FRANKLIN TEMPLETON INVESTMENTS

Templeton Emerging Markets Small Cap Fund—Advisor Class

PRODUCT PROFILE FOURTH QUARTER 2013

FUND CHARACTERISTICS (AS OF 12/31/13)

NASDAQ Symbol	TEMZX
Fund Inception Date	10/2/06
Dividends	Annually in December
Investment Style	International
Benchmark	MSCI Emerging Markets Small Cap Index
Lipper Classification	Emerging Markets Funds
Morningstar Category™	US OE Diversified Emerging Mkts
Total Net Assets—All Share Classes	485 million
Number of Issuers	97
Maximum Initial Sales Charge	None

THIRD-PARTY FUND DATA

Overall Morningstar Rating™

★★★★

As of December 31, 2013 the fund's Advisor Class shares received a 4 star overall Morningstar Rating™, measuring risk-adjusted returns against 399 and 315 U.S.-domiciled US OE Diversified Emerging Mkts 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.

FUND DESCRIPTION

The fund seeks long-term capital appreciation by investing at least 80% of its net assets in securities of small-cap companies located in emerging market countries. This includes small cap companies whose principal securities trading markets are in emerging market countries or that derive significant revenue or profits from services produced or sales made in emerging market countries.

PERFORMANCE DATA

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

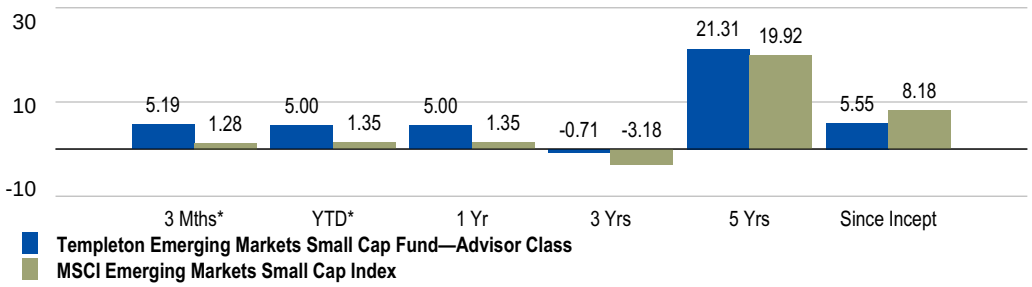
	3 Mths*	YTD*	1 Yr	3 Yrs	5 Yrs	Since Incept (10/2/06)
Templeton Emerging Markets Small Cap Fund—Advisor Class	5.19	5.00	5.00	-0.71	21.31	5.55
MSCI Emerging Markets Small Cap Index	1.28	1.35	1.35	-3.18	19.92	8.18

Total Annual Operating Expenses—*With Waiver:* *1.87%* ***Without Waiver:*** *1.88%*

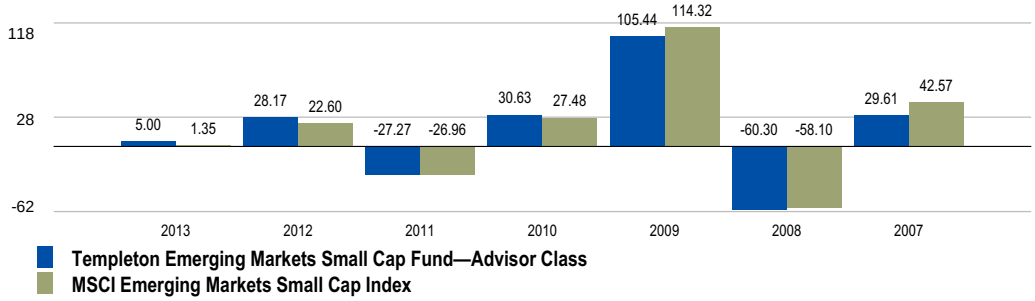
Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment returns and principal values will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin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

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, 2013 (%)



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



Advisor Class shares are only offered to certain eligible investors as stated in the prospectus. They are offered without sales charges or Rule 12b-1 fees.

*Cumulative Total Returns.

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

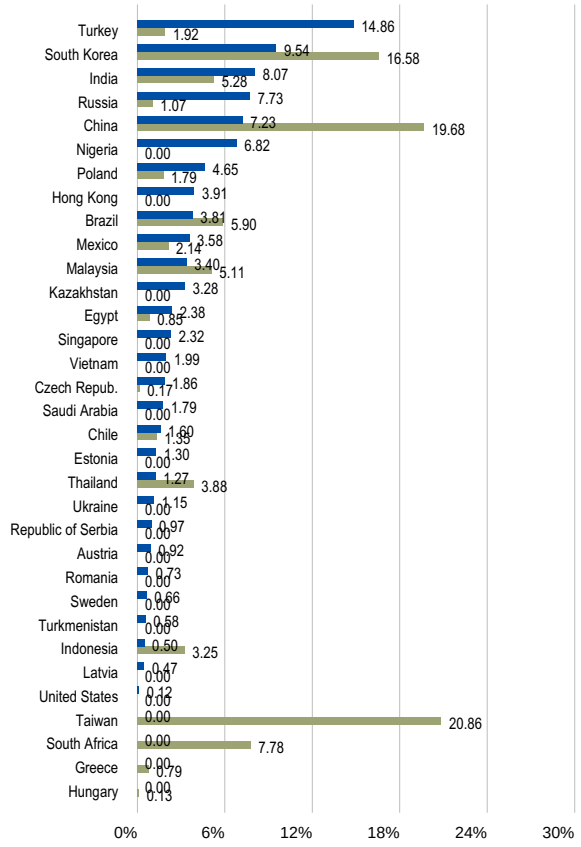
NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

PORTFOLIO DIVERSIFICATION (AS OF 12/31/13)

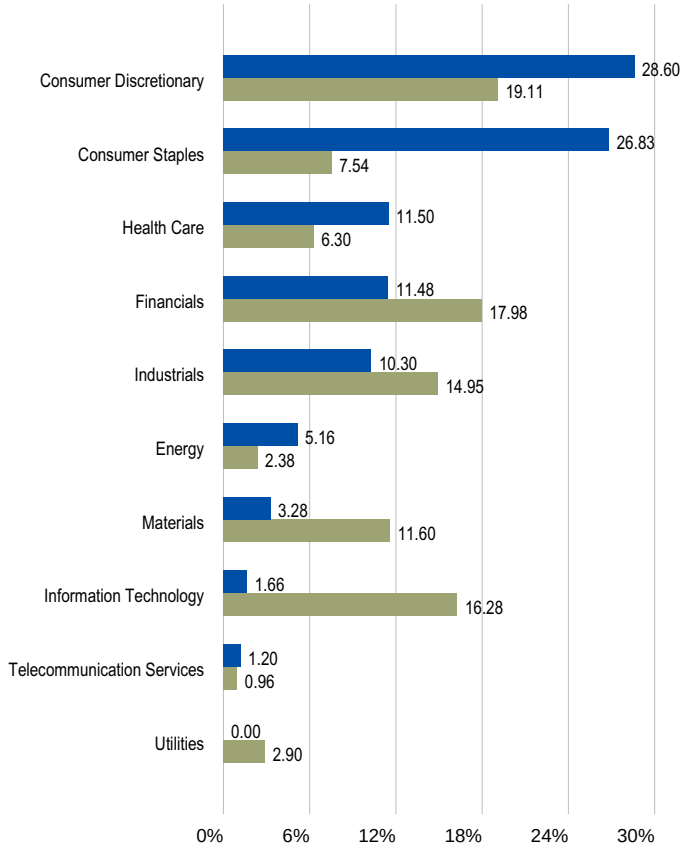
Top Ten Holdings

Issuer Name	Country	Industry	% of Total
1. GRUPO HERDEZ SA	Mexico	Food Beverage & Tobacco	3.22
2. ULKER BISKUVI SANAYI AS	Turkey	Food Beverage & Tobacco	3.10
3. UAC OF NIGERIA PLC	Nigeria	Capital Goods	2.94
4. PINAR SUT MAMULLERI SANAYII AS	Turkey	Food Beverage & Tobacco	2.77
5. JIANGLING MOTORS CORP LTD	China	Automobiles & Components	2.65
6. NOSTRUM OIL & GAS LP	Kazakhstan	Energy	2.49
7. YOUNGONE CORP	South Korea	Consumer Durables & Apparel	2.41
8. AMOREPACIFIC GROUP	South Korea	Household & Personal Products	2.23
9. HARTALEGA HOLDINGS BHD	Malaysia	Health Care Equipment & Services	2.10
10. OSIM INTERNATIONAL LTD	Singapore	Retailing	1.83
Total			**25.74**

Geographic Weightings vs. Benchmark (% of Equity)

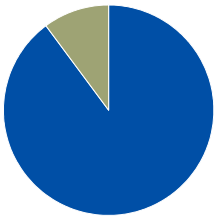


Sector Weightings vs. Benchmark (% of Equity)



Templeton Emerging Markets Small Cap Fund
MSCI Emerging Markets Small Cap Index

Portfolio Allocation (%)



Equity—89.83
Cash & Cash Equivalents—10.17

Largest Sector Contributors vs. MSCI Emerging Markets Small Cap Index

Sector	Total Effect (%)
Consumer Discretionary	2.64
Financials	1.48
Health Care	0.52
Industrials	0.17
Telecommunication Services	0.17

Smallest Sector Contributors vs. MSCI Emerging Markets Small Cap Index

Sector	Total Effect (%)
Materials	-0.55
Consumer Staples	-0.18
Cash & Other Net Assets	-0.14
Energy	-0.08
Utilities	-0.08

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

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

	Fund	Benchmark
Weighted Average Market Capitalization (Millions USD)	1,334	964
Median Market Capitalization (Millions USD)	805	439

Price to Earnings

	Fund	Benchmark
Weighted Average	12.70x	23.36x
Median	14.43x	13.15x

Price to Book Value

	Fund	Benchmark
Weighted Average	1.62x	1.29x
Median	2.00x	1.43x

Price to Cash Flow

	Fund	Benchmark
Weighted Average	8.37x	10.60x
Median	9.27x	9.48x

PERFORMANCE RISK STATISTICS - Advisor Class

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

Performance Risk Statistics	3 Years	5 Years
Standard Deviation	18.77	24.38
Alpha	2.27	2.19
Beta	0.92	0.95
Sharpe Ratio	-0.04	0.87
Information Ratio	0.46	0.20
Tracking Error	5.36	7.10
R-Squared	92.54	91.78

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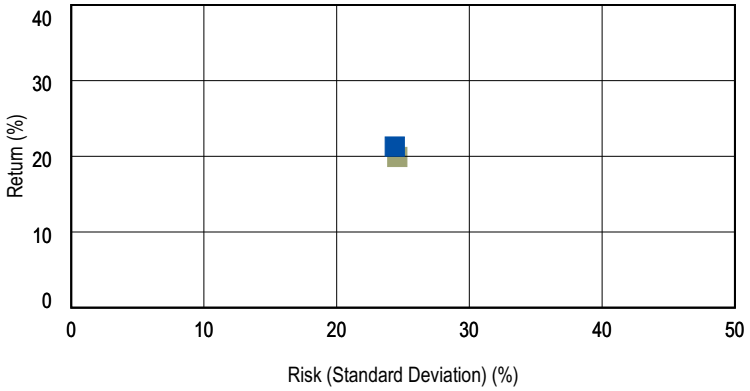
Risk vs. Return 5-Year Period Ended 12/31/13



Templeton Emerging Markets Small Cap Fund—Advisor Class
MSCI Emerging Markets Small Cap Index

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. 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.
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

Global equity markets enjoyed a solid final quarter to 2013 as data in a number of developed economies--notably the US, the UK and the eurozone--showed a significant revival. Some emerging markets also made progress, but concerns about the potential impact of a reduction in the US Federal Reserve's (Fed's) quantitative easing program pressured other markets, reducing the extent of the gains.

Within the emerging markets small cap universe, India was a strong performer. The appointment of a new governor of the Reserve Bank of India, Raghuram Rajan, was received warmly by investors. His early actions proved effective in stabilizing sentiment on the rupee, such that the currency was able broadly to sustain its value in spite of interest rate cuts and renewed concerns about Fed "tapering." Sentiment on India also gained from strong corporate results and local elections that suggested a likely change of government at general elections scheduled for May 2014. China also made progress as a positive reception for major reform proposals following the government's November plenary session offset worries about volatility in interbank lending markets and signs that economic growth momentum were easing somewhat. Taiwan also advanced, while outside Asia, Egypt, Greece, Poland and Hungary achieved double digit gains.

In contrast, Thailand and Turkey lost ground as political unrest in Thailand and a developing political scandal in Turkey prompted precautionary selling by foreign investors. The election of a government committed to increased spending and higher company taxes pressured Chile. Unease about Fed "tapering" depressed Indonesia, the Philippines and Brazil as well as Thailand, Turkey and Chile.

Among sectors, utilities, energy and consumer stocks gained ground, but financials metal and mining, and health care dipped.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

Performance Review

The fund enjoyed a strong quarter with solid absolute gains arising primarily among Asian holdings and consumer discretionary stocks.

Country Analysis

India and South Korea led contributions to absolute fund performance during the quarter. In India, banking stocks rallied strongly on positive results and optimism engendered by changes at the Reserve Bank of India, while auto-related holdings also moved ahead in the more positive market environment. Several South Korean consumer stocks achieved solid gains, the largest from a producer of sports outerwear and bags whose third quarter results suggested that operating performance was strengthening as US consumer demand improved and the quality and productivity in its south and Southeast Asian manufacturing facilities made progress. In China, a coach and truck manufacturer advanced on solid third quarter results and news that a major shareholder was adding to its stake. Outside Asia, a Nigerian industrial conglomerate reported strong third quarter sales and earnings growth. A Russian media business also achieved solid gains.

Offsetting some of the gains elsewhere, fund positions in the Turkish market mostly lost ground as a corruption investigation implicated a number of persons close to the government, which ignited a political crisis during December, threatening the government and causing a market sell-off. Positions in glass container manufacturing, dairy products and real estate businesses were among larger detractors. Elsewhere, a Hong Kong-based fashion business lost ground, as competitive market conditions hit margins, which led to weak third-quarter results. A Chilean soft drinks distributor also dipped, largely due to the weakness of its local market as a new government threatened to raise corporate taxes to pay for social programmes, though market conditions in key markets were somewhat sluggish. However, the overall fund return was solidly positive.

Sector Analysis

In sector terms, the major contributors to absolute fund performance were the consumer discretionary and financials sectors. In consumer discretionary, auto related businesses as well as sports goods and media businesses all made solid contributions, easily outweighing a small adverse impact from retail. In financials, Indian banking stocks dominated gains, outweighing weakness for Turkish real estate holdings. Health care and industrials also contributed. In contrast, materials detracted from absolute performance, though weakness was due mainly to country-specific weakness for Turkish holdings. Energy and consumer staples detracted to a minor extent.

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

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 12/31/13)

Templeton Emerging Markets Small Cap Fund Management Team	Years with Firm	Years Experience
Mark Mobius, Ph.D.- Executive Chairman	26	46
Dennis Lim	23	29
Tom Wu	26	28
Allan Lam	26	26
Templeton Emerging Markets Management Team	**Years with Firm**	**Years Experience**
Mark Mobius, Ph.D.- Executive Chairman	26	46
Templeton Emerging Markets Team	**Number of Members**	**Average Years Experience**
Portfolio Managers/Analysts	8	27
Research Analysts	44	11

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 emerging markets, of which frontier markets are a subset, involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size, lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets. Because these frameworks are typically even less developed in frontier markets, as well as various factors including the increased potential for extreme price volatility, illiquidity, trade barriers and exchange controls, the risks associated with emerging markets are magnified in frontier markets. Smaller company stocks have historically had more price volatility than large-company stocks, particularly over the short term. Because the fund is non-diversified and may invest a greater portion of its assets in the securities of one issuer than a diversified fund, it may be more sensitive to economic, business, political or other changes affecting similar issuers or securities. All investments in the fund should be thought of as long-term investments that could experience significant price volatility in any given year. The 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.

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. Advisor Class shares of Templeton Emerging Markets Small Cap Fund received a traditional Morningstar Rating of 3 and 5 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.** ©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.
All MSCI data is provided "as is." The Fund described herein is not sponsored or endorsed by MSCI. In no event shall MSCI, its affiliates or any MSCI data provider have any liability of any kind in connection with the MSCI data or the Fund described herein. Copying or redistributing the MSCI data is strictly prohibited.
Performance reflects all charges and fees applicable to Advisor Class.

PORTFOLIO DIVERSIFICATION

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.

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 INVESTMENTS

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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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