



FRANKLIN TEMPLETON
INVESTMENTS

TEMPLETON ASIAN SMALLER COMPANIES FUND

A SUB-FUND OF LUXEMBOURG-DOMICILED SICAV

31 December 2011

FUND MANAGER AND LOCATION

Mark Mobius, Singapore
(since 14 October 2008)

FUND INFORMATION

Base Currency of Fund: US dollar
Fund Size: \$175,87 million
Number of Positions: 55
Fund Index: MSCI AC Asia ex-Japan Small Cap Index
Morningstar™ Workstation Category: Asia ex Japan Equity
Date of Fund Launch: 14 October 2008

NET ASSET VALUE AS OF 31 DECEMBER 2011

A(acc)EUR €25,93
A(acc)USD \$24,59
A(Ydis)USD \$24,46
I(acc)USD \$25,45
I(acc)EUR €26,82

CHARGES AND IDENTIFIERS

Share Class	Max.Initial Sales Charge	Annual Management & Administration Charge
A shares	5,25%	1,85%
I shares	-	0,90%

Share Class	Valoren	ISIN
A(acc)EUR	4613249	LU0390135415
A(acc)USD	4613240	LU0390135332
A(Ydis)USD	4613547	LU0390135688
I(acc)EUR	4613671	LU0390136579
I(acc)USD	4613654	LU0390136223

TOTAL EXPENSE RATIO AS OF DECEMBER 2011

A(acc)EUR	2,24%
A(acc)USD	2,24%
A(Ydis)USD	2,25%
I(acc)EUR	1,22%
I(acc)USD	1,21%

EUSD STATUS

Redemption: Out of Scope
Distribution: Out of Scope

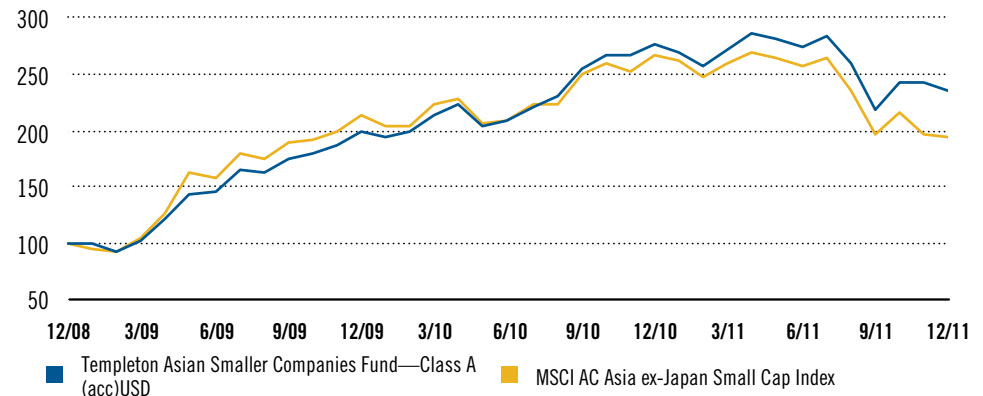
RATINGS³

Morningstar™ Overall Rating: ★★★★★

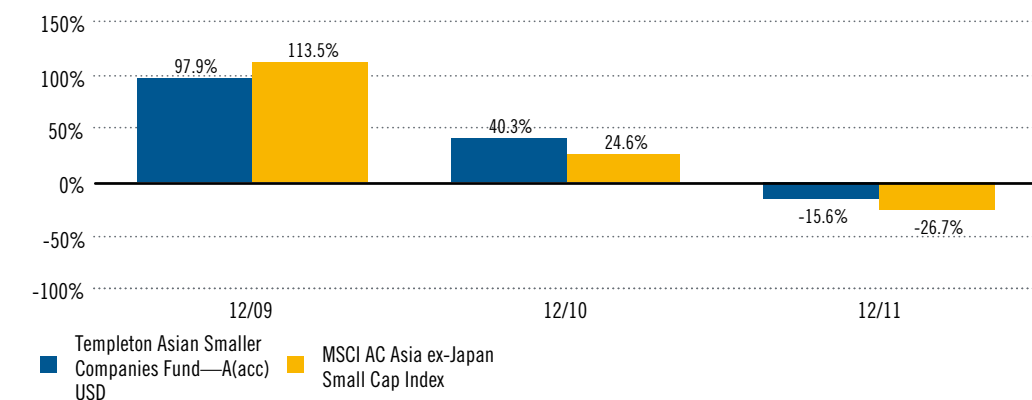
INVESTMENT OBJECTIVE

The Fund aims to achieve long-term capital appreciation by investing primarily in small cap companies incorporated in the Asia region (except Japan) or whose principal business activity is in the Asia region. Asian small cap companies are those having a market capitalisation of less than USD 2 billion at the time of purchase. The Fund has the flexibility to invest in transferable equity and fixed income securities of issuers worldwide.

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)EUR	-12,72	0,54	11,53	-4,53	-12,72	153,22	36,33	-	-	159,30	34,54
A(acc)USD	-15,59	-3,19	7,75	-14,80	-15,59	134,42	32,87	-	-	145,91	32,34
A(Ydis)USD	-15,58	-3,17	7,75	-14,82	-15,58	134,43	32,87	-	-	145,91	32,34
I(acc)EUR	-11,84	0,64	11,80	-4,04	-11,84	161,40	37,78	-	-	168,20	35,96
I(acc)USD	-14,69	-3,08	8,07	-14,34	-14,69	142,15	34,31	-	-	154,50	33,76
Index	-26,66	-1,17	-0,72	-24,16	-26,66	95,09	24,97	13,80	2,62	70,73	18,12

MORNINGSTAR™ SECTOR AVERAGE⁴

	-19,96	-1,31	3,47	-19,96	-19,96	62,34	-	-	-	47,48	-
--	--------	-------	------	--------	--------	-------	---	---	---	-------	---

PORTFOLIO COMPOSITION (% OF TOTAL)

EQUITY	FIXED INCOME	CASH
89,99	-	10,01

Franklin Templeton Switzerland Ltd

Bahnhofstrasse 22, P.O. Box, 8022 Zurich

Phone: +41 (0) 44 217 81 81

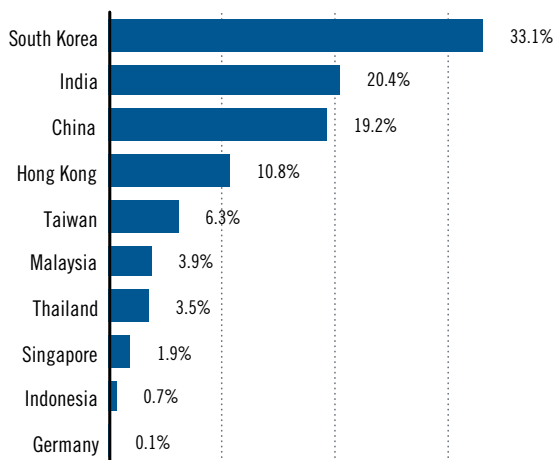
E-mail: info@franklintempleton.ch

Web: www.franklintempleton.ch

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

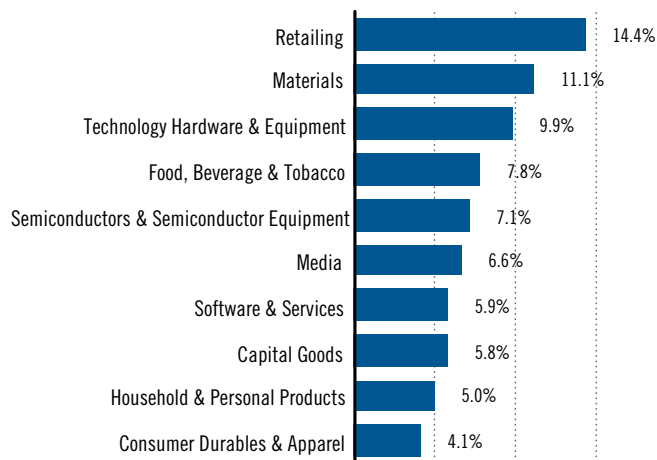
SECURITY	INDUSTRY	COUNTRY	%
GIORDANO INTERNATIONAL LTD	Retailing	Hong Kong	5,07
DAEKYO CO LTD	Media	South Korea	4,72
GS HOME SHOPPING INC	Retailing	South Korea	4,38
TRAVELSKY TECHNOLOGY LTD	Software & Services	China	4,37
TATA CHEMICALS LTD	Materials	India	3,94
HITE JINRO	Food, Beverage & Tobacco	South Korea	3,77
YOUNGONE HOLDINGS CO LTD	Consumer Durables & Apparel	South Korea	3,53
AMOREPACIFIC GROUP	Household & Personal Products	South Korea	3,48
MEDY-TOX INC	Pharmaceuticals, Biotechnology & Life Sciences	South Korea	3,42
SILICON WORKS CO LTD	Semiconductors & Semiconductor Equipment	South Korea	3,35

PORTFOLIO COUNTRY WEIGHTINGS



■ Templeton Asian Smaller Companies Fund

PORTFOLIO INDUSTRY WEIGHTINGS



■ Templeton Asian Smaller Companies Fund

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

LARGEST CONTRIBUTING SECURITIES			
SECURITY	INDUSTRY	COUNTRY	%
Delta Electronics Public Company Limited	Technology Hardware & Equipment	Thailand	0,22
Simplo Technology Co. Ltd.	Technology Hardware & Equipment	Taiwan	0,19
Siliconworks Co. Ltd.	Semiconductors & Semiconductor Equipment	South Korea	0,38
TravelSky Technology Ltd.	Software & Services	China	0,16
Goodbaby International Holdings Ltd.	Household & Personal Products	China	0,13
Maeil Dairy Industry Co. Ltd.	Food, Beverage & Tobacco	South Korea	0,53
GS Home Shopping Inc.	Retailing	South Korea	0,31
Osim International Ltd.	Retailing	Singapore	0,15
QSR Brands Bhd	Consumer Services	Malaysia	0,23
Chongqing Machinery & Electric Co. Ltd.	Capital Goods	China	0,17
SMALLEST CONTRIBUTING SECURITIES			
SECURITY	INDUSTRY	COUNTRY	%
AnaPass Inc.	Semiconductors & Semiconductor Equipment	South Korea	-0,21
Sundaram Finance Ltd.	Diversified Financials	India	-0,18
Medy-Tox Inc.	Pharmaceuticals, Biotechnology & Life Sciences	South Korea	-0,17
AmorePacific Group Inc.	Household & Personal Products	South Korea	-0,16
HITEJINRO CO LTD	Food, Beverage & Tobacco	South Korea	-0,91
Youngone Holdings Co. Ltd.	Consumer Durables & Apparel	South Korea	-0,39
Ashok Leyland Ltd.	Capital Goods	India	-0,25
AMVIG Holdings Ltd.	Materials	China	-0,23
China XLX Fertiliser Ltd.	Materials	China	-0,24
Tata Chemicals Ltd.	Materials	India	-0,57

PERFORMANCE STATISTICS (31 DECEMBER 2011)⁶

STANDARD DEVIATION	1-YR	3-YR	5-YR
Templeton Asian Smaller Companies Fund	24,03	24,80	-
MSCI AC Asia ex-Japan Small Cap Index	24,45	30,31	33,58
SHARPE RATIO	1-YR	3-YR	5-YR
Templeton Asian Smaller Companies Fund	-0,65	1,32	-
MSCI AC Asia ex-Japan Small Cap Index	-1,10	0,82	0,04
% OF POSITIVE MONTHS	1-YR	3-YR	5-YR
Templeton Asian Smaller Companies Fund	33,33	63,89	-
MSCI AC Asia ex-Japan Small Cap Index	33,33	58,33	55,00
GAINS : LOSSES	1-YR	3-YR	5-YR
Templeton Asian Smaller Companies Fund	0,65	2,62	-
MSCI AC Asia ex-Japan Small Cap Index	0,44	2,01	1,21
MAXIMUM LOSS	1-YR	3-YR	5-YR
Templeton Asian Smaller Companies Fund	-23,83	-23,83	-
MSCI AC Asia ex-Japan Small Cap Index	-27,66	-27,66	-67,64
VS. MSCI AC ASIA EX-JAPAN SMALL CAP INDEX	1-YR	3-YR	5-YR
Alpha	12,04	11,31	-
Beta	0,92	0,78	-
Tracking Error	8,66	10,02	-
Information Ratio	1,28	0,79	-
Correlation	0,94	0,95	-
R Squared	0,88	0,91	-

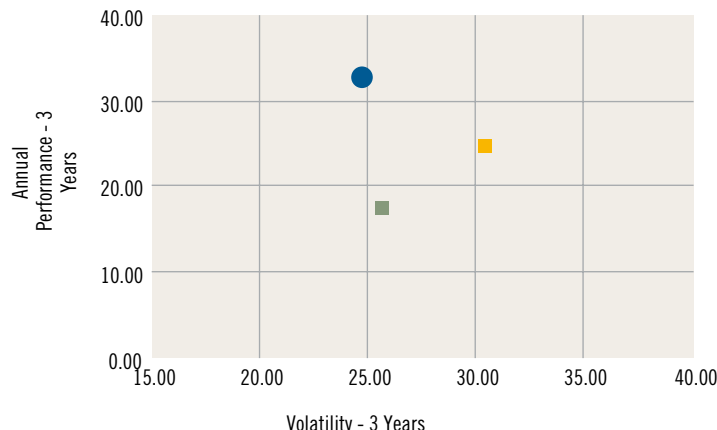
PORTFOLIO CHARACTERISTICS (31 DECEMBER 2011)⁶

	PORTFOLIO	BENCHMARK
Avg. P/E Ratio	10,95	9,58
Avg. P/BV Ratio	1,19	1,04
Avg. P/CF Ratio	6,38	6,72
Avg. Dividend Yield	2,96%	3,37%
Avg. Market Capitalisation (in millions)	\$801	\$401
Median Market Capitalisation (in millions)	\$510	\$149

MARKET CAPITALISATION BREAKDOWN

	PORTFOLIO
< 1.5 billion	75,3
1.5 billion - 5 billion	19,8
> 5 billion	0,2

RISK VS. RETURN^{1,7}



- Templeton Asian Smaller Companies Fund—A(acc) USD
- MSCI AC Asia ex-Japan Small Cap 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 - © 2011 Morningstar, Inc. All Rights Reserved. Morningstar Rating™ as of 31 December 2011, in the Asia ex Japan 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 Micropal, Inc. 1-800-596-5323 http://www.funds-sp.com. The development of the values shown above originates in the past.

Copyright © 2011, Franklin Templeton Investments. All rights reserved. Source for all data and charts (if not indicated otherwise): Franklin Templeton Investments. No responsibility is taken for the correctness of the information provided above. Given the variety of investment options available today, we suggest investors seek guidance from a Financial Adviser. Nearly every investment entails special risks that should be discussed with an experienced professional. Each investor's goals are unique and proper guidance toward the most suitable products is essential. For more details regarding the potential risks of this Fund, please refer to the current full or simplified Prospectus. Past performance is no guarantee of current or future performance.

This Fund is a sub fund of Franklin Templeton Investment Funds (FTIF), a Luxembourg-registered SICAV. This information does not constitute or form part of an offer for shares or an invitation to apply for shares. The prices of shares and income received from it can go down as well as up, and investors may not get back the full amount invested. Currency fluctuation may affect the value of overseas investments. 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.

Issued by Franklin Templeton Switzerland Ltd, a company authorized and regulated by the Swiss Financial Market Supervisory Authority FINMA as representative of Franklin Templeton Investment Funds.