



FRANKLIN TEMPLETON
INVESTMENTS

FRANKLIN MENA FUND

A SUB-FUND OF LUXEMBOURG-DOMICILED SICAV

31 December 2011

FUND MANAGER AND LOCATION

Stephen Dover, California, United States
(since 16 June 2008)

Purav Jhaveri, California, United States
(since 16 June 2008)

FUND INFORMATION

Base Currency of Fund: US dollar

Fund Size: \$57,55 million

Number of Positions: 47

Fund Index: S&P Pan Arab Composite Large Mid Cap KSA Capped at 30% Index

Morningstar™ Workstation Category: Africa & Middle East Equity

Date of Fund Launch: 16 June 2008

NET ASSET VALUE AS OF 31 DECEMBER 2011

A(acc)EUR €3,21

A(acc)EUR-H1 €2,54

A(acc)USD \$4,19

A(Ydis)USD \$4,66

I(acc)USD \$4,35

I(acc)EUR €3,36

I(acc)EUR-H1 €2,62

I(Ydis)USD \$4,84

CHARGES AND IDENTIFIERS

| Share Class | Max. Initial Sales Charge | Annual Management & Administration Charge |
|-------------|---------------------------|---|
| A shares | 5,25% | 2,00% |
| I shares | 0,00% | 1,05% |

| Share Class | Valoren | ISIN |
|---------------------|---------|--------------|
| A(acc)EUR | 3884279 | LU0352132285 |
| A(acc)EUR-H1 | 4273743 | LU0366004207 |
| A(acc)USD | 3884285 | LU0352132103 |
| A(Ydis)USD | 4273637 | LU0366004546 |
| I(acc)EUR | 3884323 | LU0352132954 |
| I(acc)EUR-H1 | 3884331 | LU0352133176 |
| I(acc)USD | 3884340 | LU0352133093 |
| I(Ydis)USD | 4530152 | LU0385641021 |

TOTAL EXPENSE RATIO AS OF DECEMBER 2011

| | |
|---------------------|-------|
| A(acc)EUR | 2,66% |
| A(acc)EUR-H1 | 2,67% |
| A(acc)USD | 2,68% |
| A(Ydis)USD | 2,66% |
| I(acc)EUR | 1,54% |
| I(acc)EUR-H1 | 1,57% |
| I(acc)USD | 1,61% |
| I(Ydis)USD | 1,52% |

EUSD STATUS

Redemption: Out of Scope

Distribution: Out of Scope

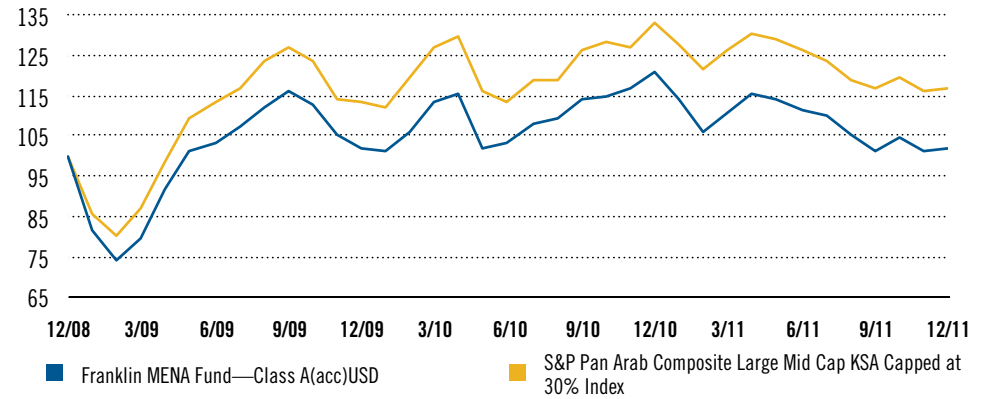
RATINGS

Morningstar™ Overall Rating: ★★

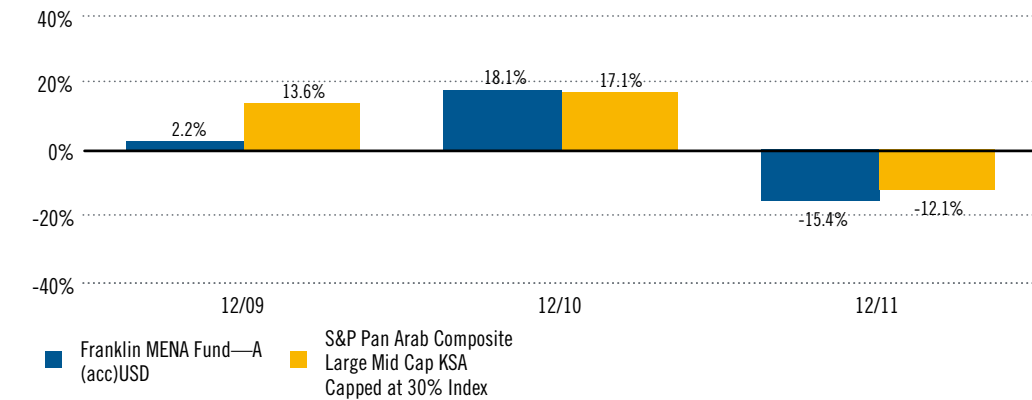
INVESTMENT OBJECTIVE

The Fund aims to achieve long-term capital appreciation by investing primarily in equity and fixed income securities of companies of any size located or performing business predominately in the Middle East and North Africa (MENA) Region, along with derivative instruments.

3 YEAR PERFORMANCE (US DOLLAR)^{1, 2, 3}



CALENDAR YEAR PERFORMANCE RETURN (US DOLLAR)^{1, 2, 3}



CUMULATIVE AND ANNUALISED (*) PERFORMANCE²

| | YTD | 1-MO | 3-MO | 6-MO | 1- YR | 3-YR | *3-YR | 5-YR | SINCE LAUNCH | *SINCE LAUNCH |
|--------------|--------|------|-------|-------|--------|-------|-------|------|--------------|---------------|
| A(acc)EUR | -12,54 | 4,56 | 4,56 | 2,23 | -12,54 | 10,31 | 3,33 | - | -50,31 | -17,93 |
| A(acc)EUR-H1 | -15,05 | 0,79 | 0,79 | -8,30 | -15,05 | 0,00 | 0,00 | - | -60,68 | -23,18 |
| A(acc)USD | -15,35 | 0,96 | 0,96 | -8,52 | -15,35 | 2,19 | 0,73 | - | -58,10 | -21,79 |
| A(Ydis)USD | -15,31 | 1,08 | 1,08 | -8,54 | -15,31 | 2,21 | 0,73 | - | -52,27 | -19,66 |
| I(acc)EUR | -11,58 | 4,67 | 4,67 | 2,75 | -11,58 | 13,90 | 4,44 | - | -47,99 | -16,86 |
| I(acc)EUR-H1 | -13,82 | 1,16 | 1,55 | -7,42 | -13,82 | 3,15 | 1,04 | - | -59,44 | -22,50 |
| I(acc)USD | -14,37 | 1,16 | 1,40 | -8,03 | -14,37 | 5,58 | 1,83 | - | -56,50 | -20,95 |
| I(Ydis)USD | -14,13 | 1,25 | 2,11 | -7,69 | -14,13 | 6,14 | 2,01 | - | -48,63 | -18,09 |
| Index | -12,13 | 0,66 | -0,03 | -7,40 | -12,13 | 18,18 | 5,73 | - | -44,80 | -15,45 |

MORNINGSTAR™ SECTOR AVERAGE⁴

| | | | | | | | | | | |
|--|--------|-------|-------|--------|--------|-------|---|---|--------|---|
| | -18,70 | -0,51 | -1,54 | -13,24 | -18,70 | 14,97 | - | - | -44,50 | - |
|--|--------|-------|-------|--------|--------|-------|---|---|--------|---|

PORTFOLIO COMPOSITION (% OF TOTAL)

| EQUITY | FIXED INCOME | CASH |
|--------|--------------|------|
| 93,71 | - | 6,29 |

Franklin Templeton Switzerland Ltd

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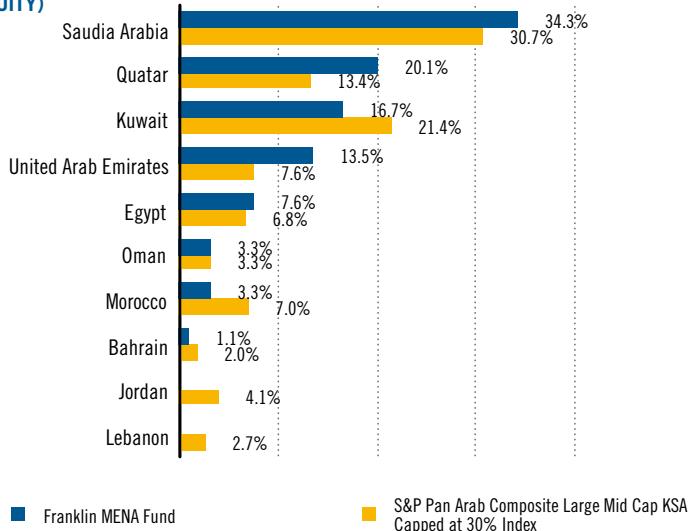
E-mail: info@franklintempleton.ch

Web: www.franklintempleton.ch

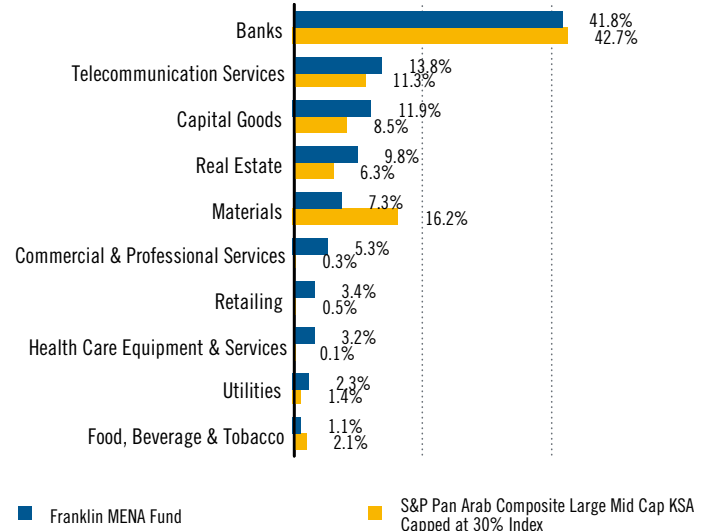
TOP 10 ISSUERS WITHIN THE PORTFOLIO (31 DECEMBER 2011)⁵

| SECURITY | INDUSTRY | COUNTRY | % |
|------------------------------------|----------------------------|----------------------|------|
| AL RAJHI BANK | Banks | Saudia Arabia | 5,55 |
| QATAR NATIONAL BANK | Banks | Qatar | 5,53 |
| FIRST GULF BANK | Banks | United Arab Emirates | 5,03 |
| ETIHAD ETISALAT CO | Telecommunication Services | Saudia Arabia | 4,91 |
| EMAAR PROPERTIES PJSC | Real Estate | United Arab Emirates | 4,46 |
| NATIONAL INDUSTRIALIZATION COMPANY | Capital Goods | Saudia Arabia | 4,24 |
| MABANEE CO SAKC | Capital Goods | Kuwait | 4,23 |
| COMMERCIAL BANK OF QATAR | Banks | Qatar | 3,43 |
| BANQUE SAUDI FRANSI | Banks | Saudia Arabia | 3,36 |
| FAWAZ ABDULAZIZ ALHOKAIR & CO | Retailing | Saudia Arabia | 3,18 |

PORTFOLIO COUNTRY WEIGHTINGS VS. S&P PAN ARAB COMPOSITE LARGE MID CAP KSA CAPPED AT 30% INDEX (% OF EQUITY)



PORTFOLIO INDUSTRY WEIGHTINGS VS. S&P PAN ARAB COMPOSITE LARGE MID CAP KSA CAPPED AT 30% INDEX (% OF EQUITY)



PORTFOLIO PERFORMANCE CONTRIBUTOR DATA IN US DOLLAR (31 DECEMBER 2011)

| LARGEST CONTRIBUTING SECURITIES | INDUSTRY | COUNTRY | % |
|--|------------------------------------|----------------------|-------|
| Bank Muscat S.A.O.G. | Banks | Oman | 0,32 |
| Masraf Al Rayan Q.S.C. | Banks | Qatar | 0,20 |
| Qatar National Bank | Banks | Qatar | 0,17 |
| Commercial Bank of Qatar Q.S.C. | Banks | Qatar | 0,17 |
| HSBC BANK PLC | Telecommunication Services | Saudia Arabia | 0,12 |
| CLSA FINANCIAL PRODUCTS LTD | Real Estate | Saudia Arabia | 0,12 |
| DEUTSCHE BANK AG/LONDON CRTP USD8.373 (FAWAZ ABDULAZIZ ALHOKAIR & CO) | Retailing | Saudia Arabia | 0,23 |
| CREDIT SUISSE INTERNATIONAL CRTP USD1 (FAWAZ ABDULAZIZ ALHOKAIR & CO) | Retailing | Saudia Arabia | 0,16 |
| DEUTSCHE BANK AG/LONDON CRTP USD NPV(NATIONAL INDUSTRIALIZATION COMPANY) | Capital Goods | Saudia Arabia | 0,21 |
| Aluminium Bahrain B.S.C. | Materials | Bahrain | 0,21 |
| SMALLEST CONTRIBUTING SECURITIES | INDUSTRY | COUNTRY | % |
| Commercial International Bank (Egypt) S.A.E. | Banks | Egypt | -0,09 |
| Emaar Properties PJSC | Real Estate | United Arab Emirates | -0,23 |
| Yiaco Medical Co. K.S.C.C. | Health Care Equipment & Services | Kuwait | -0,07 |
| Juhayna Food Industries | Food, Beverage & Tobacco | Egypt | -0,11 |
| Depa Ltd. | Commercial & Professional Services | United Arab Emirates | -0,23 |
| CREDIT SUISSE INTERNATIONAL CRTP USD NPV (JARIR MARKETING CO) | Commercial & Professional Services | Saudia Arabia | -0,91 |
| Mabane Co. S.A.K.C. | Capital Goods | Kuwait | -0,14 |
| CREDIT SUISSE INTERNATIONAL (CRTP USD NPV (SAFCO)) | Materials | Saudia Arabia | -0,07 |
| Sidi Kerir Petrochemicals Co. | Materials | Egypt | -0,08 |
| Centamin Egypt Ltd | Materials | Egypt | -0,46 |

PERFORMANCE STATISTICS (31 DECEMBER 2011)⁶

| STANDARD DEVIATION | 1-YR | 3-YR | 5-YR |
|--|-------|-------|------|
| Franklin MENA Fund | 12,61 | 21,32 | - |
| S&P Pan Arab Composite Large Mid Cap KSA Capped at 30% Index | 9,77 | 18,03 | - |

| SHARPE RATIO | 1-YR | 3-YR | 5-YR |
|--|-------|------|------|
| Franklin MENA Fund | -1,23 | 0,03 | - |
| S&P Pan Arab Composite Large Mid Cap KSA Capped at 30% Index | -1,26 | 0,31 | - |

| % OF POSITIVE MONTHS | 1-YR | 3-YR | 5-YR |
|--|-------|-------|------|
| Franklin MENA Fund | 33,33 | 58,33 | - |
| S&P Pan Arab Composite Large Mid Cap KSA Capped at 30% Index | 33,33 | 52,78 | - |

| GAINS : LOSSES | 1-YR | 3-YR | 5-YR |
|--|------|------|------|
| Franklin MENA Fund | 0,45 | 1,11 | - |
| S&P Pan Arab Composite Large Mid Cap KSA Capped at 30% Index | 0,45 | 1,34 | - |

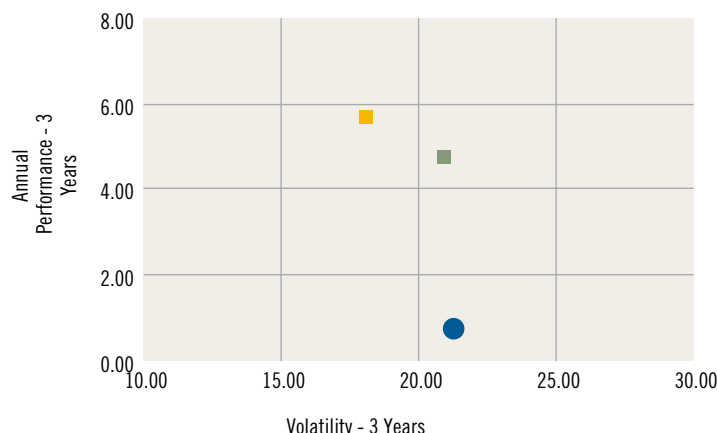
| MAXIMUM LOSS | 1-YR | 3-YR | 5-YR |
|--|--------|--------|------|
| Franklin MENA Fund | -16,16 | -25,85 | - |
| S&P Pan Arab Composite Large Mid Cap KSA Capped at 30% Index | -12,71 | -16,60 | - |

| VS. S&P PAN ARAB COMPOSITE LARGE MID CAP KSA CAPPED AT 30% INDEX | 1-YR | 3-YR | 5-YR |
|--|-------|-------|------|
| Alpha | -0,07 | -4,85 | - |
| Beta | 1,26 | 1,12 | - |
| Tracking Error | 3,65 | 7,35 | - |
| Information Ratio | -0,88 | -0,68 | - |
| Correlation | 0,98 | 0,94 | - |
| R Squared | 0,96 | 0,89 | - |

PORTFOLIO CHARACTERISTICS (31 DECEMBER 2011)⁶

| | PORTFOLIO | BENCHMARK |
|--|-----------|-----------|
| Avg. P/E Ratio | 9,71 | 11,47 |
| Avg. P/BV Ratio | 1,53 | 1,45 |
| Avg. P/CF Ratio | 7,92 | 7,80 |
| Avg. Dividend Yield | 4,15% | 4,89% |
| Avg. Market Capitalisation (in millions) | \$8.253 | \$10.102 |
| Median Market Capitalisation (in millions) | \$3.720 | \$575 |

| MARKET CAPITALISATION BREAKDOWN | PORTFOLIO |
|---------------------------------|-----------|
| < 1.5 billion | 9,5 |
| 1.5 billion - 5 billion | 36,3 |
| > 5 billion | 48,5 |

RISK VS. RETURN^{1,7}

- Franklin MENA Fund—A(acc)USD
- S&P Pan Arab Composite Large Mid Cap KSA Capped at 30% Index
- Africa & Middle East Equity

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%.

Correlation: A measure of the degree to which the price trends of various investment categories or instruments move in the same direction. The correlation quantifies the strength of the relationship as a figure between -1 and +1. The closer the coefficient is to 1, the stronger the correlation. If the coefficient is -1, the investments and the benchmark move in opposite directions. If the value is 0 there is no correlation.

Dividend Yield: A Dividend is a payment of cash or stock from a company's earnings to each stockholder as declared by the company's board of directors. A dividend yield is a snapshot of interest and dividend income from a fund. The yield, expressed as a percentage of the fund's net asset value, is based on income earned over the past 30 days and is annualised for the coming year.

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/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/earnings ratio (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 1.00. If a portfolio's return bore no relationship to the market's returns, its R-squared would be 0.

Sharpe ratio: A measure of risk-adjusted return. 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.

Volatility: The degree of fluctuation in the value of a security, mutual fund, or index, volatility is often expressed as a mathematical measure such as a standard deviation or beta. The greater a fund's volatility, the wider the fluctuations between its high and low prices.

IMPORTANT INFORMATION AND DISCLAIMERS

1. Performance data may represent blended share class performance e.g. hybrid created from an A(dis) share class which was converted to A(acc). Performance figures represent the aggregate total return for the period indicated assuming, where relevant, the reinvestment of dividends and distributions. Performance figures assume reinvestment of dividends. Performance figures above are for A(dis) shares, except where only A(acc) shares are available, then A(acc) performance is shown. S&P sector average represents the Luxembourg universe. The performance data does not take account commissions and/or costs incurred on the issue and redemption of the shares. 2. The benchmark performance shown is derived from a combination of the MSCI Arabian Markets SA Capped 20% Index from the Fund's inception to 29 September 2010 and the S&P Pan Arab Composite Large Mid Cap KSA Capped at 30% Index from 29 September 2010 to current reporting period. 3. Chart performance figures are rebased to 100 at the Fund's inception date. 4. Copyright - © 2011 Morningstar, Inc. All Rights Reserved. You will find further information under www.franklintempleton.ch/morningstar/en. 5. The portfolio manager for the Fund reserves the right to withhold release of information with respect to holdings that would otherwise be included in the top 10 holdings list. 6. Please refer to the Glossary section for more explanations on mathematical measures and financial terms. If you need further explanation, please seek guidance from a Financial Adviser. Due to rounding the percentages shown may be within 0.1% tolerance of the true value. 7. Peer Group Source: © 2011 Standard & Poor's Micropal, Inc. 1-800-596-5323 <http://www.funds-sp.com>. The development of the values shown above originates in the past.

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Paying agent of Franklin Templeton Investment Funds in Switzerland is JPMorgan Chase Bank, Dreikönigstrasse 21, 8022 Zurich.

Subscriptions for shares in the Fund can only be made on the basis of the most recent Key Features and Prospectus which are available free of charge from Franklin Templeton Switzerland Ltd, Bahnhofstrasse 22, P.O. Box, 8022 Zurich, Phone: +41 (0) 44 217 81 81, E-mail: info@franklintempleton.ch.

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