FRANKLIN TEMPLETON INVESTMENTS

Templeton International Bond Fund—Class A

Product Profile Second Quarter 2015

FUND CHARACTERISTICS (AS OF 6/30/15)

NASDAQ Symbol	TBOAX
Fund Inception Date	12/3/07
Dividends	Monthly
Benchmark	Citigroup Non-U.S. World Government Bond Index
Lipper Classification	International Income Funds
Morningstar Category™	World Bond
Total Net Assets—All Share Classes	437 million
Number of Holdings	225
Maximum Initial Sales Charge	4.25%

THIRD-PARTY FUND DATA

Overall Morningstar Rating™

Traditional

★★★

Load Waived

★★★

As of June 30, 2015 the fund's Class A shares received a traditional 3 star overall Morningstar Rating™ and a load waived 3 star Morningstar Rating™, measuring risk-adjusted returns against 308 and 237 U.S.-domiciled World Bond funds over the 3- and 5- 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.

FUND DESCRIPTION

The fund seeks current income with capital appreciation and growth of income. It invests predominantly in foreign (non-U.S.) bonds issued by governments and government agencies. Although the fund may buy bonds rated in any category, it focuses on investment grade bonds.

PERFORMANCE DATA

Average Annual Total Returns for Periods Ended June 30, 2015 (%)

	3 Mths*	YTD*	1 Yr	3 Yrs	5 Yrs	Since Incept (12/3/07)
With Sales Charge	-5.26	-6.12	-11.74	-0.43	2.11	4.65
Without Sales Charge	-1.01	-1.99	-7.81	1.03	2.99	5.24
Citigroup Non-U.S. World Government Bond Index	-1.54	-5.83	-13.49	-3.88	0.33	1.48

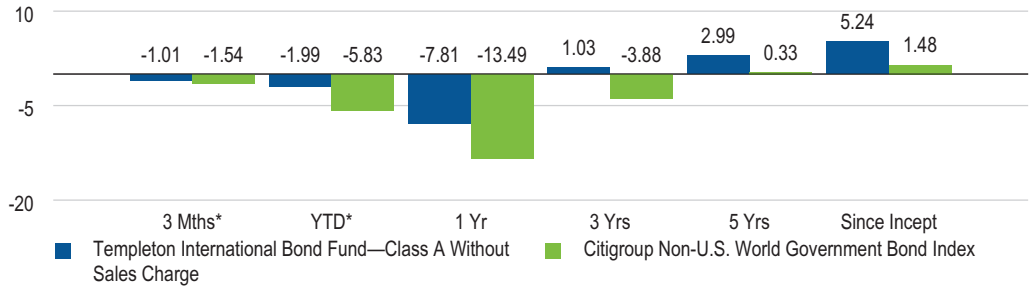
Total Annual Operating Expenses—*With Waiver:*1.06% *Without Waiver:*1.16%

30-Day Standardized Yield (As of 6/30/15)—With Waiver: 2.26% Without Waiver: 2.12%

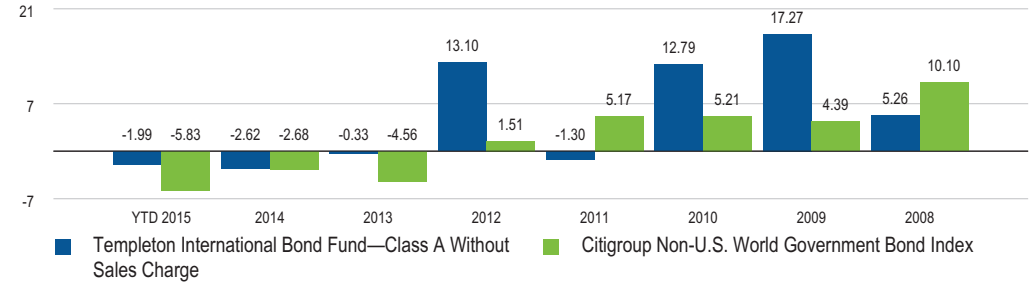
Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin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

The fund has an expense reduction contractually guaranteed through at least December 31, 2016. The fund may also have a fee waiver associated with any investments it makes in a Franklin Templeton money fund, an arrangement that is contractually guaranteed through at least its current fiscal year-end. Fund investment results reflect the expense reduction and fee waiver, as applicable; without these reductions, the results would have been lower.

Average Annual Total Returns for Periods Ended June 30, 2015 (%)



Calendar Year Returns As of June 30, 2015 (%)



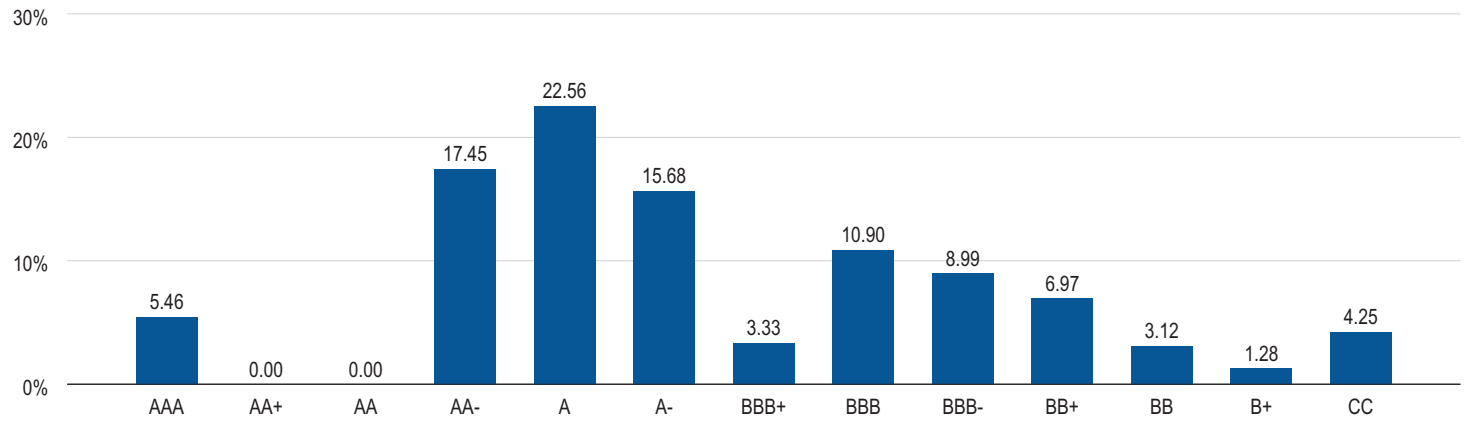
If the Fund's sales charge had been included, the returns would have been lower.

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

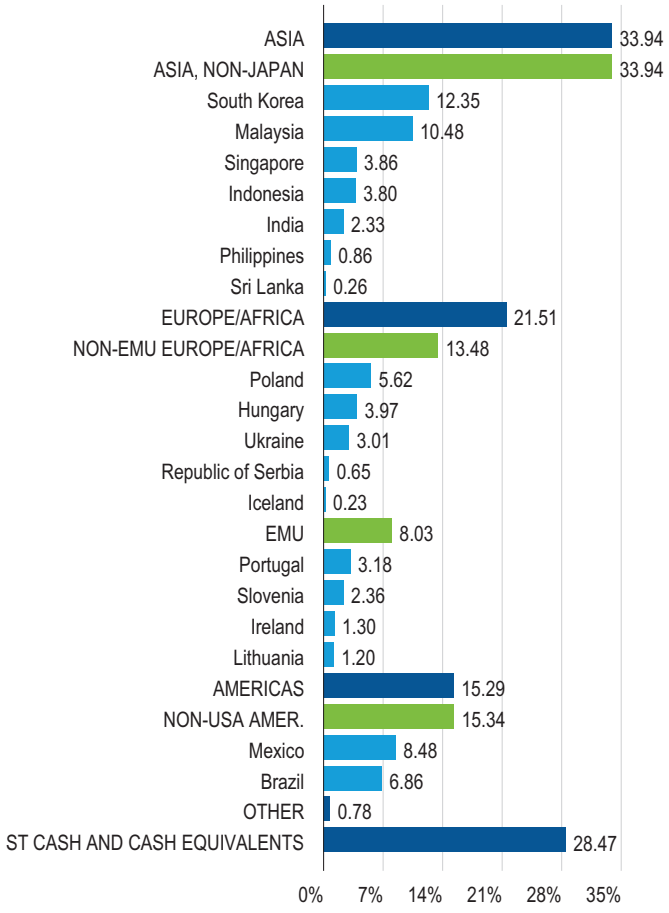
Not FDIC Insured | May Lose Value | No Bank Guarantee

PORTFOLIO DIVERSIFICATION (AS OF 6/30/15)—Fund

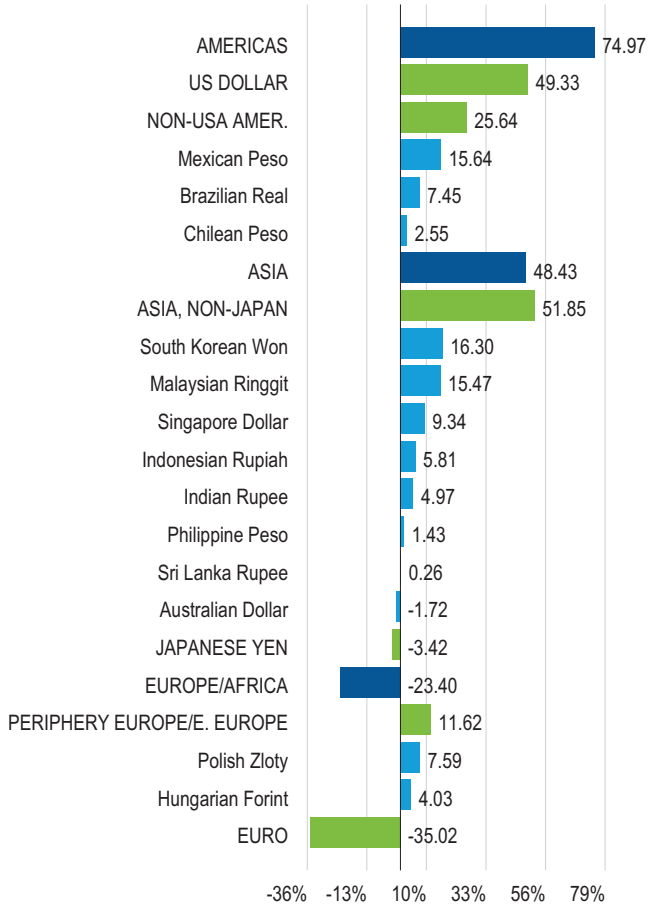
Quality Weightings



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 and equivalents (defined as bonds with stated maturities, or that can be redeemed at intervals, of seven days or less) as well as derivatives are excluded from this breakdown. As a result, the chart does not reflect the fund's total net assets.

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 6/30/15)—Fund vs. Citigroup Non-US World Government Bond Index

	Fund	Benchmark
Average Duration	0.31 Yrs	8.00 Yrs
Average Weighted Maturity	2.43 Yrs	9.86 Yrs
Annual Turnover Ratio (As of 8/31/14)	33.45%	N/A

PERFORMANCE RISK STATISTICS - Class A

Modern Portfolio Theory (MPT) Statistics (As of 6/30/15)

Performance Risk Statistics	3 Years	5 Years
Standard Deviation	5.00	7.19
Alpha	3.22	2.87
Beta	0.54	0.63
Sharpe Ratio	0.20	0.41
Information Ratio	1.04	0.43
Tracking Error	4.74	6.21
R-Squared	37.98	38.43

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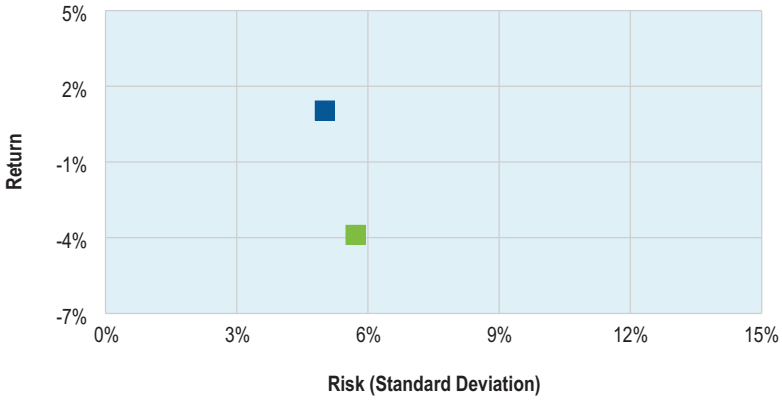
Risk vs. Return 3-Year Period Ended 6/30/15



Templeton International Bond Fund—Class A Without Sales Charge
Citigroup Non-U.S. World Government Bond 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.
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.

Portfolio Characteristics: The figures shown for Average Duration and Average Weighted Maturity reflect certain derivatives held in the portfolio (or their underlying reference assets). Beta, Information Ratio, R-Squared, and Tracking Error are measured against the Citigroup Non-U.S. World Government Bond Index.
For information related to the "Portfolio Characteristics" and "Performance Risk Statistics" sections, please see Explanatory Notes.

MARKET REVIEW

Yields broadly increased across Europe, Asia and the Americas during the second quarter. The yield on the 10-year US Treasury note rose from 1.92% at the end of March to 2.35% at the end of June. Credit spreads generally widened during the quarter, but directional shifts were unique to specific markets.

Developed- and emerging-market currencies had mixed performance against the US dollar for the quarter as some currencies continued to depreciate against the US dollar while others rebounded and appreciated. We continued to see differentiations among specific emerging-market economies; some have healthy current account and fiscal balances, with large international reserves, while others struggle with deficits and economic imbalances. We believe economies with healthier balances and stronger growth prospects (such as Mexico) will be in a stronger position to potentially raise rates in conjunction with US Federal Reserve (Fed) rate hikes, which we believe should lead to a fundamental strengthening of their respective currencies over the medium to long term.

The Bank of Japan (BOJ) and the European Central Bank (ECB) continued with their quantitative easing (QE) programs in the second quarter. Global liquidity from the BOJ and the ECB continued to support emerging-market bonds, in our assessment. Bond yields in a select number of emerging markets continued to appear relatively attractive to us compared with low yields in the largest developed economies.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

Performance Review

In the second quarter of 2015, the fund's negative absolute performance was primarily due to currency positions. Sovereign credit exposures contributed to absolute results, while interest-rate strategies had a neutral effect. On a relative basis, the fund performed better than its benchmark index primarily due to interest-rate strategies, followed by sovereign credit exposures. Currency positions detracted from relative results.

Currency Analysis

Among currencies, the fund's net-negative position in the euro detracted from absolute performance, as did positions in peripheral European currencies against the euro. On a relative basis, the fund's underweighted position in the euro detracted from performance, as did overweighted positions in peripheral European currencies against the euro. However, the fund's underweighted position in the Japanese yen contributed to relative results.

Duration Analysis

The fund maintained a defensive approach regarding interest rates in developed and emerging markets. Select duration exposures in Europe detracted from absolute results, while negative duration exposure to US Treasuries contributed. Select underweighted duration exposures in Europe contributed to relative performance, as did underweighted duration exposure in the United States.

Sovereign Credit Analysis

As stated earlier, sovereign credit exposures contributed to absolute and relative performance.

Portfolio Positioning

The core of our strategy remains positioning ourselves to navigate a potential rising-rate environment. Thus, we have continued to maintain short portfolio duration while aiming at a negative correlation with US Treasury returns. We also actively seek opportunities that can offer positive real yields without taking undue interest-rate risk. We favor countries that have solid underlying fundamentals and policymakers who have stayed ahead of the curve regarding fiscal, monetary and financial policy. We augment this positioning with select opportunities in emerging markets and with a number of currency strategies.

We maintain that it is essential for investors to understand and differentiate between declines related to broad volatility from those caused by fundamental developments. Our approach also emphasizes having the right time frame. We recognize that when investing globally, many opportunities take time to materialize, and we are willing to ride through short-term volatility.

Outlook & Strategy

Despite a decline in the pace of US gross domestic product (GDP) growth in the first quarter, we remain confident in the economic outlook for the US and continue to expect the Fed to raise interest rates in the second half of 2015. On the whole, we continue to believe that global financial markets are poised to benefit from economic expansion in the United States, economic stabilization in China, lower oil prices, and the abundance of global liquidity from the BOJ and ECB.

We anticipate significant divergences in monetary policies around the world; we expect the Fed to tighten policy while the BOJ and ECB continue to expand monetary accommodation through QE. We believe QE measures from the BOJ and ECB have different motivating reasons. In Japan, QE has become explicit debt financing for the government, while in the eurozone QE is a tool for devaluing the euro to stimulate export-driven economic growth. In our assessment, the BOJ and ECB need to continue on these current paths for the foreseeable future, which should continue to depreciate the yen and euro. Japan's QE measures are positive for global risk assets but are likely to contribute to further yen depreciation, in our assessment.

In China, we view the recent moderation of growth as an inevitable normalization for an economy of its size. Its nominal level of GDP is now three 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. Even a 7.0% growth rate for 2015 creates a much larger quantum of demand when compared with China's 10%-12% growth rate from a decade ago. China, as the world's largest importer of oil, should be a net beneficiary of lower energy prices, in our view, which could help mitigate its current mild and healthy economic slowdown. In our assessment, the quality of growth in China has improved. Increasing labor costs and interest rates have put downward pressure on growth. However, there are offsetting positives: Higher wages boost consumption, which has increasingly become the anchor of Chinese growth, in our view. We estimate that consumption is close to 60% of GDP and rising. We also believe China's rapid urbanization process will necessitate investment and development.

Earlier in the year (March), the ECB launched QE with the aim of increasing the size of its balance sheet to a level higher than its previous peak. The ECB intends to continue its asset purchases until it sees a sustained adjustment in the path of inflation toward its price stability norm of inflation below and close to 2.0%, making the program effectively open-ended. This should keep interest rates low for a while, and we anticipate it will put further downward pressure on the euro. Additionally, we believe the ECB is likely to continue with QE until there is a resolution to the debt crisis in Greece.

We continue to believe that an unconstrained, global strategy is the most effective way to position for a

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)*

rising-rate environment. Strategies that are nimble and unconstrained have a more comprehensive set of options available for seeking positive returns even as rates rise. We are able to drive down duration in our strategies to defend against interest-rate risks, while simultaneously adding a select set of yield exposures from specific global markets. Additionally, we are able to position against broad-based strengthening of the US dollar by being short the euro and the yen. We are also able to add currency exposure in countries that have strong fundamentals and the ability to raise rates with the US; these include countries where inflation is picking up and growth remains healthy while currencies remain fundamentally undervalued.

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INVESTMENT PHILOSOPHY AND PROCESS

Investment Philosophy

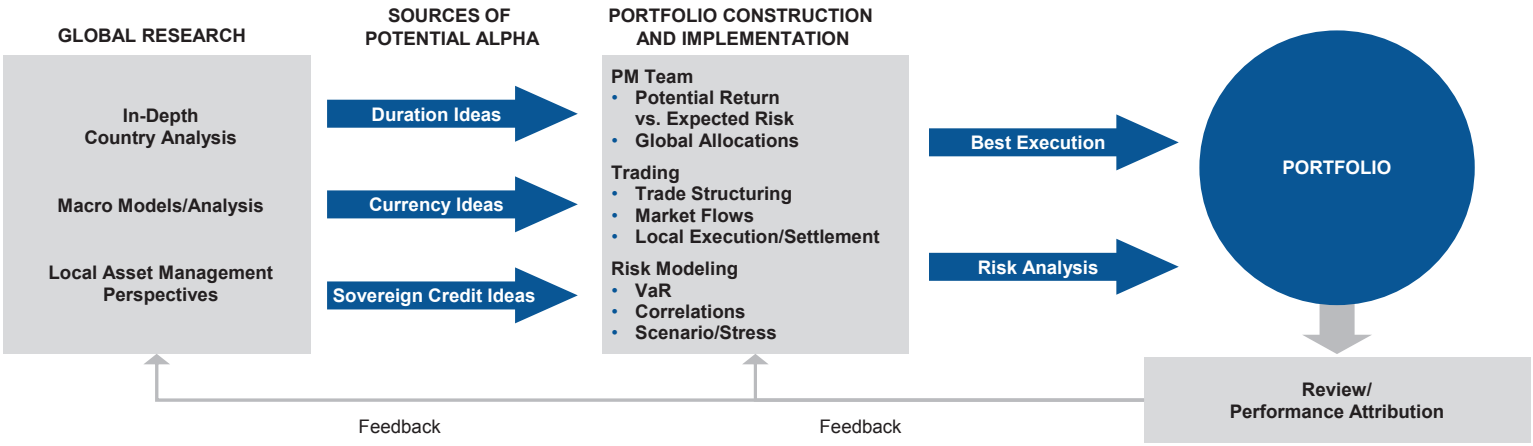
We believe that applying a fundamental, research-driven approach focused on identifying potential sources of total return (current income and capital appreciation) worldwide and seeking to capitalize on global interest rates and currency trends provides the best potential for solid risk-adjusted returns. The strategy is run independently of its benchmark, allowing the manager to hold only the positions it believes have the best potential to maximize risk-adjusted returns. This is a high alpha seeking strategy that invests internationally and may include allocations to both developed and emerging markets.

Investment Strategy

Long-Term, Opportunistic Value Approach

- Long-term, fundamentally driven investment focus
- Total return approach that is not benchmark driven
- Identify economic imbalances that may lead to value opportunities in:
  - Interest rates (duration)
  - Currencies
  - Sovereign credit
- Active positioning across these areas
  - Precisely isolate desired exposures
  - Risk budget composition will shift based on relative attractiveness during global economic and credit cycles

Investment Process



INVESTMENT AND MANAGEMENT TEAM (AS OF 6/30/15)

Templeton International Bond Fund Management Team	Years with Firm	Years Experience
Michael Hasenstab, Ph.D., Chief Investment Officer	16	20
Sonal Desai, Ph.D., Director of Research	5	21
Franklin Templeton Fixed Income	**Number of Members**	**Average Years Experience**
Portfolio Managers	56	20
Portfolio Managers/Analysts	19	17
Research Analysts	67	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. Currency rates may fluctuate significantly over short periods of time, and can reduce returns. Derivatives, including currency management strategies, involve costs and can create economic leverage in the portfolio which may result in significant volatility and cause the fund to participate in losses (as well as enable gains) on an amount that exceeds the fund's initial investment. The fund may not achieve the anticipated benefits, and may realize losses when a counterparty fails to perform as promised. The markets for particular securities or types of securities are or may become relatively illiquid. Reduced liquidity will have an adverse impact on the security's value and on the fund's ability to sell such securities when necessary to meet the fund's liquidity needs or in response to a specific market event. Foreign securities involve special risks, including currency fluctuations and economic and political uncertainties. 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. Investments in lower-rated bonds include higher risk of default and loss of principal. Changes in interest rates will affect the value of the fund's portfolio and its share price and yield. Bond prices generally move in the opposite direction of interest rates. As the prices of bonds in the fund adjust to a rise in interest rates, the fund's share price may decline. 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 and other risk considerations are discussed in the fund's prospectus.

EXPLANATORY NOTES

FUND CHARACTERISTICS

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

THIRD-PARTY FUND DATA

Morningstar Rating™: Source: Morningstar® 6/30/15. 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 Templeton International Bond Fund received a traditional Morningstar™ Rating of 3 and 3 star(s) for the 3- and 5-year periods, respectively. Load-waived Class A shares of Templeton International Bond Fund received Morningstar Ratings™ of 3 and 3 star(s) for the 3- and 5-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.** ©2015 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.

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.

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.

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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