



FRANKLIN TEMPLETON  
INVESTMENTS

# TEMPLETON EMERGING MARKETS SMALLER COMPANIES FUND

A SUB-FUND OF LUXEMBOURG-DOMICILED SICAV

31 December 2011

## FUND MANAGER AND LOCATION

**Mark Mobius**, Singapore  
(since 19 October 2007)  
**Dennis Lim**, Singapore  
(since 19 October 2007)  
**Tom Wu**, Hong Kong  
(since 19 October 2007)

## FUND INFORMATION

**Base Currency of Fund:** US dollar  
**Fund Size:** \$237,16 million  
**Number of Positions:** 73  
**Fund Index:** MSCI Emerging Markets Small Cap Index  
**Morningstar™ Workstation Category:** Global Emerging Markets Equity  
**Date of Fund Launch:** 18 October 2007

## NET ASSET VALUE AS OF 31 DECEMBER 2011

**A(acc)EUR** €7,50  
**A(acc)USD** \$6,79  
**A(Ydis)USD** \$6,64  
**I(acc)USD** \$7,11  
**I(acc)EUR** €7,84

## CHARGES AND IDENTIFIERS

Share Class	Max. Initial Sales Charge	Annual Management & Administration Charge
A shares	5,25%	2,10%
I shares	-	1,10%

Share Class	Valoren	ISIN
A(acc)EUR	3104237	LU0300743431
A(acc)USD	3104186	LU0300738514
A(Ydis)USD	3104207	LU0300738605
I(acc)EUR	3104247	LU0300743605
I(acc)USD	3104217	LU0300738944

## TOTAL EXPENSE RATIO AS OF DECEMBER 2011

**A(acc)EUR** 2,49%  
**A(acc)USD** 2,49%  
**A(Ydis)USD** 2,48%  
**I(acc)EUR** 1,37%  
**I(acc)USD** 1,39%

## EUSD STATUS

**Redemption:** Out of Scope  
**Distribution:** Out of Scope

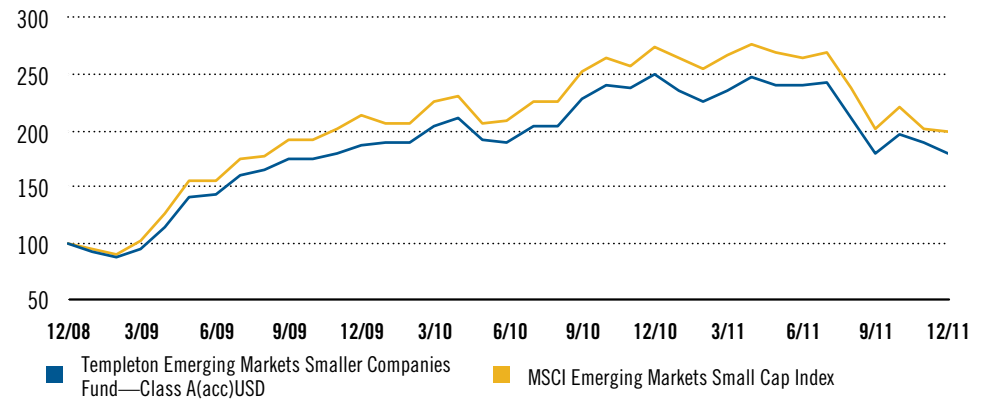
## RATINGS<sup>3</sup>

Morningstar™ Overall Rating: ★★★★★

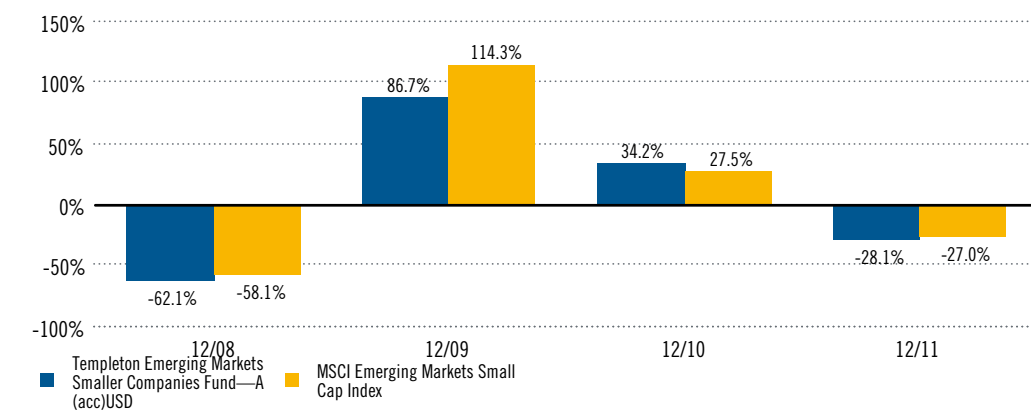
## INVESTMENT OBJECTIVE

The Fund aims to achieve long-term capital appreciation by investing primarily in equity securities and depository receipts of small-cap companies registered or performing a substantial part of their business in emerging markets or holding a substantial part of their participations in small-cap companies registered in emerging markets. Emerging Market small-cap companies are normally those having a market capitalisation at the time of purchase of less than USD 2 billion.

## 3 YEAR PERFORMANCE (US DOLLAR)<sup>1, 2</sup>



## CALENDAR YEAR PERFORMANCE RETURN (US DOLLAR)<sup>1, 2</sup>



## CUMULATIVE AND ANNUALISED (\*) PERFORMANCE

	YTD	1-MO	3-MO	6-MO	1-YR	3-YR	*3-YR	5-YR	*5-YR	SINCE LAUNCH	*SINCE LAUNCH
A(acc)EUR	-25,67	-0,66	4,46	-16,39	-25,67	94,81	24,91	-	-	-25,00	-6,62
A(acc)USD	-28,15	-4,37	0,89	-25,39	-28,15	80,10	21,68	-	-	-32,10	-8,80
A(Ydis)USD	-28,16	-4,32	0,91	-25,42	-28,16	80,19	21,70	-	-	-32,13	-8,81
I(acc)EUR	-24,91	-0,63	4,67	-15,97	-24,91	101,02	26,23	-	-	-21,60	-5,63
I(acc)USD	-27,30	-4,18	1,14	-25,00	-27,30	86,13	23,03	-	-	-28,90	-7,80
Index	-26,96	-1,31	-0,64	-24,24	-26,96	99,55	25,92	19,22	3,58	-20,61	-5,34

## MORNINGSTAR™ SECTOR AVERAGE<sup>4</sup>

	-20,76	-2,16	3,17	-20,20	-20,76	60,91	-	-	-	-22,33	-
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## PORTFOLIO COMPOSITION (% OF TOTAL)

EQUITY	FIXED INCOME	CASH
99,46	-	0,54

Franklin Templeton Switzerland Ltd

Bahnhofstrasse 22, P.O. Box, 8022 Zurich

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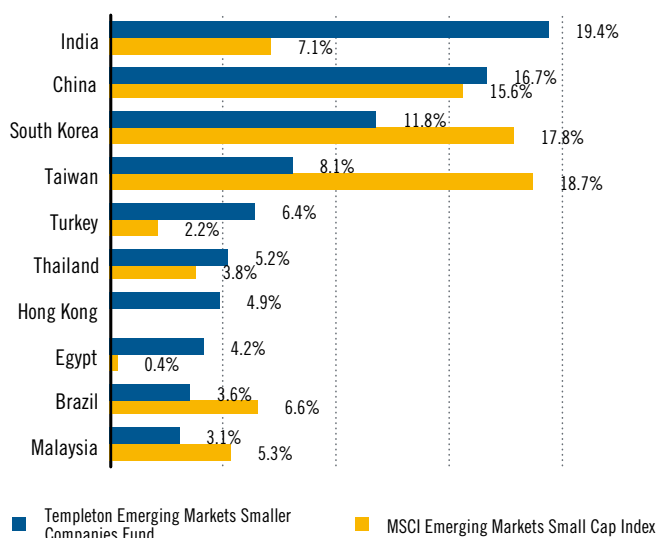
E-mail: info@franklintempleton.ch

Web: www.franklintempleton.ch

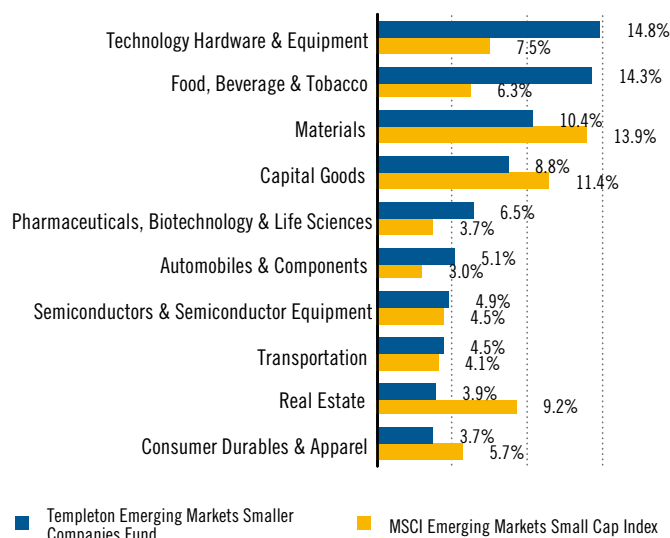
**TOP 10 ISSUERS WITHIN THE PORTFOLIO (31 DECEMBER 2011)<sup>5</sup>**

SECURITY	INDUSTRY	COUNTRY	%
APOLLO TYRES LTD	Automobiles & Components	India	3,69
MARFRIG ALIMENTOS SA	Food, Beverage & Tobacco	Brazil	3,34
SIMPLO TECHNOLOGY CO LTD	Technology Hardware & Equipment	Taiwan	3,07
NOVATEK MICROELECTRONICS LTD	Semiconductors & Semiconductor Equipment	Taiwan	3,00
DELTA ELECTRONICS THAI PCL	Technology Hardware & Equipment	Thailand	2,88
REDINGTON INDIA LTD	Technology Hardware & Equipment	India	2,88
AMVIG HOLDINGS LTD	Materials	Hong Kong	2,49
PINAR SUT MAMULLERI SANAYII AS	Food, Beverage & Tobacco	Turkey	2,47
FEDERAL BANK LTD	Banks	India	2,43
TRAVELSKY TECHNOLOGY LTD	Software & Services	China	2,42

**PORTFOLIO COUNTRY WEIGHTINGS VS. MSCI EMERGING MARKETS SMALL CAP INDEX (% OF EQUITY)**



**PORTFOLIO INDUSTRY WEIGHTINGS VS. MSCI EMERGING MARKETS SMALL CAP INDEX (% OF EQUITY)**



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

LARGEST CONTRIBUTING SECURITIES	INDUSTRY	COUNTRY	%
Simplo Technology Co. Ltd.	Technology Hardware & Equipment	Taiwan	0,26
Delta Electronics Public Company Limited	Technology Hardware & Equipment	Thailand	0,18
Redington (India) Ltd.	Technology Hardware & Equipment	India	0,10
Siliconworks Co. Ltd.	Semiconductors & Semiconductor Equipment	South Korea	0,18
Novatek Microelectronics Corp.	Semiconductors & Semiconductor Equipment	Taiwan	0,11
TravelSky Technology Ltd.	Software & Services	China	0,08
Panin Financial	Insurance	Indonesia	0,27
Sichuan Expressway Co. Ltd.	Transportation	China	0,10
Chongqing Machinery & Electric Co. Ltd.	Capital Goods	China	0,14
Shanghai Prime Machinery Co. Ltd.	Capital Goods	China	0,08

SMALLEST CONTRIBUTING SECURITIES	INDUSTRY	COUNTRY	%
Ju Teng International Holdings Ltd.	Technology Hardware & Equipment	China	-0,21
Federal Bank Ltd.	Banks	India	-0,20
Tulip Telecom Ltd.	Telecommunication Services	India	-0,38
Beijing Capital Land Ltd.	Real Estate	China	-0,16
HITEJINRO CO LTD	Food, Beverage & Tobacco	South Korea	-0,28
Youngone Holdings Co. Ltd.	Consumer Durables & Apparel	South Korea	-0,14
Apollo Tyres Ltd.	Automobiles & Components	India	-0,50
Ballarpur Industries Ltd.	Materials	India	-0,18
Tata Chemicals Ltd.	Materials	India	-0,25
AMVIG Holdings Ltd.	Materials	China	-0,26

PERFORMANCE STATISTICS (US DOLLAR)<sup>6</sup>

STANDARD DEVIATION	1-YR	3-YR	5-YR
Templeton Emerging Markets Smaller Companies Fund	24,27	27,63	-
MSCI Emerging Markets Small Cap Index	23,70	28,82	32,09
SHARPE RATIO	1-YR	3-YR	5-YR
Templeton Emerging Markets Smaller Companies Fund	-1,17	0,78	-
MSCI Emerging Markets Small Cap Index	-1,14	0,89	0,07
% OF POSITIVE MONTHS	1-YR	3-YR	5-YR
Templeton Emerging Markets Smaller Companies Fund	41,67	63,89	-
MSCI Emerging Markets Small Cap Index	33,33	61,11	56,67
GAINS : LOSSES	1-YR	3-YR	5-YR
Templeton Emerging Markets Smaller Companies Fund	0,41	1,93	-
MSCI Emerging Markets Small Cap Index	0,43	2,08	1,23
MAXIMUM LOSS	1-YR	3-YR	5-YR
Templeton Emerging Markets Smaller Companies Fund	-28,78	-28,78	-
MSCI Emerging Markets Small Cap Index	-28,19	-28,19	-65,73
VS. MSCI EMERGING MARKETS SMALL CAP INDEX	1-YR	3-YR	5-YR
Alpha	-1,82	-2,00	-
Beta	0,99	0,94	-
Tracking Error	6,46	6,39	-
Information Ratio	-0,18	-0,66	-
Correlation	0,96	0,98	-
R Squared	0,93	0,95	-

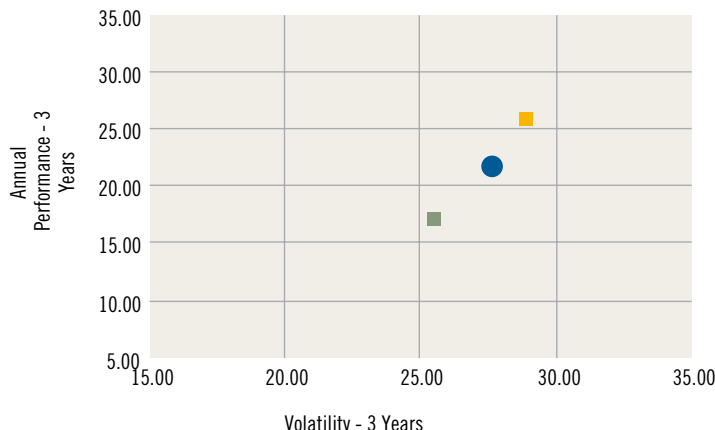
PORTFOLIO CHARACTERISTICS (31 DECEMBER 2011)<sup>6</sup>

	PORTFOLIO	BENCHMARK
Avg. P/E Ratio	8,40	14,80
Avg. P/BV Ratio	0,97	1,10
Avg. P/CF Ratio	6,14	7,81
Avg. Dividend Yield	3,85%	3,21%
Avg. Market Capitalisation (in millions)	\$709	\$767
Median Market Capitalisation (in millions)	\$460	\$318

MARKET CAPITALISATION BREAKDOWN

	PORTFOLIO
< 1.5 billion	72,8
1.5 billion - 5 billion	17,4
> 5 billion	0,0

RISK VS. RETURN<sup>1, 7</sup>



- Templeton Emerging Markets Smaller Companies Fund—A(acc)USD
- MSCI Emerging Markets Small Cap Index
- Global Emerging Markets 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. Chart performance figures are rebased to 100 at the Fund's inception date. 3. Copyright - © 2011 Morningstar, Inc. All Rights Reserved. Morningstar Rating™ as of 31 December 2011, in the Global Emerging Markets Equity Morningstar Category™. 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 Microcap, 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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