



FRANKLIN TEMPLETON
INVESTMENTS

TEMPLETON EASTERN EUROPE FUND

A SUB-FUND OF LUXEMBOURG-DOMICILED SICAV

31 December 2011

FUND MANAGER AND LOCATION

Mark Mobius, Singapore
(since 10 November 1997)

FUND INFORMATION

Base Currency of Fund: Euro
Fund Size: €468,22 million
Number of Positions: 32
Fund Index: MSCI EM Europe Index
Morningstar™ Workstation Category: Emerging Europe Equity
Date of Fund Launch: 10 November 1997

NET ASSET VALUE AS OF 31 DECEMBER 2011

A(acc)EUR €18,89
A(Ydis)EUR €18,69
A(acc)USD \$24,45
I(acc)EUR €13,19

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	674485	LU0078277505
A(Ydis)EUR	2276853	LU0229940696
A(acc)USD	2302538	LU0231793349
I(acc)EUR	1923022	LU0195951297

TOTAL EXPENSE RATIO AS OF DECEMBER 2011

A(acc)EUR 2,55%
A(Ydis)EUR 2,54%
A(acc)USD 2,55%
I(acc)EUR 1,39%

EUSD STATUS

Redemption: Out of Scope
Distribution: Out of Scope

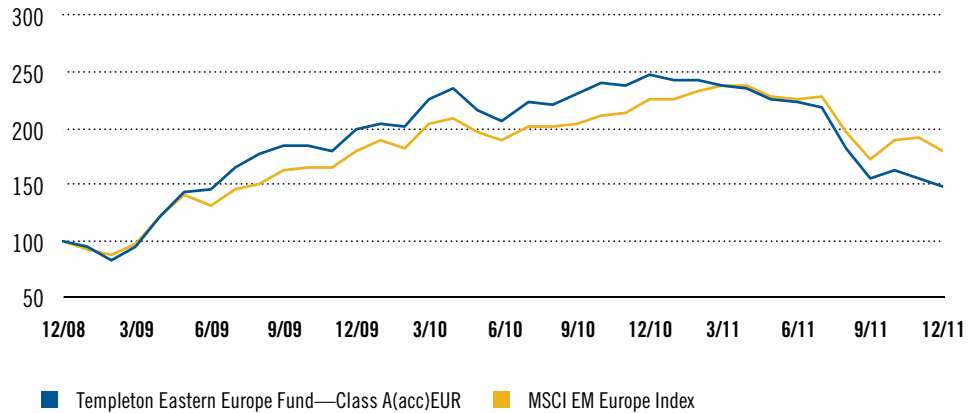
RATINGS

Morningstar™ Overall Rating: ★★

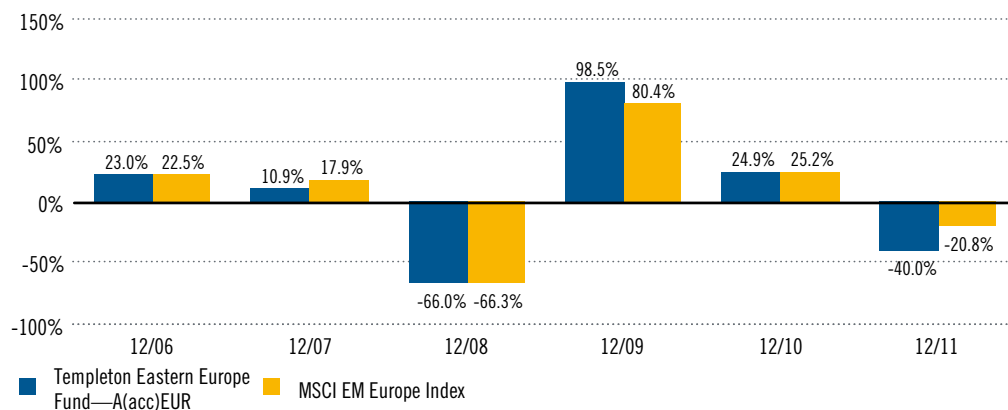
INVESTMENT OBJECTIVE

The Fund aims to achieve long-term capital appreciation by investing primarily in listed equity securities of issuers organised under the laws of or having their principal activities within the countries of Eastern Europe, as well as the New Independent States, i.e. the countries in Europe and Asia that were formerly part of or under the influence of the Soviet Union.

3 YEAR PERFORMANCE (EURO)^{1,2}



CALENDAR YEAR PERFORMANCE RETURN (EURO)^{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)EUR	-40,02	-4,31	-3,96	-33,13	-40,02	48,74	14,16	-43,95	-10,93	119,81	5,73
A(Ydis)EUR	-40,00	-4,30	-3,96	-33,11	-40,00	48,80	14,18	-43,93	-10,93	-21,63	-3,87
A(acc)USD	-41,94	-7,81	-7,18	-40,29	-41,94	37,67	11,25	-45,02	-11,28	-16,16	-2,81
I(acc)EUR	-39,27	-4,21	-3,65	-32,70	-39,27	54,45	15,61	-40,40	-9,83	31,90	3,85
Index	-20,77	-6,49	3,83	-20,92	-20,77	78,96	21,43	-29,14	-6,66	167,17	7,20

MORNINGSTAR™ SECTOR AVERAGE³

	-27,21	-4,98	1,36	-22,86	-27,21	61,77	-	-33,21	-	61,29	-
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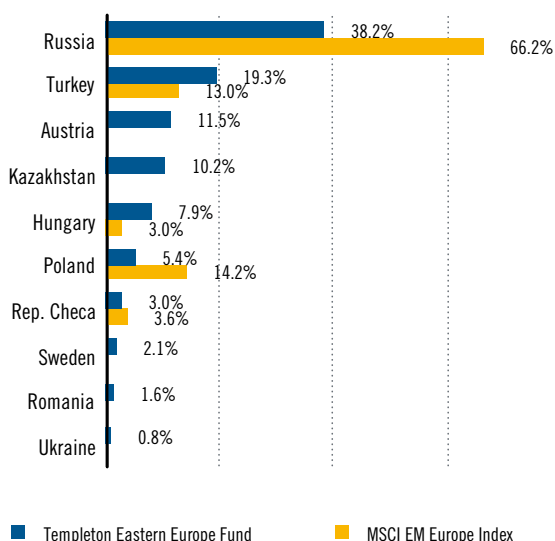
PORTFOLIO COMPOSITION (% OF TOTAL)

EQUITY	FIXED INCOME	CASH
97,60	-	2,40

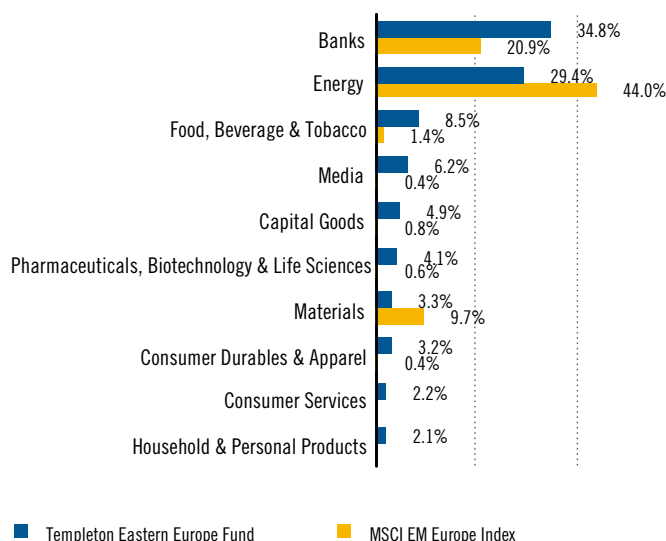
TOP 10 ISSUERS WITHIN THE PORTFOLIO (31 DECEMBER 2011)⁴

SECURITY	INDUSTRY	COUNTRY	%
SBERBANK OF RUSSIA	Banks	Russia	9,06
LUKOIL HOLDINGS	Energy	Russia	8,13
GAZPROM	Energy	Russia	7,75
CTC MEDIA INC	Media	Russia	6,02
KAZMUNAIGAS EXPLORATION PRODUCTION	Energy	Kazakhstan	5,26
RAIFFEISEN BANK INTERNATIONAL AG	Banks	Austria	4,85
ZHAIKMUNAI LP	Energy	Kazakhstan	4,72
OTP BANK	Banks	Hungary	4,47
TURKIYE VAKIFLAR	Banks	Turkey	4,30
TURKIYE IS BANKASI	Banks	Turkey	4,15

PORTFOLIO COUNTRY WEIGHTINGS VS. MSCI EM EUROPE INDEX (% OF EQUITY)



PORTFOLIO INDUSTRY WEIGHTINGS VS. MSCI EM EUROPE INDEX (% OF EQUITY)



PORTFOLIO PERFORMANCE CONTRIBUTOR DATA IN EURO (31 DECEMBER 2011)

LARGEST CONTRIBUTING SECURITIES	INDUSTRY	COUNTRY	%
Raiffeisen Bank International AG	Banks	Austria	0,54
Erste Group Bank AG	Banks	Austria	0,19
BRD-Groupe Societe Generale S.A.	Banks	Romania	0,07
Ablon Group Ltd.	Real Estate	Hungary	0,02
Oriflame Cosmetics S.A. SDR	Household & Personal Products	Sweden	0,15
Pinar Sut Mamulleri Sanayii A.S.	Food, Beverage & Tobacco	Turkey	0,03
Pegas Nonwovens S.A.	Consumer Durables & Apparel	Czechoslovakia	0,02
POLNORD SA	Capital Goods	Poland	0,01
Raspadskaya OJSC	Materials	Russia	0,06
Zhaikmunai L.P.	Energy	Kazakhstan	0,44

SMALLEST CONTRIBUTING SECURITIES	INDUSTRY	COUNTRY	%
OTP Bank Nyrt.	Banks	Hungary	-0,30
Turkiye Vakiflar Bankasi T.A.O.	Banks	Turkey	-0,41
Turkiye Is Bankasi A.S.	Banks	Turkey	-0,52
Sberbank of Russia OJSC	Banks	Russia	-1,88
EGIS Pharmaceutical PLC	Pharmaceuticals, Biotechnology & Life Sciences	Hungary	-0,19
Tat Konserve Sanayii A.S.	Food, Beverage & Tobacco	Turkey	-0,45
Synergy RUSSIA	Food, Beverage & Tobacco	Russia	-0,62
CTC Media Inc.	Media	Russia	-0,38
Trakya Cam Sanayi A.S.	Capital Goods	Turkey	-0,28
Gazprom OAO ADS	Energy	Russia	-0,22

PERFORMANCE STATISTICS (31 DECEMBER 2011)⁵

STANDARD DEVIATION	1-YR	3-YR	5-YR
Templeton Eastern Europe Fund	19,77	30,27	31,99
MSCI EM Europe Index	22,01	26,74	30,42
SHARPE RATIO	1-YR	3-YR	5-YR
Templeton Eastern Europe Fund	-2,06	0,45	-0,40
MSCI EM Europe Index	-0,98	0,78	-0,28
% OF POSITIVE MONTHS	1-YR	3-YR	5-YR
Templeton Eastern Europe Fund	8,33	47,22	46,67
MSCI EM Europe Index	41,67	61,11	51,67
GAINS : LOSSES	1-YR	3-YR	5-YR
Templeton Eastern Europe Fund	0,08	1,59	0,86
MSCI EM Europe Index	0,46	1,94	0,95
MAXIMUM LOSS	1-YR	3-YR	5-YR
Templeton Eastern Europe Fund	-40,02	-40,02	-73,78
MSCI EM Europe Index	-27,78	-27,78	-70,72
VS. MSCI EM EUROPE INDEX	1-YR	3-YR	5-YR
Alpha	-26,85	-6,61	-4,26
Beta	0,84	1,06	0,97
Tracking Error	7,76	11,36	12,67
Information Ratio	-2,48	-0,67	-0,34
Correlation	0,94	0,93	0,92
R Squared	0,88	0,86	0,84

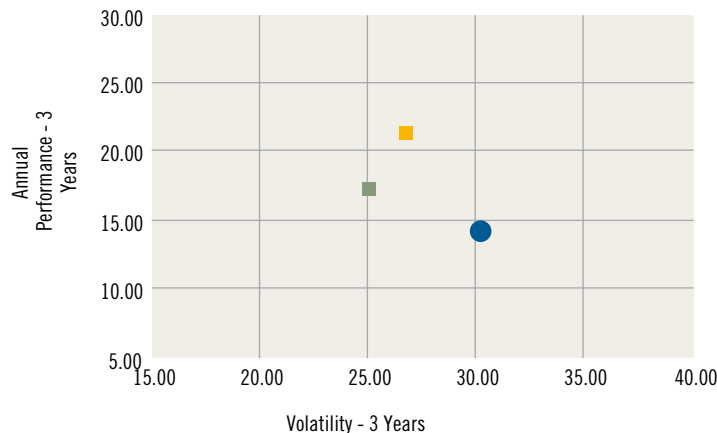
PORTFOLIO CHARACTERISTICS (31 DECEMBER 2011)⁵

	PORTFOLIO	BENCHMARK
Avg. P/E Ratio	6,08	5,77
Avg. P/BV Ratio	0,86	0,98
Avg. P/CF Ratio	3,57	3,94
Avg. Dividend Yield	3,25%	3,12%
Avg. Market Capitalisation (in millions)	€2.958	€30.930
Median Market Capitalisation (in millions)	€1.066	€4.185

MARKET CAPITALISATION BREAKDOWN

	PORTFOLIO
< 1.5 billion	25,0
1.5 billion - 5 billion	16,9
> 5 billion	18,4

RISK VS. RETURN^{1, 6}



- Templeton Eastern Europe Fund—A(acc)EUR
- MSCI EM Europe Index
- Emerging Europe 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. You will find further information under www.franklintempleton.ch/morningstar/en. 4. 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. 5. 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. 6. 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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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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