geographic and Currency Allocation: Portfolio weights reflect certain derivatives held in the portfolio (or their underlying reference assets) and may not total 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

For information related to the "Portfolio Diversification" section, please see Explanatory Notes.

PORTFOLIO CHARACTERISTICS (AS OF 12/31/15)—Fund vs. JP Morgan 3-Month Global Cash Index

	Fund	Benchmark
Average Duration	0.04 Yrs	N/A
Average Weighted Maturity	0.04 Yrs	N/A
Annual Turnover Ratio (As of 10/31/14)	0.00%	N/A

PERFORMANCE RISK STATISTICS - Class A

Modern Portfolio Theory (MPT) Statistics (As of 12/31/15)

Performance Risk Statistics	3 Years	5 Years	10 Years
Standard Deviation	5.67	7.10	8.04
Alpha	-2.86	-0.63	0.03
Beta	0.62	0.82	0.81
Sharpe Ratio	-1.20	-0.51	0.01
Information Ratio	-0.07	-0.01	0.00
Tracking Error	4.77	4.13	4.24
R-Squared	48.03	69.40	76.48

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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.
Average Duration: Also known as 'effective' or 'Macaulay' duration it is a measure of the sensitivity of the price (the value of principal) of a fixed-income investment to a change in interest rates. Duration is expressed as a number of years. It's an indication of an issue's coupon relative to its maturity. Rising interest rates mean falling bond prices; declining interest rates mean rising bond prices. The bigger the duration number, the greater the interest-rate risk; (or reward for bond prices). The weighted average duration of a fund reflects the effective duration of the underlying issues, based on the size of each holding. This value differs with 'Modified Duration' which is modified for the market (dirty) price of an issue.
Average Weighted Maturity: An estimate of the number of terms to maturity, taking the possibility of early payments into account, for the underlying holdings. The calculation uses the weighted average time to the receipt of all future cash flows for all holdings. Also known as 'average life' for fixed-term products. The weighted average maturity of a fund reflects the maturity of the underlying issues, based on the size of each holding.
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.
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.

Alpha, Beta, Information Ratio, R-Squared, and Tracking Error are measured against the JP Morgan 3-Month Global Cash Index.
For information related to the “Portfolio Characteristics” section, please see Explanatory Notes.

MARKET REVIEW

During the fourth quarter, yields broadly shifted higher across much of Europe, Asia ex Japan and the Americas. The US Federal Reserve (Fed) raised its policy rate by 25 basis points (bps) to a range of 0.25% to 0.50%, while the yield on the 10-year US Treasury note rose 23 bps to 2.27%.

Several currencies continued to depreciate against the US dollar during the fourth quarter, while some currencies rebounded and appreciated, notably the Indonesian rupiah and Malaysian ringgit. In our assessment, several emerging-market currency depreciations have been excessive, leading to fundamentally cheap valuations. We selectively add to our strongest convictions in periods of volatility and believe that global market fundamentals will eventually re-emerge.

The Bank of Japan (BOJ) and the European Central Bank (ECB) continued with their quantitative easing (QE) programs in December, and both central banks have indicated that they intend to expand their QE programs into 2017.

Over the three-month period, the US dollar appreciated 2.32% against its major trading partners. In the Americas, the Mexican peso returned -1.88% against the US dollar.3 In Asia, the Malaysian ringgit returned 2.38% against the US dollar, the South Korean won 1.09%, the Singapore dollar 0.23% and the Japanese yen -0.44%.3 In Europe, the euro returned -2.68% against the US dollar.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

Performance Review

For the quarter, the fund's positive absolute performance was primarily attributable to currency positions in Asia ex Japan. At quarter-end, the fund's three largest currency exposures were the South Korean won (48.94%), the Hong Kong dollar (16.18%) and the Mexican peso (13.61%).

Portfolio Positioning

In making investments in foreign hard currencies, we focus on countries and markets that historically have experienced low inflation rates and, in our opinion, follow economic policies favorable to continued low inflation rates and currency appreciation against the US dollar over the long term.

Outlook & Strategy

We believe that fears of global deflation are unwarranted. Markets have, in our view, overestimated the extent to which lower headline inflation reflects structurally weaker global demand. We do not anticipate a global recession or global deflation, and we do not see a hard-landing scenario for China's economy; we believe recent market volatility has been an overreaction. In our assessment, global growth remains on trend while growth projections in the major economies remain healthy.

A strengthening US economy, along with the likelihood of higher US interest rates, may increasingly magnify the fundamental differences between healthy and vulnerable economies. We anticipate that countries with relatively stronger fundamentals, such as Mexico, will likely be in a better position to potentially raise interest rates in conjunction with US interest-rate hikes. However, countries with relatively weaker fundamentals, such as Turkey and South Africa, are likely to be negatively impacted by US interest-rate hikes. As the Fed hikes rates and market interest rates go up, we expect markets to be better positioned to normalize. In our view, apprehensions about risks in places like Mexico, South Korea and Malaysia are likely to abate as these countries prove their resilience to Fed rate hikes.

We anticipate significant divergences in monetary policies around the world in 2016; we expect the Fed to tighten policy while the BOJ and ECB continue to expand monetary accommodation through QE. The BOJ has indicated that its QE program will likely continue into 2017, and the ECB has indicated it will likely continue QE through March 2017. In our assessment, both the BOJ and ECB need to continue these current expansionary policies, which should continue to depreciate the yen and euro against the US dollar. In the eurozone, QE has been driving the euro weaker to stimulate export-driven economic growth and lift inflation toward the ECB's target; in Japan, QE has become explicit debt financing for the government and a cornerstone of “Abenomics.”

Emerging markets were often regarded as being in near-crisis condition during the second half of 2015. We believe concerns of a systemic crisis have been exaggerated, as there are significant differences across the asset class. Most commodity exporters, and emerging markets with poor macro fundamentals, remain vulnerable. Other emerging countries, however, have solid policies and better underlying fundamentals that have not been recognized by market valuations.

Despite the recent declines in China's equity markets, we believe growth in China is likely to remain within range of its current expansionary pace in 2016. We recognize that recent volatility in the country's stock markets is unsettling to investors and disruptive to global markets; however, our extensive research on China leads us to conclude that underlying conditions in the Chinese economy are fundamentally more stable than markets have recently indicated. We view the recent moderation of growth in China as an inevitable normalization for an economy of its size. Its nominal level of gross domestic product (GDP) is now five times the size of what it was 10 years ago. Thus a lower rate of growth still represents a massive level of global aggregate demand. A 6.8%-7.0% growth rate creates a much larger quantum of demand when compared with China's 10%-12% growth rate from a decade ago. Furthermore, the quality of growth in China has improved in recent years. Increasing labor costs and interest rates have put downward pressure on profits; however, higher wages boost consumption, which has increasingly become the anchor of Chinese growth. We estimate that consumption is close to 60% of GDP and rising. Additionally, new interest-rate liberalization policies can redirect capital to the whole economy, particularly the private sector, which we expect to be the future driver of growth.

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 Philosophy And Process

It is our belief that no one model or lens of analysis can adequately manage currency investments. That is why our strategy is to employ a range of analytic frameworks and only when a preponderance of evidence across our three tiers of analysis supports a given currency valuation will we overweight that given currency.

The first tier involves fundamental long-term currency valuations where we utilize a range of analysis technologies including:

- General equilibrium analysis where we analyze the currency effects of macro variables (growth, inflation, trade) and market prices (equity, interest rate, commodity) on currency levels
- Macro economic analysis (such as defined by the Mundell Fleming framework)
- Fundamental equilibrium exchange rate analysis (FEER analysis that looks at relative savings and investment relationships between currency pairs)
- Real equilibrium exchange rate analysis (REER that explores relative inflation-adjusted currency performances)
- Simplistic measures such as purchasing power parity analysis

The second tier of analysis looks more at the short-term dynamics that will be drivers of currencies either toward or away from their long-term equilibrium value. Here we examine the following areas to determine short-term dynamics:

- Relative real and nominal interest rates
- Relative trade and current accounts
- Relative capital account financing
- Relative growth, productivity and return on capital rates
- Relative broad balance of payments

The third tier of analysis focuses on scenario analysis where we model potential shocks and analyze their impacts on currency values, such as geopolitical risks or oil price shocks.

INVESTMENT AND MANAGEMENT TEAM (AS OF 12/31/15)

Franklin Templeton Hard Currency Fund Management Team	Years with Firm	Years Experience
Michael Hasenstab, Ph.D., Chief Investment Officer	17	21
Sonal Desai, Ph.D., Director of Research	6	22
Franklin Templeton Fixed Income	**Number of Members**	**Average Years Experience**
Portfolio Managers	57	21
Portfolio Managers/Analysts	21	17
Research Analysts	64	13
Traders	12	17
Additional Resources		
Local Asset Management	Quantitative	Global Fixed Income

WHAT ARE THE RISKS

All investments involve risks, including possible loss of principal. Special risks are associated with foreign investing, including economic instability and political developments. The Fund's assets are largely invested in foreign currencies, and therefore involve potential for significant gain or loss from currency exchange rate fluctuations. The Fund does not seek to maintain a stable net asset value and should not be considered a substitute for a U.S. dollar money market fund. The Fund is also non-diversified, which involves the risk of greater price fluctuation than a more diversified portfolio. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. These risks are discussed in the Fund's prospectus.

EXPLANATORY NOTES

FUND CHARACTERISTICS

Number of Holdings: All portfolio holdings are subject to change.

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. They do not reflect any fees, expenses or sales charges.

PORTFOLIO DIVERSIFICATION

Quality Weightings/Geographic Allocation/Currency Allocation: Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

PORTFOLIO CHARACTERISTICS

The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

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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