FRANKLIN TEMPLETON INVESTMENTS

Semiannual Report and Shareholder Letter
February 28, 2015

Templeton Constrained Bond Fund

A series of Templeton Income Trust

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Franklin Templeton Investments

Gain From Our Perspective®

At Franklin Templeton Investments, we're dedicated to one goal: delivering exceptional asset management for our clients. By bringing together multiple, world-class investment teams in a single firm, we're able to offer specialized expertise across styles and asset classes, all supported by the strength and resources of one of the world's largest asset managers. This has helped us to become a trusted partner to individual and institutional investors across the globe.

Focus on Investment Excellence

At the core of our firm, you'll find multiple independent investment teams—each with a focused area of expertise—from traditional to alternative strategies and multi-asset solutions. And because our portfolio groups operate autonomously, their strategies can be combined to deliver true style and asset class diversification.

All of our investment teams share a common commitment to excellence grounded in rigorous, fundamental research and robust, disciplined risk management. Decade after decade, our consistent, research-driven processes have helped Franklin Templeton earn an impressive record of strong, long-term results.

Global Perspective Shaped by Local Expertise

In today's complex and interconnected world, smart investing demands a global perspective. Franklin Templeton pioneered international investing over 60 years ago, and our expertise in emerging markets spans more than a quarter of a century. Today, our investment professionals are on the ground across the globe, spotting investment ideas and potential risks firsthand. These locally based teams bring in-depth understanding of local companies, economies and cultural nuances, and share their best thinking across our global research network.

Strength and Experience

Franklin Templeton is a global leader in asset management serving clients in over 150 countries.[1] We run our business with the same prudence we apply to asset management, staying focused on delivering relevant investment solutions, strong long-term results and reliable, personal service. This approach, focused on putting clients first, has helped us to become one of the most trusted names in financial services.

1. As of 12/31/14. Clients are represented by the total number of shareholder accounts.

Not FDIC Insured | May Lose Value | No Bank Guarantee

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Shareholder Letter

Dear Shareholder:

During the six months ended February 28, 2015, the global economy grew moderately amid a generally accommodative monetary policy environment. The U.S. Federal Reserve Board ended its large-scale asset purchase program in October. Global financial liquidity remained high, however, as major developed market central banks in Japan and the eurozone implemented additional monetary easing measures. Investor concerns persisted about moderating economic growth in some regions and geopolitical tensions in Ukraine and the Middle East. Political developments in Greece and the Swiss central bank's surprise decision to remove the franc's peg to the euro contributed to market volatility. Short-term global government bonds, as measured by the Citigroup World Government Bond Index 1-3 Year, declined in this environment.

Although the global economy continued to face challenges, we remained encouraged as the U.S. and certain developed and emerging market economies continued to show signs of improvement. With this economic environment, we believe ongoing accommodative monetary policies and low interest rates should support many fixed income markets. Keep in mind in all economic environments we remain committed to our long-term perspective and disciplined investment approach. First and foremost for us, this means conducting diligent, fundamental analysis of securities with a continual emphasis on investment risk management.

Templeton Constrained Bond Fund's semiannual report goes into greater detail about prevailing conditions during the period under review. In addition, you will find Fund performance data, financial information and a discussion from the portfolio managers. Please remember all securities markets fluctuate, as do mutual fund share prices.

If you would like more frequent updates, **franklintempleton.com** provides daily prices, monthly performance figures, portfolio holdings and other information. You can also access your account, buy and sell shares, and find helpful financial planning tools. We hope you will take advantage of these online services.

Historically, patient investors have achieved rewarding results by evaluating their goals, diversifying their assets globally and maintaining a disciplined investment program, all hallmarks of the Templeton investment philosophy developed more than 60 years ago. As always, we encourage you to discuss your goals with your financial advisor who can address concerns about volatility and diversification, periodically review your overall portfolio and help you stay focused on the long term. We firmly believe most people benefit from professional advice and that advice is invaluable as investors navigate changing market environments.

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We thank you for investing with Franklin Templeton, welcome your questions and comments, and look forward to serving your investment needs in the years ahead.

Sincerely,

Christopher J. Molumphy, CFA
President and Chief Executive Officer – Investment Management
Templeton Income Trust

This letter reflects our analysis and opinions as of February 28, 2015. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.

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Semiannual Report

Templeton Constrained Bond Fund

This semiannual report for Templeton Constrained Bond Fund covers the period ended February 28, 2015.

Your Fund's Goal and Main Investments

The Fund seeks current income with capital appreciation. Under normal market conditions, the Fund invests at least 80% of its net assets in "bonds" issued by government or government-related issuers worldwide. Bonds include debt obligations of any maturity, such as bonds, notes, bills and debentures. The Fund may also purchase debt obligations issued by supranational entities organized or supported by several national governments.

Portfolio Breakdown*
Based on Total Net Assets as of 2/28/15

*Figures 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.
**Includes foreign treasury bills, money market funds and net other assets less liabilities.

Performance Overview

For the six months under review, the Fund's Class A shares had a -1.51% cumulative total return. In comparison, short-term global government bonds, as measured by the Fund's benchmark, the Citigroup World Government Bond Index (WGBI) 1-3 Year, had a -7.16% cumulative total return for the same period.[1] You can find the Fund's long-term performance data in the Performance Summary beginning on page 6.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. Please visit ***franklintempleton.com*** *or call* ***(800) 342-5236*** *for most recent month-end performance.*

Economic and Market Overview

During the period, global financial markets were broadly influenced by the pickup in growth in the U.S., economic stabilization in China, the abundance of global liquidity from the Bank of Japan (BOJ) and the European Central Bank (ECB), and a sharp decline in oil prices. The U.S. dollar strengthened against the euro, Japanese yen, and a vast number of developed and emerging market currencies over the six-month period.

In our view, the market misjudged the underlying forces behind the oil price decline, which we considered to have been driven by supply dynamics rather than a loss of demand. We believe that the global economy benefits from lower oil prices and that most observers have been too pessimistic. Risk aversion increased in November and December as the decline in oil prices accelerated. Heightened volatility led to a broad decrease in local-currency sovereign bond yields across the Americas, Europe and Asia, and a widening of credit spreads. During this time, higher duration securities outperformed lower duration securities and higher quality bonds outperformed lower quality bonds. This trend persisted through January before sharply reversing course in February; credit spreads tightened as risk appetites returned and local-currency sovereign bond yields shifted higher across the Americas, Europe and Asia.

What is duration?

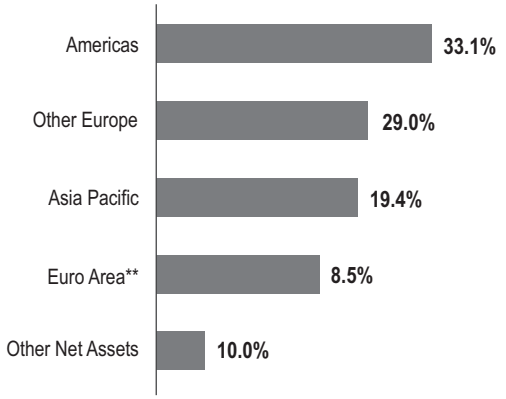
Duration is a measure of a bond's price sensitivity to interest rate changes. In general, a portfolio of securities with a lower duration can be expected to be less sensitive to interest rate changes than a portfolio with a higher duration.

In late October, the BOJ introduced a new round of quantitative easing (QE) with an indefinite time horizon. The annual level of asset purchasing was raised to 80 trillion yen — a level that approximates the U.S. Federal Reserve Board's former QE program, which ended in the same month. This massive amount of liquidity had significant implications for global markets. Money printed in Japan is not likely to stay in Japan; we believe it will spread globally. Although Japan's QE was positive for global risk assets, it contributed to further yen depreciation. The yen depreciated 13.10% against the U.S. dollar during the six months under review.[2]

1. Source: Morningstar.
The index is unmanaged and includes reinvested interest. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.
2. Source: FactSet.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 16.

Geographic Breakdown*
Based on Total Net Assets as of 2/28/15



*Figures 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.
**The Fund's euro area investments were in Ireland, Portugal and France.

In Europe, low inflation persisted while economic data was disappointing through most of 2014. In January 2015, the ECB committed to an ambitious QE program scheduled to begin in March, with the aim of increasing the size of its balance sheet to a level higher than its previous peak. The ECB's renewed commitment to pursue highly accommodative monetary policies put further pressure on the euro, contributing to the euro's 14.85% depreciation against the U.S. dollar during the period.[2] Eurozone bond yields remained around historical lows at period-end.

The Chinese economy continued to have profound implications for the global economy during the reporting period. During the period, we held the opinion that China would not face a "hard landing" scenario in the moderation of its economic growth. Those stabilizing trends appeared to hold form and China concluded 2014 with reasonable growth around 7.3%.[3] It is important to note that China's economy is much larger today than it was in the recent past. Even a 7.0% growth rate creates a much larger global aggregate demand effect compared with China's higher growth rates from 10 years ago when it was growing at 10%–12%. Thus, the slowdown in the rate of China's growth during the period did not have a dire impact on aggregate demand globally.

We also continued to see differentiation among specific emerging market economies during the period; some have healthy current account and fiscal balances with strong export-driven economies, while others struggle with deficits and economic imbalances. We believe investors should not view the emerging markets asset class as a whole but instead need to selectively distinguish between variant individual economies. A strengthening U.S. economy has magnified the fundamental differences between healthy and vulnerable emerging market economies.

Investment Strategy

We invest selectively in bonds around the world based upon our assessment of changing market, political and economic conditions. While seeking opportunities, we monitor various factors including changes in interest rates, currency exchange rates and credit risks. We seek to manage the Fund's exposure to various currencies and may use currency and cross-currency forwards and currency and currency index futures contracts.

What is a currency forward contract?

A currency forward contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency at a specific exchange rate on a future date.

What is a futures contract?

A futures contract is an agreement between the Fund and a counterparty made through a U.S. or foreign futures exchange to buy or sell an asset at a specific price on a future date.

Manager's Discussion

The core of our strategy during the period remained seeking to position ourselves to navigate a rising interest rate environment. Thus, we continued to maintain low portfolio duration while aiming at a negative correlation with U.S. Treasury rates. We also actively sought opportunities that could potentially offer positive real yields without taking undue interest rate risk. We favored countries that, in our view, had solid underlying fundamentals and policymakers who have taken proactive steps regarding fiscal, monetary and financial policy. We augmented this positioning with select opportunities in emerging markets and with a number of currency strategies. During the period, we used currency forward contracts to actively manage exposure to currencies. We also used interest rate swaps to tactically manage duration exposures.

What is an interest rate swap?

An interest rate swap is an agreement between two parties to exchange interest rate obligations, generally one based on an interest rate fixed to maturity and the other based on an interest rate that changes in accordance with changes in a designated benchmark (for example, LIBOR, prime, commercial paper, or other benchmarks).

3. Source: The website of the National Bureau of Statistics of the People's Republic of China (www.stats.gov.cn).
See www.franklintempletondatasources.com for additional data provider information.

Currency Breakdown*
2/28/15

	% of Total Net Assets
Americas	**95.8%**
U.S. Dollar	84.5%
Mexican Peso	6.6%
Brazilian Real	3.2%
Chilean Peso	1.5%
Canadian Dollar	0.0%**
Asia Pacific	**7.7%**
South Korean Won	7.2%
Malaysian Ringgit	6.3%
Singapore Dollar	3.7%
Indian Rupee	1.4%
New Zealand Dollar	0.0%**
Philippine Peso	0.0%**
Japanese Yen	-10.9%
Europe	**-3.5%**
Polish Zloty	4.6%
Hungarian Forint	2.4%
British Pound Sterling	0.1%
Swedish Krona	0.0%**
Norwegian Krone	-0.2%
Euro	-10.4%

*Figures 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.
**Rounds to less than 0.1%.

During the period, major factors contributing to the Fund's negative absolute performance included currency positions followed by sovereign credit exposures. Interest rate strategies contributed to absolute return. Currency positions in Asia ex-Japan and Latin America detracted from absolute performance. However, the Fund's net-negative position in the Japanese yen, achieved through currency forward contracts, contributed to absolute return. Positions in peripheral European currencies against the euro had a largely neutral effect on absolute performance. The Fund maintained a defensive approach regarding interest rates in developed and emerging markets during the period. Select duration exposures in Europe contributed to absolute results.

Relative to the benchmark index, currency positions contributed to performance, as did interest rate strategies. Sovereign credit exposures detracted from relative return. Underweighted positions in the euro and the Japanese yen significantly contributed to relative performance during the period. However, overweighted currency positions in Asia ex-Japan and Latin America detracted from relative performance. Select overweighted duration exposures in Europe contributed to relative results.

Thank you for your participation in Templeton Constrained Bond Fund. We look forward to serving your future investment needs.

Sonal Desai, Ph.D.
Portfolio Manager

Christine Zhu
Portfolio Manager

Portfolio Management Team

The foregoing information reflects our analysis, opinions and portfolio holdings as of February 28, 2015, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Performance Summary as of February 28, 2015

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

Net Asset Value

Share Class	2/28/15	8/31/14	Change
A (FTCAX)	$9.37	$10.13	-$0.76
C (N/A)	$9.36	$10.13	-$0.77
R (N/A)	$9.36	$10.12	-$0.76
R6 (N/A)	$9.37	$10.13	-$0.76
Advisor (N/A)	$9.37	$10.13	-$0.76

Distributions (9/1/14-2/28/15)

Share Class	Dividend Income
A	$0.6054
C	$0.5740
R	$0.5814
R6	$0.6069
Advisor	$0.6060

Performance as of 2/28/15[1]

Cumulative total return excludes sales charges. Average annual total returns and value of $10,000 investment include maximum sales charges. ***Class A:*** *4.25% initial sales charge;* ***Class C:*** *1% contingent deferred sales charge in first year only;* ***Class R/R6/Advisor Class:*** *no sales charges.*

Share Class	Cumulative Total Return[2]	Average Annual Total Return[3]	Value of $10,000 Investment[4]	Average Annual Total Return (3/31/15)[5]	Total Annual Operating Expenses[6] (with waiver)	(without waiver)
A					0.86%	3.47%
6-Month	-1.51%	-5.70%	$9,430			
1-Year	+0.70%	-3.54%	$9,646	-4.94%		
Since Inception (9/20/13)	+1.26%	-2.09%	$9,700	-2.39%		
C					1.26%	3.87%
6-Month	-1.93%	-2.85%	$9,715			
1-Year	+0.01%	-0.93%	$9,907	-2.19%		
Since Inception (9/20/13)	+0.36%	+0.25%	$10,036	-0.14%		
R					1.11%	3.72%
6-Month	-1.75%	-1.75%	$9,825			
1-Year	+0.22%	+0.22%	$10,022	-1.18%		
Since Inception (9/20/13)	+0.57%	+0.40%	$10,057	-0.08%		
R6					0.61%	4.05%
6-Month	-1.50%	-1.50%	$9,850			
1-Year	+0.69%	+0.69%	$10,069	-0.71%		
Since Inception (9/20/13)	+1.28%	+0.89%	$10,128	+0.42%		
Advisor					0.61%	3.22%
6-Month	-1.51%	-1.51%	$9,849			
1-Year	+0.72%	+0.72%	$10,072	-0.68%		
Since Inception (9/20/13)	+1.28%	+0.89%	$10,128	+0.41%		

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to ***franklintempleton.com*** *or call* ***(800) 342-5236.***

All investments involve risks, including possible 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. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. The Fund's use of foreign currency techniques involves special risks, as such techniques may not achieve the anticipated benefits and/or may result in losses to the Fund. Currency rates may fluctuate significantly over short periods of time and can reduce returns. Derivatives, including currency management strategies, inv\olve costs and can create economic leverage in the portfolio that 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. Special risks are associated with foreign investing, including currency rate fluctuations, economic instability and political developments. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. Sovereign debt securities are subject to various risks in addition to those relating to debt securities and foreign securities generally, including, but not limited to, the risk that a government entity may be unwilling or unable to pay interest and repay principal on its sovereign debt, or otherwise meet its obligations when due. Changes in the financial strength of a bond issuer or in a bond's credit rating may affect its value. 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. The risks associated with higher yielding, lower rated securities include higher risks of default and loss of principal. The Fund is also nondiversified, which involves the risk of greater price fluctuation than a more diversified portfolio. Interest payments on inflation-indexed securities will fluctuate as the principal and/or interest is adjusted for inflation and can be unpredictable. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class C: These shares have higher annual fees and expenses than Class A shares.

Class R: Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and expenses than Class A shares.

Class R6: Shares are available to certain eligible investors as described in the prospectus.

Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

1. The Fund has an expense reduction contractually guaranteed through at least 12/31/16 and 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 expense reduction and fee waiver, to the extent applicable; without these reductions, the results would have been lower.
2. Cumulative total return represents the change in value of an investment over the periods indicated.
3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
4. These figures represent the value of a hypothetical $10,000 investment in the Fund over the periods indicated.
5. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
6. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a $1,000 investment held for the six months indicated.

Actual Fund Expenses

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. *Of course, your account value and expenses will differ from those in this illustration:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value,
   then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Expenses Paid During Period."
   If Expenses Paid During Period were $7.50,
   then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses paid this period are $64.50.

Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

Share Class	Beginning Account Value 9/1/14	Ending Account Value 2/28/15	Expenses Paid During Period* 9/1/14–2/28/15
A			
Actual	$1,000	$ 984.90	$2.71
Hypothetical (5% return before expenses)	$1,000	$1,022.07	$2.76
C			
Actual	$1,000	$ 980.70	$5.84
Hypothetical (5% return before expenses)	$1,000	$1,018.89	$5.96
R			
Actual	$1,000	$ 982.50	$5.11
Hypothetical (5% return before expenses)	$1,000	$1,019.64	$5.21
R6			
Actual	$1,000	$ 985.00	$2.66
Hypothetical (5% return before expenses)	$1,000	$1,022.12	$2.71
Advisor			
Actual	$1,000	$ 984.90	$2.66
Hypothetical (5% return before expenses)	$1,000	$1,022.12	$2.71

*Expenses are calculated using the most recent six-month expense ratio, net of expense waivers, annualized for each class (A: 0.55%; C: 1.19%; R: 1.04%; R6: 0.54%; and Advisor: 0.54%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Financial Highlights

Templeton Constrained Bond Fund

	Six Months Ended February 28, 2015 (unaudited)	Year Ended August 31, 2014[a]
Class A		
Per share operating performance (for a share outstanding throughout the period)		
Net asset value, beginning of period	$10.13	$10.00
Income from investment operations[b]:		
Net investment income[c]	0.07	0.11
Net realized and unrealized gains (losses)	(0.22)	0.17
Total from investment operations	(0.15)	0.28
Less distributions from net investment income and net foreign currency gains	(0.61)	(0.15)
Net asset value, end of period	$ 9.37	$10.13
Total return[d]	(1.51)%	2.82%
Ratios to average net assets[e]		
Expenses before waiver and payments by affiliates	2.12%	3.22%
Expenses net of waiver and payments by affiliates	0.55%	0.52%
Net investment income	1.54%	1.20%
Supplemental data		
Net assets, end of period (000's)	$9,804	$10,232
Portfolio turnover rate	5.51%	—%

[a]For the period September 20, 2013 (commencement of operations) to August 31, 2014.

[b]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned, adjustments to interest income for the inflation-indexed bonds, and/or fluctuating fair value of the investments of the Fund.

[c]Based on average daily shares outstanding.

[d]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[e]Ratios are adjusted to exclude the effects of annualization for non-recurring expenses.

Templeton Constrained Bond Fund (continued)

	Six Months Ended February 28, 2015 (unaudited)	Year Ended August 31, 2014[a]
Class C		
Per share operating performance (for a share outstanding throughout the period)		
Net asset value, beginning of period	$10.13	$10.00
Income from investment operations[b]:		
Net investment income[c]	0.04	0.06
Net realized and unrealized gains (losses)	(0.24)	0.17
Total from investment operations	(0.20)	0.23
Less distributions from net investment income and net foreign currency gains	(0.57)	(0.10)
Net asset value, end of period	$ 9.36	$10.13
Total return[d]	(1.93)%	2.34%
Ratios to average net assets[e]		
Expenses before waiver and payments by affiliates	2.76%	3.85%
Expenses net of waiver and payments by affiliates	1.19%	1.15%
Net investment income	0.90%	0.57%
Supplemental data		
Net assets, end of period (000's)	$90	$64
Portfolio turnover rate	5.51%	—%

[a]For the period September 20, 2013 (commencement of operations) to August 31, 2014.

[b]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned, adjustments to interest income for the inflation-indexed bonds, and/or fluctuating fair value of the investments of the Fund.

[c]Based on average daily shares outstanding.

[d]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[e]Ratios are adjusted to exclude the effects of annualization for non-recurring expenses.

Templeton Constrained Bond Fund (continued)

	Six Months Ended February 28, 2015 (unaudited)	Year Ended August 31, 2014[a]
Class R		
Per share operating performance (for a share outstanding throughout the period)		
Net asset value, beginning of period	$10.12	$10.00
Income from investment operations[b]:		
Net investment income[c]	0.05	0.07
Net realized and unrealized gains (losses)	(0.23)	0.17
Total from investment operations	(0.18)	0.24
Less distributions from net investment income and net foreign currency gains	(0.58)	(0.12)
Net asset value, end of period	$ 9.36	$10.12
Total return[d]	(1.75)%	2.37%
Ratios to average net assets[e]		
Expenses before waiver and payments by affiliates	2.61%	3.71%
Expenses net of waiver and payments by affiliates	1.04%	1.01%
Net investment income	1.05%	0.71%
Supplemental data		
Net assets, end of period (000's)	$9	$10
Portfolio turnover rate	5.51%	—%

[a]For the period September 20, 2013 (commencement of operations) to August 31, 2014.

[b]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned, adjustments to interest income for the inflation-indexed bonds, and/or fluctuating fair value of the investments of the Fund.

[c]Based on average daily shares outstanding.

[d]Total return is not annualized for periods less than one year.

[e]Ratios are adjusted to exclude the effects of annualization for non-recurring expenses.

Templeton Constrained Bond Fund (continued)

	Six Months Ended February 28, 2015 (unaudited)	Year Ended August 31, 2014[a]
Class R6		
Per share operating performance (for a share outstanding throughout the period)		
Net asset value, beginning of period	$10.13	$10.00
Income from investment operations[b]:		
Net investment income[c]	0.07	0.11
Net realized and unrealized gains (losses)	(0.22)	0.17
Total from investment operations	(0.15)	0.28
Less distributions from net investment income and net foreign currency gains	(0.61)	(0.15)
Net asset value, end of period	$ 9.37	$10.13
Total return[d]	(1.50)%	2.82%
Ratios to average net assets[e]		
Expenses before waiver and payments by affiliates	2.90%	4.04%
Expenses net of waiver and payments by affiliates	0.54%	0.51%
Net investment income	1.55%	1.21%
Supplemental data		
Net assets, end of period (000's)	$9	$10
Portfolio turnover rate	5.51%	—%

[a]For the period September 20, 2013 (commencement of operations) to August 31, 2014.

[b]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned, adjustments to interest income for the inflation-indexed bonds, and/or fluctuating fair value of the investments of the Fund.

[c]Based on average daily shares outstanding.

[d]Total return is not annualized for periods less than one year.

[e]Ratios are adjusted to exclude the effects of annualization for non-recurring expenses.

Templeton Constrained Bond Fund (continued)

	Six Months Ended February 28, 2015 (unaudited)	Year Ended August 31, 2014[a]
Advisor Class		
Per share operating performance (for a share outstanding throughout the period)		
Net asset value, beginning of period	$10.13	$10.00
Income from investment operations[b]:		
Net investment income[c]	0.08	0.11
Net realized and unrealized gains (losses)	(0.23)	0.17
Total from investment operations	(0.15)	0.28
Less distributions from net investment income and net foreign currency gains	(0.61)	(0.15)
Net asset value, end of period	$ 9.37	$10.13
Total return[d]	(1.51)%	2.83%
Ratios to average net assets[e]		
Expenses before waiver and payments by affiliates	2.11%	3.21%
Expenses net of waiver and payments by affiliates	0.54%	0.51%
Net investment income	1.55%	1.21%
Supplemental data		
Net assets, end of period (000's)	$16	$10
Portfolio turnover rate	5.51%	—%

[a]For the period September 20, 2013 (commencement of operations) to August 31, 2014.

[b]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned, adjustments to interest income for the inflation-indexed bonds, and/or fluctuating fair value of the investments of the Fund.

[c]Based on average daily shares outstanding.

[d]Total return is not annualized for periods less than one year.

[e]Ratios are adjusted to exclude the effects of annualization for non-recurring expenses.

Statement of Investments, February 28, 2015 (unaudited)

Templeton Constrained Bond Fund

	Principal Amount*		Value
Foreign Government and Agency Securities 27.2%			
Brazil 3.1%			
Letra Tesouro Nacional, Strip,			
10/01/15	30[a]	BRL	$ 9,835
1/01/16	60[a]	BRL	19,069
7/01/16	10[a]	BRL	2,993
10/01/16	20[a]	BRL	5,808
[b]Nota Do Tesouro Nacional, Index Linked, 6.00%,			
8/15/18	200[a]	BRL	180,971
5/15/19	20[a]	BRL	18,109
8/15/20	20[a]	BRL	18,083
8/15/22	40[a]	BRL	36,177
5/15/23	10[a]	BRL	8,938
8/15/24	8[a]	BRL	7,215
			307,198
Hungary 4.7%			
Government of Hungary,			
4.00%, 4/25/18	500,000	HUF	1,961
6.50%, 6/24/19	600,000	HUF	2,597
7.50%, 11/12/20	8,860,000	HUF	40,990
5.375%, 2/21/23	210,000		237,095
A, 5.50%, 12/20/18	8,120,000	HUF	33,757
A, 7.00%, 6/24/22	7,490,000	HUF	35,337
A, 6.00%, 11/24/23	11,620,000	HUF	53,425
B, 5.50%, 6/24/25	14,400,000	HUF	65,473
			470,635
Ireland 3.2%			
Government of Ireland, senior bond, 5.40%, 3/13/25	195,000	EUR	313,066
Mexico 2.4%			
Government of Mexico,			
8.00%, 12/17/15	31,800[c]	MXN	220,949
6.25%, 6/16/16	2,700[c]	MXN	18,694
			239,643
Poland 4.6%			
Government of Poland, Strip, 7/25/15	1,700,000	PLN	455,710
Portugal 1.4%			
Government of Portugal,			
[d]144A, 5.125%, 10/15/24	50,000		55,509
[e]Reg S, 3.875%, 2/15/30	60,000	EUR	80,806
[e]senior bond, Reg S, 4.95%, 10/25/23	500	EUR	711
[e]senior note, Reg S, 5.65%, 2/15/24	1,200	EUR	1,787
			138,813
Russia 0.5%			
[d]Government of Russia, senior bond, 144A, 7.50%, 3/31/30	49,125		52,672
Serbia 2.4%			
[d]Government of Serbia, senior note, 144A, 7.25%, 9/28/21	200,000		234,679
South Korea 4.0%			
Korea Monetary Stabilization Bond, senior bond, 2.80%, 8/02/15	438,000,000	KRW	399,129

Templeton Constrained Bond Fund (continued)

	Principal Amount*		Value
Foreign Government and Agency Securities (continued)			
Ukraine 0.9%			
[d] Government of Ukraine, senior note, 144A, 7.50%, 4/17/23	220,000		$ 93,376
Total Foreign Government and Agency Securities (Cost $2,917,849)			2,704,921
Short Term Investments 62.8%			
Foreign Government and Agency Securities 44.3%			
Canada 7.9%			
Government of Canada, 1.00%, 5/01/15	980,000	CAD	784,744
France 3.9%			
[f] France Treasury Bill, 4/30/15	345,000	EUR	386,209
Malaysia 3.7%			
[f] Bank of Negara Monetary Notes,			
3/03/15	430,000	MYR	119,070
5/28/15 - 11/24/15	660,000	MYR	180,299
Government of Malaysia,			
3.835%, 8/12/15	80,000	MYR	22,215
3.197%, 10/15/15	150,000	MYR	41,530
[f] Malaysia Treasury Bill, 8/14/15	10,000	MYR	2,727
			365,841
Mexico 1.2%			
Government of Mexico, 6.00%, 6/18/15	4,800 [c]	MXN	32,441
[f] Mexico Treasury Bills, 3/19/15 - 1/07/16	129,410 [g]	MXN	85,564
			118,005
New Zealand 8.1%			
[e] Government of New Zealand, senior bond, Reg S, 6.00%, 4/15/15	1,057,000	NZD	801,882
Norway 7.3%			
Government of Norway, 5.00%, 5/15/15	5,500,000	NOK	723,824
Philippines 0.0%†			
[f] Philippine Treasury Bills, 8/05/15 - 2/03/16	90,000	PHP	2,013
Singapore 3.6%			
[f] Monetary Authority of Singapore Treasury Bill, 5/04/15	490,000	SGD	359,127
United Kingdom 8.6%			
[e] United Kingdom Treasury Bond, Reg S, 4.75%, 9/07/15	540,000	GBP	852,612
Total Foreign Government and Agency Securities (Cost $4,838,951)			4,394,257
Total Investments before Money Market Funds (Cost $7,756,800)			7,099,178
	Shares		
Money Market Funds (Cost $1,836,996) 18.5%			
United States 18.5%			
[h,i] Institutional Fiduciary Trust Money Market Portfolio	1,836,996		1,836,996
Total Investments (Cost $9,593,796) 90.0%			8,936,174
Other Assets, less Liabilities 10.0%			992,530
Net Assets 100.0%			$ 9,928,704

Templeton Constrained Bond Fund (continued)

*The principal amount is stated in U.S. dollars unless otherwise indicated.

†Rounds to less than 0.1% of net assets.

[a]Principal amount is stated in 1,000 Brazilian Real Units.

[b]Redemption price at maturity is adjusted for inflation. See Note 1(f).

[c]Principal amount is stated in 100 Mexican Peso Units.

[d]Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At February 28, 2015, the aggregate value of these securities was $436,236, representing 4.39% of net assets.

[e]Security was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States. Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At February 28, 2015, the aggregate value of these securities was $1,737,798, representing 17.50% of net assets.

[f]The security is traded on a discount basis with no stated coupon rate.

[g]Principal amount is stated in 10 Mexican Peso Units.

[h]Non-income producing.

[i]See Note 3(f) regarding investments in Institutional Fiduciary Trust Money Market Portfolio.

At February 28, 2015, the Fund had the following forward exchange contracts outstanding. See Note 1(c).

Forward Exchange Contracts

Currency	Counterparty[a]	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Indian Rupee	JPHQ	Buy	8,714,250	138,740	3/13/15	$ 2,233	$ —
Chilean Peso	JPHQ	Buy	91,760,400	147,703	3/20/15	720	—
Euro	JPHQ	Buy	509,864	683,144	3/27/15	—	(112,295)
Euro	JPHQ	Sell	509,864	704,228	3/27/15	133,379	—
Euro	GSCO	Buy	679,887	860,193	3/31/15	—	(98,948)
Euro	GSCO	Sell	679,887	866,618	3/31/15	105,373	—
Canadian Dollar	BOFA	Sell	984,340	878,856	4/06/15	91,636	—
Norwegian Krone	DBAB	Sell	2,731,850	417,637	4/08/15	61,390	—
Malaysian Ringgit	HSBK	Buy	947,160	222,992 EUR	4/14/15	11,482	—
New Zealand Dollar	CITI	Sell	1,092,962	915,402	5/07/15	94,425	—
Japanese Yen	BOFA	Sell	1,522,950	15,000	5/18/15	2,255	—
Japanese Yen	BOFA	Sell	1,518,375	15,000	5/19/15	2,293	—
Japanese Yen	BZWS	Sell	1,522,500	15,000	5/19/15	2,258	—
Japanese Yen	CITI	Sell	1,520,700	15,000	5/19/15	2,273	—
Japanese Yen	HSBK	Sell	1,523,700	15,000	5/19/15	2,248	—
Euro	BZWS	Buy	737,240	899,847	5/29/15	—	(73,768)
Euro	BZWS	Sell	978,797	1,293,823	5/29/15	197,079	—
Euro	HSBK	Sell	29,682	38,656	6/08/15	5,392	—
Euro	GSCO	Buy	225,000	266,580	6/22/15	—	(14,363)
Euro	GSCO	Sell	381,000	518,114	6/22/15	91,027	—
Japanese Yen	DBAB	Sell	1,860,000	18,266	6/22/15	2,692	—
Japanese Yen	BZWS	Sell	44,316,000	436,095	6/26/15	65,007	—
Euro	JPHQ	Buy	385,179	516,508	6/29/15	—	(84,684)
Euro	JPHQ	Sell	509,864	696,665	6/29/15	125,056	—
Norwegian Krone	DBAB	Sell	2,963,500	455,489	6/30/15	69,598	—
Euro	DBAB	Sell	1,950	2,658	7/17/15	471	—
British Pound	DBAB	Sell	546,400	824,518	7/23/15	—	(18,164)
Malaysian Ringgit	HSBK	Buy	180,000	55,073	8/06/15	—	(5,911)
Malaysian Ringgit	HSBK	Sell	180,000	49,718	8/06/15	557	—
Euro	JPHQ	Sell	30,000	39,033	9/08/15	5,356	—
Euro	BZWS	Sell	311,000	400,518	9/28/15	51,245	—

Templeton Constrained Bond Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counterparty[a]	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
Japanese Yen	CITI	Sell	44,248,950	408,446	9/28/15	$ 37,291	$ —
Malaysian Ringgit	HSBK	Buy	587,160	177,170	9/28/15	—	(17,439)
Malaysian Ringgit	HSBK	Sell	587,160	161,556	9/28/15	1,825	—
Mexican Peso	HSBK	Buy	2,684,948	196,916	9/28/15	—	(19,575)
Euro	JPHQ	Sell	70,000	89,460	9/29/15	10,844	—
Euro	CITI	Sell	33,000	42,199	9/30/15	5,136	—
South Korean Won	HSBK	Buy	135,606,400	128,952	9/30/15	—	(6,647)
South Korean Won	HSBK	Buy	135,606,400	104,639 EUR	9/30/15	4,784	—
South Korean Won	HSBK	Sell	135,606,400	124,379	9/30/15	2,073	—
Japanese Yen	JPHQ	Sell	7,000,000	64,620	10/07/15	5,894	—
Japanese Yen	HSBK	Sell	3,500,000	32,483	10/09/15	3,119	—
Japanese Yen	BZWS	Sell	1,800,000	16,717	10/13/15	1,614	—
Japanese Yen	DBAB	Sell	1,700,000	15,798	10/13/15	1,534	—
South Korean Won	JPHQ	Buy	204,000,000	188,105	10/14/15	—	(4,164)
South Korean Won	JPHQ	Buy	204,000,000	157,663 EUR	10/14/15	6,810	—
South Korean Won	JPHQ	Sell	204,000,000	187,207	10/14/15	3,267	—
Mexican Peso	CITI	Buy	1,826,220	132,000	11/13/15	—	(11,763)
Euro	BZWS	Sell	62,000	77,888	11/20/15	8,174	—
Japanese Yen	DBAB	Sell	1,860,000	15,922	12/21/15	288	—
Japanese Yen	HSBK	Sell	1,860,000	15,904	12/21/15	271	—
Japanese Yen	BZWS	Sell	880,000	7,442	12/22/15	46	—
Japanese Yen	CITI	Sell	1,380,000	11,687	12/22/15	87	—
Japanese Yen	GSCO	Sell	399,000	3,370	1/08/16	14	—
Japanese Yen	BZWS	Sell	1,440,000	12,256	1/15/16	143	—
Japanese Yen	JPHQ	Sell	940,000	7,970	1/15/16	63	—
Japanese Yen	JPHQ	Sell	2,200,000	18,859	2/08/16	340	—
Japanese Yen	SCNY	Sell	2,230,000	19,113	2/08/16	341	—
Japanese Yen	BZWS	Sell	2,230,000	19,113	2/09/16	340	—
Japanese Yen	JPHQ	Sell	2,240,000	19,192	2/09/16	335	—
Euro	DBAB	Sell	70,000	80,187	2/23/16	1,255	—
Unrealized appreciation (depreciation)						1,221,333	(467,721)
Net unrealized appreciation (depreciation)						$ 753,612	

*In U.S. dollars unless otherwise indicated.

[a]May be comprised of multiple contracts with the same counterparty, currency and settlement date.

Templeton Constrained Bond Fund (continued)

At February 28, 2015, the Fund had the following interest rate swap contracts outstanding. See Note 1(c).

Interest Rate Swap Contracts

Description	Counterparty/ Exchange	Expiration Date	Notional Amount	Unrealized Appreciation	Unrealized Depreciation
Centrally Cleared Swaps					
Receive Floating rate 3-month USD BBA LIBOR Pay Fixed rate 0.926%	LCH	10/17/17	$240,000	$ 384	$ —
Receive Floating rate 3-month USD BBA LIBOR Pay Fixed rate 2.695%	CME	5/09/24	214,000	—	(13,065)
Receive Floating rate 3-month USD BBA LIBOR Pay Fixed rate 2.731%	LCH	7/07/24	50,000	—	(2,982)
Receive Floating rate 3-month USD BBA LIBOR Pay Fixed rate 1.914%	LCH	1/22/25	90,000	1,522	—
Receive Floating rate 3-month USD BBA LIBOR Pay Fixed rate 1.970%	LCH	1/23/25	120,000	1,424	—
Receive Floating rate 3-month USD BBA LIBOR Pay Fixed rate 1.973%	LCH	1/27/25	70,000	826	—
Receive Floating rate 3-month USD BBA LIBOR Pay Fixed rate 1.937%	LCH	1/29/25	20,000	304	—
Receive Floating rate 3-month USD BBA LIBOR Pay Fixed rate 1.942%	LCH	1/30/25	10,000	149	—
Receive Floating rate 3-month USD BBA LIBOR Pay Fixed rate 1.817%	LCH	2/03/25	20,000	533	—
Receive Floating rate 3-month USD BBA LIBOR Pay Fixed rate 3.388%	CME	5/09/44	102,000	—	(20,717)
Total Interest Rate Swaps unrealized appreciation (depreciation)				5,142	(36,764)
Net unrealized appreciation (depreciation)					$(31,622)

See Abbreviations on page 35.

Financial Statements

Statement of Assets and Liabilities
February 28, 2015 (unaudited)

Templeton Constrained Bond Fund

Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$ 7,756,800
Cost - Sweep Money Fund (Note 3f)	1,836,996
Total cost of investments	$ 9,593,796
Value - Unaffiliated issuers	$ 7,099,178
Value - Sweep Money Fund (Note 3f)	1,836,996
Total value of investments	8,936,174
Cash	3,374
Restricted Cash (Note 1d)	120,000
Foreign currency, at value (cost $56,216)	56,492
Receivables:	
Interest	105,589
Affiliates	56,991
Due from brokers	44,332
Unrealized appreciation on forward exchange contracts	1,221,333
Other assets	6
Total assets	10,544,291
Liabilities:	
Payables:	
Distribution fees	138
Variation margin	1,393
Due to brokers	120,000
Unrealized depreciation on forward exchange contracts	467,721
Accrued expenses and other liabilities	26,335
Total liabilities	615,587
Net assets, at value	$ 9,928,704
Net assets consist of:	
Paid-in capital	$10,553,833
Distributions in excess of net investment income	(509,805)
Net unrealized appreciation (depreciation)	58,483
Accumulated net realized gain (loss)	(173,807)
Net assets, at value	$ 9,928,704

Statement of Assets and Liabilities (continued)
February 28, 2015 (unaudited)

Templeton Constrained Bond Fund

Class A:	
Net assets, at value	$ 9,803,727
Shares outstanding	1,046,381
Net asset value per share[a]	$9.37
Maximum offering price per share (net asset value per share ÷ 95.75%)	$9.79
Class C:	
Net assets, at value	$ 89,997
Shares outstanding	9,616
Net asset value and maximum offering price per share[a]	$9.36
Class R:	
Net assets, at value	$ 9,358
Shares outstanding	1,000
Net asset value and maximum offering price per share	$9.36
Class R6:	
Net assets, at value	$ 9,368
Shares outstanding	1,000
Net asset value and maximum offering price per share	$9.37
Advisor Class:	
Net assets, at value	$ 16,254
Shares outstanding	1,735
Net asset value and maximum offering price per share	$9.37

[a]Redemption price is equal to net asset value less contingent deferred sales charges, if applicable.

Statement of Operations
for the six months ended February 28, 2015 (unaudited)

Templeton Constrained Bond Fund

Investment income:	
Interest	$ 95,769
Inflation principal adjustments	8,380
Total investment income	104,149
Expenses:	
Management fees (Note 3a)	32,476
Distribution fees: (Note 3c)	
Class A	561
Class C	239
Class R	25
Transfer agent fees: (Note 3e)	
Class A	408
Class C	3
Class R	1
Class R6	39
Advisor Class	1
Custodian fees (Note 4)	1,363
Reports to shareholders	6,274
Registration and filing fees	31,109
Professional fees	28,144
Amortization of offering costs	8,934
Other	1,098
Total expenses	110,675
Expenses waived/paid by affiliates (Note 3e and 3g)	(83,037)
Net expenses	27,638
Net investment income	76,511
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments (net of foreign taxes of $195)	(367,292)
Foreign currency transactions	221,596
Swap contracts	(4,744)
Net realized gain (loss)	(150,440)
Net change in unrealized appreciation (depreciation) on:	
Investments	(650,135)
Translation of other assets and liabilities denominated in foreign currencies	562,314
Net change in unrealized appreciation (depreciation)	(87,821)
Net realized and unrealized gain (loss)	(238,261)
Net increase (decrease) in net assets resulting from operations	$(161,750)

Statements of Changes in Net Assets

Templeton Constrained Bond Fund

	Six Months Ended February 28, 2015 (unaudited)	Year Ended August 31, 2014[a]
Increase (decrease) in net assets:		
Operations:		
Net investment income	$ 76,511	$ 113,509
Net realized gain (loss) from investments, foreign currency transactions and swap contracts	(150,440)	23,942
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	(87,821)	146,304
Net increase (decrease) in net assets resulting from operations	(161,750)	283,755
Distributions to shareholders from:		
Net investment income and net foreign currency gains:		
Class A	(618,464)	(149,261)
Class C	(3,698)	(308)
Class R	(581)	(115)
Class R6	(607)	(150)
Advisor Class	(1,028)	(151)
Total distributions to shareholders	(624,378)	(149,985)
Capital share transactions: (Note 2)		
Class A	349,851	10,099,687
Class C	31,132	62,970
Class R	—	10,000
Class R6	—	10,000
Advisor Class	7,422	10,000
Total capital share transactions	388,405	10,192,657
Net increase (decrease) in net assets	(397,723)	10,326,427
Net assets:		
Beginning of period	10,326,427	—
End of period	$ 9,928,704	$10,326,427
Undistributed net investment income (distributions in excess of net investment income) included in net assets:		
End of period	$ (509,805)	$ 38,062

[a]For the period September 20, 2013 (commencement of operations) to August 31, 2014.

Notes to Financial Statements (unaudited)

Templeton Constrained Bond Fund

1. Organization and Significant Accounting Policies

Templeton Income Trust (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end management investment company, consisting of five separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Templeton Constrained Bond Fund (Fund) is included in this report. The financial statements of the remaining funds in the Trust are presented separately. The Fund offers five classes of shares: Class A, Class C, Class R, Class R6, and Advisor Class. Each class of shares differs by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees primarily due to differing arrangements for distribution and transfer agent fees.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share at the close of the New York Stock Exchange (NYSE), generally at 4 p.m. Eastern time (NYSE close) on each day the NYSE is open for trading. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Debt securities generally trade in the over-the-counter (OTC) market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at the NYSE close on the date that the values of the foreign debt securities are determined. Investments in open-end mutual funds are valued at the closing NAV.

Derivative financial instruments (derivatives) listed on an exchange are valued at the official closing price of the day. Certain derivatives trade in the OTC market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before the daily NYSE close.

Templeton Constrained Bond Fund (continued)

1. Organization and Significant Accounting Policies (continued)

a. Financial Instrument Valuation *(continued)*

In addition, trading in certain foreign markets may not take place on every NYSE business day. Occasionally, events occur between the time at which trading in a foreign security is completed and the close of the NYSE that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at the close of the NYSE. In order to minimize the potential for these differences, the VLOC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the NYSE is closed, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Fund does not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments in the Statement of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Derivative Financial Instruments

The Fund invested in derivatives in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown in the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements

Templeton Constrained Bond Fund (continued)

contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required by either the fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from $100,000 to $250,000, and can vary depending on the counterparty and the type of the agreement. Generally, collateral is determined at the close of fund business each day and any additional collateral required due to changes in derivative values may be delivered by the fund or the counterparty within a few business days. Collateral pledged and/or received by the fund for OTC derivatives, if any, is held in segregated accounts with the fund's custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may be invested according to the Fund's investment objectives.

The Fund entered into OTC forward exchange contracts primarily to manage and/or gain exposure to certain foreign currencies. A forward exchange contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency at a specific exchange rate on a future date.

The Fund entered into interest rate swap contracts primarily to manage interest rate risk. An interest rate swap is an agreement between the Fund and a counterparty to exchange cash flows based on the difference between two interest rates, applied to a notional amount. These agreements may be privately negotiated in the over-the-counter market ("OTC interest rate swaps") or may be executed on a registered exchange ("centrally cleared interest rate swaps"). For centrally cleared interest rate swaps, required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable on the Statement of Assets and Liabilities. Over the term of the contract, contractually required payments to be paid and to be received are accrued daily and recorded as unrealized depreciation and appreciation until the payments are made, at which time they are realized.

See Note 9 regarding other derivative information.

d. Restricted Cash

At February 28, 2015, the Fund held restricted cash in connection with investments in certain derivative securities. Restricted cash is held in a segregated account with the Fund's custodian and is reflected in the Statement of Assets and Liabilities.

e. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Fund may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply the Fund records an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

Templeton Constrained Bond Fund (continued)

1. Organization and Significant Accounting Policies (continued)

e. Income and Deferred Taxes *(continued)*

The Fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of February 28, 2015, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

Inflation-indexed bonds are adjusted for inflation through periodic increases or decreases in the security's interest accruals, face amount, or principal redemption value, by amounts corresponding to the rate of inflation as measured by an index. Any increase or decrease in the face amount or principal redemption value will be included as inflation principal adjustments in the Statement of Operations.

g. Offering Costs

Offering costs are amortized on a straight line basis over twelve months.

h. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

i. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

Templeton Constrained Bond Fund (continued)

2. Shares of Beneficial Interest

At February 28, 2015, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended February 28, 2015		Year Ended August 31, 2014[a]	
	Shares	Amount	Shares	Amount
Class A Shares:				
Shares sold	35,256	$337,728	1,009,819	$10,099,526
Shares issued in reinvestment of distributions	1,525	14,335	27	277
Shares redeemed	(235)	(2,212)	(11)	(116)
Net increase (decrease)	36,546	$349,851	1,009,835	$10,099,687
Class C Shares:				
Shares sold	2,998	$ 28,008	6,925	$ 69,390
Shares issued in reinvestment of distributions	332	3,124	20	206
Shares redeemed	—	—	(659)	(6,626)
Net increase (decrease)	3,330	$ 31,132	6,286	$ 62,970
Class R Shares:				
Shares sold	—	$ —	1,000	$ 10,000
Net increase (decrease)	—	$ —	1,000	$ 10,000
Class R6 Shares:				
Shares sold	—	$ —	1,000	$ 10,000
Net increase (decrease)	—	$ —	1,000	$ 10,000
Advisor Class Shares:				
Shares sold	690	$ 7,000	1,000	$ 10,000
Shares issued in reinvestment of distributions	45	422	—	—
Net increase (decrease)	735	$ 7,422	1,000	$ 10,000

[a]For the period September 20, 2013 (commencement of operations) to August 31, 2014.

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Fund are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

Templeton Constrained Bond Fund (continued)

3. Transactions with Affiliates (continued)

a. Management Fees

The Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.650%	Up to and including $1 billion
0.600%	Over $1 billion, up to and including $5 billion
0.550%	Over $5 billion, up to and including $10 billion
0.545%	Over $10 billion, up to and including $15 billion
0.540%	Over $15 billion, up to and including $20 billion
0.535%	Over $20 billion

b. Administrative Fees

Under an agreement with Advisers, FT Services provides administrative services to the Fund. The fee is paid by Advisers based on the Fund's average daily net assets, and is not an additional expense of the Fund.

c. Distribution Fees

The Board has adopted distribution plans for each share class, with the exception of Class R6 and Advisor Class shares, pursuant to Rule 12b-1 under the 1940 Act. Distribution fees are not charged on shares held by affiliates. Under the Fund's Class A reimbursement distribution plan, the Fund reimburses Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate. Under the Class A reimbursement distribution plan, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Fund's Class C and R compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate for each class. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

The maximum annual plan rates, based on the average daily net assets, for each class, are as follows:

Class A	0.25%
Class C	0.65%
Class R	0.50%

d. Sales Charges/Underwriting Agreements

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Fund. These charges are deducted from the proceeds of sales of Fund shares prior to investment or from redemption proceeds prior to remittance, as applicable. Distributors has advised the Fund of the following commission transactions related to the sales and redemptions of the Fund's shares for the period:

Sales charges retained net of commissions paid to unaffiliated broker/dealers	$160
CDSC retained	$ —

Templeton Constrained Bond Fund (continued)

e. Transfer Agent Fees

Each class of shares, except for Class R6, pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations and reimburses Investor Services for out of pocket expenses incurred, including shareholding servicing fees paid to third parties. These fees are allocated daily based upon their relative proportion of such classes' aggregate net assets. Class R6 pays Investor Services transfer agent fees specific to that class.

For the period ended February 28, 2015, the Fund paid transfer agent fees of $452, of which $406 was retained by Investor Services.

f. Investments in Institutional Fiduciary Trust Money Market Portfolio

The Fund invests in Institutional Fiduciary Trust Money Market Portfolio (Sweep Money Fund), an affiliated open-end management investment company. Management fees paid by the Fund are waived on assets invested in the Sweep Money Fund, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by the Sweep Money Fund.

g. Waiver and Expense Reimbursements

Advisers and Investor Services have contractually agreed in advance to waive or limit their fees and to assume as their own expense certain expenses otherwise payable by the Fund so that the expenses (excluding distribution fees and acquired fund fees and expenses) for each class of the Fund do not exceed 0.60% based on the average net assets of each class (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) until December 31, 2016.

Additionally, Investor Services has contractually agreed in advance to waive or limit its fees so that the Class R6 transfer agent fees do not exceed 0.01% until December 31, 2015.

h. Other Affiliated Transactions

At February 28, 2015, Advisers owned 94.36% of the Fund's outstanding shares.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended February 28, 2015, there were no credits earned.

5. Income Taxes

For tax purposes, capital losses may be carried over to offset future capital gains, if any. At August 31, 2014, the Fund had short-term capital loss carryforwards of $23,367.

At February 28, 2015, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$ 9,641,204
Unrealized appreciation	$ 106,347
Unrealized depreciation	(811,377)
Net unrealized appreciation (depreciation)	$ (705,030)

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of foreign currency transactions and offering costs.

Templeton Constrained Bond Fund (continued)

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended February 28, 2015, aggregated $261,851 and $726,529, respectively.

7. Credit Risk

At February 28, 2015, the Fund had 11.08% of its portfolio invested in high yield or other securities rated below investment grade. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

8. Concentration of Risk

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain foreign securities may not be as liquid as U.S. securities.

9. Other Derivative Information

At February 28, 2015, the Fund's investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

	Asset Derivatives		Liability Derivatives	
Derivative Contracts Not Accounted for as Hedging Instruments	**Statement of Assets and Liabilities Location**	**Fair Value**	**Statement of Assets and Liabilities Location**	**Fair Value**
Interest rate contracts	Variation margin / Net assets consist of: net unrealized appreciation	$ 5,142[a]	Due from brokers / Variation margin / Net assets consist of: net unrealized depreciation	$ 36,764[a]
Foreign exchange contracts	Unrealized appreciation on forward exchange contracts	1,221,333	Unrealized depreciation on forward exchange contracts	467,721

[a]Includes cumulative appreciation (depreciation) of centrally cleared swaps as reported in the Statement of Investments. Initial margin is included as a receivable due from brokers and current day's variation margin is separately reported within the Statement of Assets and Liabilities.

For the period ended February 28, 2015, the effect of derivative contracts in the Fund's Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	**Statement of Operations Locations**	**Realized Gain (Loss) for the Period**	**Change in Unrealized Appreciation (Depreciation) for the Period**
Interest rate contracts	Net realized gain (loss) from swap contracts / Net change in unrealized appreciation (depreciation) on investments	$ (4,744)	$ (16,835)
Foreign exchange contracts	Net realized gain (loss) from foreign currency transactions / Net change in unrealized appreciation (depreciation) on translation of other assets and liabilities denominated in foreign currencies	261,942	566,185

For the period ended February 28, 2015, the average month end fair value of derivatives represented 11.12% of average month end net assets. The average month end number of open derivative contracts for the period was 77.

Templeton Constrained Bond Fund (continued)

At February 28, 2015, the Fund's OTC derivative assets and liabilities are as follows:

	Gross and Net Amounts of Assets and Liabilities Presented in the Statement of Assets and Liabilities	
	Assets[a]	Liabilities[a]
Derivatives		
Forward Exchange Contracts	$1,221,333	$467,721
Total	$1,221,333	$467,721

[a]Absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities.

At February 28, 2015, the Fund's OTC derivative assets which may be offset against the Fund's OTC derivative liabilities and collateral received from the counterparty, is as follows:

		Amounts Not Offset in the Statement of Assets and Liabilities			
	Gross and Net Amounts of Assets Presented in the Statement of Assets and Liabilities	Financial Instruments Available for Offset	Financial Instruments Collateral Received	Cash Collateral Received[a]	Net Amount (Not less than zero)
Counterparty					
BOFA	$ 96,184	$ —	$ —	$ —	$ 96,184
BZWS	325,906	(73,768)	—	—	252,138
CITI	139,212	(11,763)	—	—	127,449
DBAB	137,228	(18,164)	—	(119,064)	—
GSCO	196,414	(113,311)	—	—	83,103
HSBK	31,751	(31,751)	—	—	—
JPHQ	294,297	(201,143)	—	—	93,154
SCNY	341	—	—	—	341
Total	$1,221,333	$(449,900)	$ —	$(119,064)	$652,369

[a]In some instances, the collateral amount disclosed in the table above was adjusted due to the requirement to limit collateral amount to avoid the effect of overcollateralization. Actual collateral received and/or pledged may be more than the amount disclosed herein.

Templeton Constrained Bond Fund (continued)

9. Other Derivative Information (continued)

At February 28, 2015, the Fund's OTC derivative liabilities which may be offset against the Fund's OTC derivative assets and collateral pledged to the counterparty, is as follows:

		Amounts Not Offset in the Statement of Assets and Liabilities			
	Gross and Net Amounts of Liabilities Presented in the Statement of Assets and Liabilities	Financial Instruments Available for Offset	Financial Instruments Collateral Pledged	Cash Collateral Pledged	Net Amount (Not less than zero)
Counterparty					
BOFA	$ —	$ —	$ —	$ —	$ —
BZWS	73,768	(73,768)	—	—	—
CITI	11,763	(11,763)	—	—	—
DBAB	18,164	(18,164)	—	—	—
GSCO	113,311	(113,311)	—	—	—
HSBK	49,572	(31,751)	—	—	17,821
JPHQ	201,143	(201,143)	—	—	—
SCNY	—	—	—	—	—
Total	$467,721	$(449,900)	$ —	$ —	$17,821

See Note 1(c) regarding derivative financial instruments.

10. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling $2 billion (Global Credit Facility) which matures on February 12, 2016. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statement of Operations. During the period ended February 28, 2015, the Fund did not use the Global Credit Facility.

11. Fair Value Measurements

The Fund follows a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Fund's own assumptions in determining the fair value of financial instruments)

Templeton Constrained Bond Fund (continued)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

A summary of inputs used as of February 28, 2015, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities				
Foreign Government and Agency Securities[a]	$ —	$2,704,921	$ —	$2,704,921
Short Term Investments	1,836,996	4,394,257	—	6,231,253
Total Investments in Securities	$1,836,996	$7,099,178	$ —	$8,936,174
Other Financial Instruments				
Forward Exchange Contracts	$ —	$1,221,333	$ —	$1,221,333
Swap Contracts	—	5,142	—	5,142
Total Other Financial Instruments	$ —	$1,226,475	$ —	$1,226,475
Liabilities:				
Other Financial Instruments				
Forward Exchange Contracts	$ —	$ 467,721	$ —	$ 467,721
Swap Contracts	—	36,764	—	36,764
Total Other Financial Instruments	$ —	$ 504,485	$ —	$ 504,485

[a]For detailed categories, see the accompanying Statement of Investments.

12. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

Abbreviations

Counterparty/Exchange		Currency	
BOFA	Bank of America Corp.	**BRL**	Brazilian Real
BZWS	Barclays Bank PLC	**CAD**	Canadian Dollar
CITI	Citibank N.A.	**EUR**	Euro
CME	Chicago Mercantile Exchange	**GBP**	British Pound
DBAB	Deutsche Bank AG	**HUF**	Hungarian Forint
GSCO	Goldman Sachs Group, Inc.	**KRW**	South Korean Won
HSBK	HSBC Bank PLC	**MXN**	Mexican Peso
JPHQ	JPMorgan Chase, N.A.	**MYR**	Malaysian Ringgit
LCH	London Clearing House	**NOK**	Norwegian Krone
SCNY	Standard Chartered Bank	**NZD**	New Zealand Dollar
		PHP	Philippine Peso
		PLN	Polish Zloty
		SGD	Singapore Dollar

Shareholder Information

Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

The Trust files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

FRANKLIN TEMPLETON INVESTMENTS

Semiannual Report and Shareholder Letter
Templeton Constrained Bond Fund

Investment Manager
Franklin Advisers, Inc.

Distributor
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