



FRANKLIN TEMPLETON
INVESTMENTS

FRANKLIN ASIAN FLEX CAP FUND

A SUB-FUND OF LUXEMBOURG-DOMICILED SICAV

31 December 2010

FUND MANAGER AND LOCATION

Stephen Dover, California, United States
(since 15 November 2006)

FUND INFORMATION

Base Currency of Fund: US dollar
Fund Size: \$23,91 million
Number of Positions: 52
Fund Index: MSCI All Country Asia ex Japan Index
Morningstar™ Workstation Category: Equity Asia Pacific ex-Japan
Date of Fund Launch: 15 November 2006

NET ASSET VALUE AS OF 31 DECEMBER 2010

A(acc)USD \$13,82
A(Ydis)USD \$13,72
I(acc)USD \$14,45
I(Ydis)USD \$13,84

CHARGES AND IDENTIFIERS

| Share Class | Max. Initial Sales Charge | Annual Management & Administration Charge |
|-------------|---------------------------|-------------------------------------------|
| A shares | 5,25% | 1,50% |
| I shares | - | 0,70% |

| Share Class | Valoren | ISIN |
|-------------|---------|--------------|
| A(acc)USD | 2636602 | LU0260852503 |
| A(Ydis)USD | 2636599 | LU0260852842 |
| I(acc)USD | 2636614 | LU0260854202 |
| I(Ydis)USD | 2636612 | LU0260854541 |

TOTAL EXPENSE RATIO AS OF DECEMBER 2010

A(acc)USD 2,00%
A(Ydis)USD 2,00%
I(acc)USD 0,99%
I(Ydis)USD 1,00%

EUSD STATUS

Redemption: Out of Scope
Distribution: Out of Scope

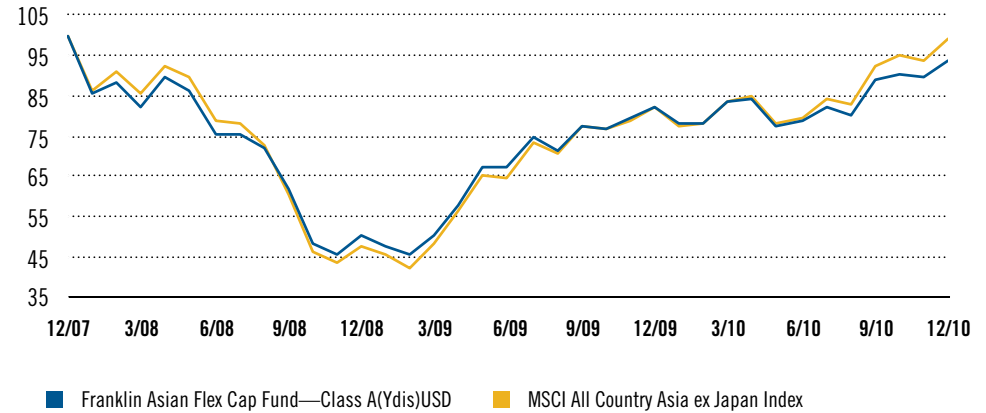
RATINGS³

Morningstar™ Overall Rating: ★★★★★

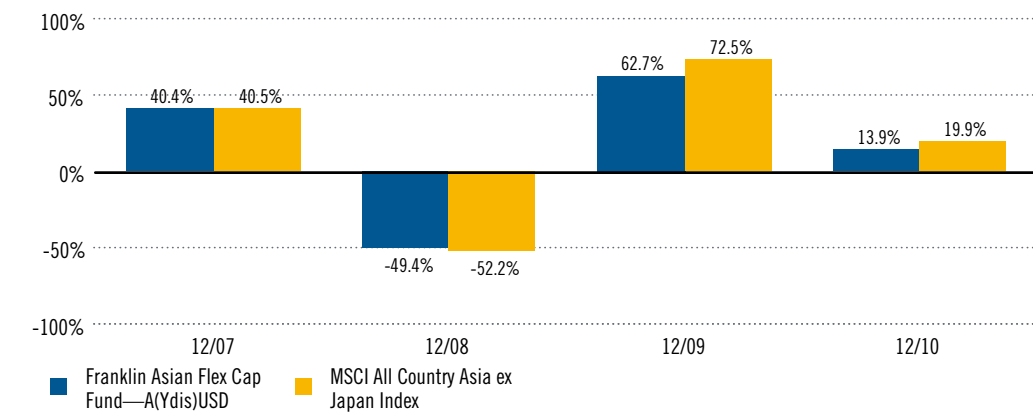
INVESTMENT OBJECTIVE

The Fund aims to achieve long-term capital appreciation by investing principally in equity securities of companies of any size located or performing business predominantly in the Asia Region, excluding Japan.

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



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



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)USD | 13,84 | 4,30 | 5,09 | 19,34 | 13,84 | -6,18 | -2,10 | - | - | 38,20 | 8,16 |
| A(Ydis)USD | 13,86 | 4,25 | 5,05 | 19,30 | 13,86 | -6,26 | -2,13 | - | - | 38,19 | 8,16 |
| I(acc)USD | 14,96 | 4,33 | 5,32 | 19,92 | 14,96 | -2,56 | -0,86 | - | - | 44,51 | 9,33 |
| I(Ydis)USD | 14,96 | 4,37 | 5,33 | 19,89 | 14,96 | -3,37 | -1,13 | - | - | 43,96 | 9,23 |
| Index | 19,93 | 5,53 | 6,71 | 24,40 | 19,93 | -1,15 | -0,38 | 85,77 | 13,19 | 49,20 | 10,18 |

MORNINGSTAR™ SECTOR AVERAGE⁴

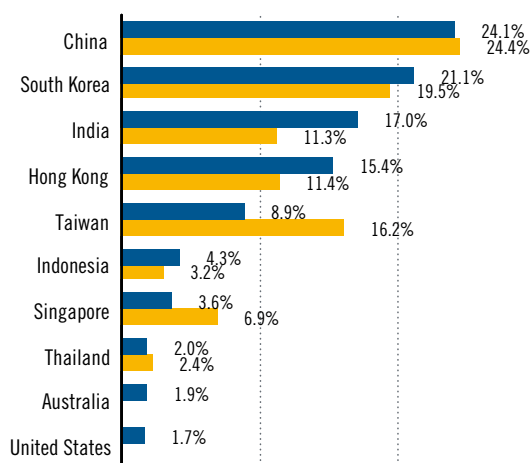
| | | | | | | | | | | | |
|--|-------|------|------|-------|-------|-------|---|---|---|-------|---|
| | 18,47 | 4,61 | 6,53 | 24,50 | 18,47 | -4,57 | - | - | - | 38,57 | - |
|--|-------|------|------|-------|-------|-------|---|---|---|-------|---|

PORTFOLIO COMPOSITION (% OF TOTAL)

| EQUITY | FIXED INCOME | CASH |
|--------|--------------|------|
| 98,59 | - | 1,41 |

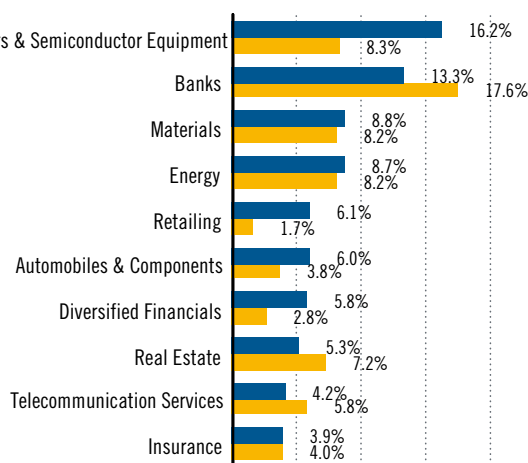
TOP 10 ISSUERS WITHIN THE PORTFOLIO (31 DECEMBER 2010)⁵

| SECURITY | INDUSTRY | COUNTRY | % |
|-------------------------------------------|------------------------------------------|-------------|------|
| TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD | Semiconductors & Semiconductor Equipment | Taiwan | 5,73 |
| SAMSUNG ELECTRONICS CO LTD | Semiconductors & Semiconductor Equipment | South Korea | 4,96 |
| HYUNDAI MOTOR CO | Automobiles & Components | South Korea | 4,32 |
| BHARTI AIRTEL LTD | Telecommunication Services | India | 4,11 |
| HONG KONG EXCHANGES & CLEARING LTD | Diversified Financials | Hong Kong | 4,03 |
| CHINA SHENHUA ENERGY CO LTD | Energy | China | 3,94 |
| PARKSON RETAIL GROUP LTD | Retailing | China | 3,81 |
| DAIRY FARM INTERNATIONAL HOLDINGS LTD | Food & Staples Retailing | Hong Kong | 3,22 |
| GRASIM INDUSTRIES LTD | Materials | India | 2,52 |
| CHINA CONSTRUCTION BANK | Banks | China | 2,42 |

PORTFOLIO COUNTRY WEIGHTINGS VS.
MSCI ALL COUNTRY ASIA EX JAPAN INDEX (% OF EQUITY)

■ Franklin Asian Flex Cap Fund

■ MSCI All Country Asia ex Japan Index

PORTFOLIO INDUSTRY WEIGHTINGS VS.
MSCI ALL COUNTRY ASIA EX JAPAN INDEX (% OF EQUITY)

■ Franklin Asian Flex Cap Fund

■ MSCI All Country Asia ex Japan Index

PORTFOLIO PERFORMANCE CONTRIBUTOR DATA IN US DOLLAR (31 DECEMBER 2010)

| LARGEST CONTRIBUTING SECURITIES | INDUSTRY | COUNTRY | % |
|---------------------------------------------|------------------------------------------|---------------|------|
| Taiwan Semiconductor Manufacturing Co. Ltd. | Semiconductors & Semiconductor Equipment | Taiwan | 0,89 |
| Samsung Electronics Co. Ltd. | Semiconductors & Semiconductor Equipment | South Korea | 0,84 |
| MediaTek Inc. | Semiconductors & Semiconductor Equipment | Taiwan | 0,26 |
| Hollysys Automation Technologies Ltd. | Technology Hardware & Equipment | United States | 0,18 |
| Meritz Fire & Marine Insurance Co. Ltd. | Insurance | South Korea | 0,22 |
| Woori Finance Holdings Co. Ltd. | Banks | South Korea | 0,19 |
| LG Electronics Inc. | Consumer Durables & Apparel | South Korea | 0,27 |
| GS Engineering & Construction Corp. | Capital Goods | South Korea | 0,20 |
| Tata Steel Ltd. | Materials | India | 0,21 |
| Adaro Energy | Energy | Indonesia | 0,22 |

| SMALLEST CONTRIBUTING SECURITIES | INDUSTRY | COUNTRY | % |
|---------------------------------------------|--------------------------|-----------|-------|
| GVK Power & Infrastructure Ltd. | Utilities | India | -0,08 |
| TravelSky Technology Ltd. | Software & Services | China | -0,03 |
| Longtop Financial Technologies Ltd. ADS | Software & Services | China | -0,15 |
| China Overseas Land & Investment Ltd. | Real Estate | China | -0,09 |
| Ping An Insurance (Group) Co. of China Ltd. | Insurance | China | -0,07 |
| Hong Kong Exchanges & Clearing Ltd. | Diversified Financials | Hong Kong | -0,03 |
| Industrial & Commercial Bank of China Ltd. | Banks | China | -0,11 |
| Parkson Retail Group Ltd. | Retailing | China | -0,31 |
| Jagran Prakashan Ltd. | Media | India | -0,03 |
| Dongfeng Motor Group Co. Ltd. | Automobiles & Components | China | -0,03 |

PERFORMANCE STATISTICS (31 DECEMBER 2010)⁶

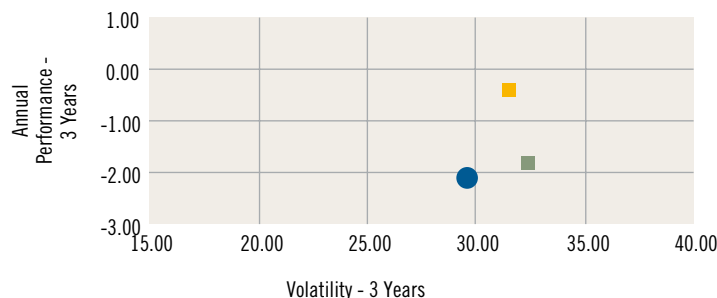
| STANDARD DEVIATION | 1-YR | 3-YR | 5-YR |
|------------------------------------------|-------|--------|--------|
| Franklin Asian Flex Cap Fund | 17,81 | 29,55 | - |
| MSCI All Country Asia ex Japan Index | 18,35 | 31,46 | 26,87 |
| SHARPE RATIO | 1-YR | 3-YR | 5-YR |
| Franklin Asian Flex Cap Fund | 0,78 | -0,10 | - |
| MSCI All Country Asia ex Japan Index | 1,09 | -0,04 | 0,40 |
| % OF POSITIVE MONTHS | 1-YR | 3-YR | 5-YR |
| Franklin Asian Flex Cap Fund | 58,33 | 52,78 | - |
| MSCI All Country Asia ex Japan Index | 66,67 | 50,00 | 58,33 |
| GAINS : LOSSES | 1-YR | 3-YR | 5-YR |
| Franklin Asian Flex Cap Fund | 1,87 | 1,06 | - |
| MSCI All Country Asia ex Japan Index | 2,18 | 1,12 | 1,57 |
| MAXIMUM LOSS | 1-YR | 3-YR | 5-YR |
| Franklin Asian Flex Cap Fund | -8,23 | -54,62 | - |
| MSCI All Country Asia ex Japan Index | -8,36 | -57,75 | -61,50 |
| VS. MSCI ALL COUNTRY ASIA EX JAPAN INDEX | 1-YR | 3-YR | 5-YR |
| Alpha | -4,38 | -2,09 | - |
| Beta | 0,95 | 0,93 | - |
| Tracking Error | 3,28 | 4,68 | - |
| Information Ratio | -1,85 | -0,37 | - |
| Correlation | 0,98 | 0,99 | - |
| R Squared | 0,97 | 0,98 | - |

PORTFOLIO CHARACTERISTICS (31 DECEMBER 2010)⁶

| | PORTFOLIO | BENCHMARK |
|--------------------------------------------|-----------|-----------|
| Avg. P/E Ratio | 15,82 | 15,83 |
| Avg. P/BV Ratio | 2,69 | 2,11 |
| Avg. P/CF Ratio | 11,02 | 9,90 |
| Avg. Dividend Yield | 1,84% | 2,08% |
| Avg. Market Capitalisation (in millions) | \$28.446 | \$37.719 |
| Median Market Capitalisation (in millions) | \$5.213 | \$4.908 |

MARKET CAPITALISATION BREAKDOWN

| | PORTFOLIO |
|-------------------------|-----------|
| < 1.5 billion | 12,1 |
| 1.5 billion - 5 billion | 21,4 |
| > 5 billion | 61,4 |

RISK VS. RETURN^{1,7}

- Franklin Asian Flex Cap Fund—A(Ydis)USD
- MSCI All Country Asia ex Japan Index
- Asia ex Japan 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 - © 2010 Morningstar, Inc. All Rights Reserved. Morningstar Rating™ as of 31 December 2010, in the Equity Asia Pacific ex-Japan Morningstar Category™. 4. Copyright - © 2010 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: © 2010 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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An investment in FTIF entails risks which are described in the prospectus. No shares of the SICAV may be directly or indirectly offered or sold to nationals or residents of the United States of America.

Please consult your Financial Adviser before deciding to invest. In emerging markets, the risks can be greater than in developed markets. Please read the Prospectus before deciding to invest. Investments in FTIF may not be suitable for all investors. All or most of the protections provided by the Swiss Regulatory System will not apply to the Franklin Templeton Investment Funds' (SICAV) Investors.

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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