



FRANKLIN TEMPLETON
INVESTMENTS

TEMPLETON EMERGING MARKETS SMALLER COMPANIES FUND

A SUB-FUND OF LUXEMBOURG-DOMICILED SICAV

March 31, 2010

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 capitalization at the time of purchase of less than USD 2 billion.

FUND MANAGER AND LOCATION

Mark Mobius, Singapore

Dennis Lim, Singapore

Tom Wu, Hong Kong

FUND DATA¹

Base Currency of Fund: US Dollar

Portfolio Size: \$236.98 million

Date of Launch: October 18, 2007

Purchase of Shares:

Min Initial Investment \$5,000.00

Min Subsequent Investment \$1,000.00

Primary Fund Benchmark/Index:

MSCI Emerging Markets Small Cap Index

Morningstar™ Workstation Category:

Equity Global Emerging Markets

Dividend Frequency: Annually

| Share Class | Date Paid | Amount |
|-------------|-----------|--------|
| A(Ydis)USD | 07/08/09 | \$0.08 |

FUND AWARDS AND RATINGS

Morningstar™ Style Box:³

STYLE

Value Blend Growth

| STYLE | | |
|-------|-------|--------|
| Value | Blend | Growth |
| | | |
| | | |
| X | | |

SIZE

Large

Medium

Small

Current

ASSET ALLOCATION¹

| EQUITY | FIXED INCOME | CASH | # OF ISSUES |
|--------|--------------|-------|-------------|
| 96.81% | 0.00% | 3.19% | 85 |

PERFORMANCE IN SHARE CLASS CURRENCY AS OF MARCH 31, 2010

| | 1-MO | 3-MO | 6-MO | 1-YR | 3-YR* | 5-YR* | 10-YR* | SINCE LAUNCH | SINCE LAUNCH* |
|------------|------|-------|-------|--------|-------|-------|--------|--------------|---------------|
| A(Ydis)USD | 7.80 | 9.67 | 16.92 | 116.04 | - | - | - | -22.74 | -9.99 |
| A(acc)USD | 7.67 | 9.66 | 16.79 | 115.64 | - | - | - | -22.80 | -10.02 |
| C(acc)USD | 7.76 | 9.57 | 16.67 | 114.97 | - | - | - | -15.30 | -7.58 |
| N(acc)USD | 7.62 | 9.47 | 16.67 | 114.93 | - | - | - | -23.70 | -10.45 |
| A(acc)EUR | 8.64 | 16.22 | 26.67 | 112.21 | - | - | - | -18.30 | -7.92 |

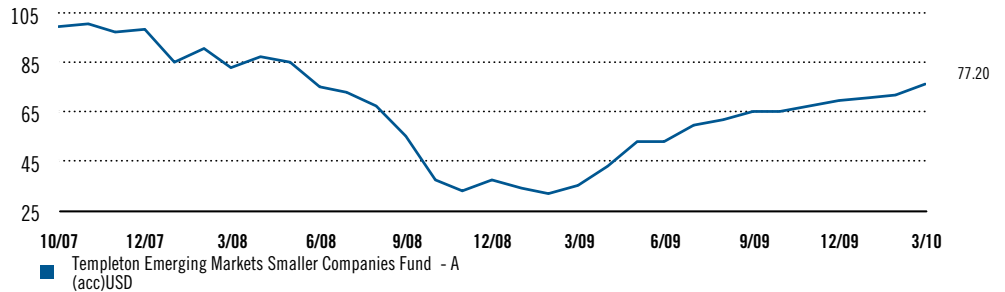
*Annualized Performance

CALENDAR YEAR PERFORMANCE AS OF MARCH 31, 2010

| | NAV | YTD | 2009 | 2008 | 2007 | 2006 | 2005 | 2004 | 2003 | 2002 |
|------------|--------|-------|-------|--------|------|------|------|------|------|------|
| A(Ydis)USD | \$7.60 | 9.67 | 87.04 | -62.11 | - | - | - | - | - | - |
| A(acc)USD | \$7.72 | 9.66 | 86.74 | -62.07 | - | - | - | - | - | - |
| C(acc)USD | \$8.47 | 9.57 | 85.82 | - | - | - | - | - | - | - |
| N(acc)USD | \$7.63 | 9.47 | 85.87 | -62.24 | - | - | - | - | - | - |
| A(acc)EUR | €8.17 | 16.22 | 82.60 | -60.43 | - | - | - | - | - | - |

TOTAL PERFORMANCE IN US DOLLAR AS OF MARCH 31, 2010

*Since inception at NAV with an initial 100 USD investment and all dividends reinvested.



PORTFOLIO COMPOSITION (% OF TOTAL)¹

TOP 10 ISSUERS²

| SECURITY NAME | % |
|------------------------------------|------|
| APOLLO TYRES LTD | 2.68 |
| FEDERAL BANK LTD | 2.64 |
| EGYPTIAN INTL PHAR | 2.37 |
| SELCUK ECZA DEPOSU | 2.29 |
| PANIN FINANCIAL TBK PT | 2.12 |
| LEWIS GROUP LTD | 2.08 |
| HONGGUO INTERNATIONAL HOLDINGS LTD | 2.04 |
| TK CORP | 1.90 |
| CTC MEDIA INC | 1.88 |
| SHANGHAI PRIME MACHINERY CO LTD | 1.86 |

FUND CHARACTERISTICS

| STATISTICS | |
|---------------------------|------------|
| Price to Earnings Ratio | 10.99x |
| Price to Book Value Ratio | 1.49x |
| Price to Cash Flow Ratio | 7.64x |
| SHARE CLASS | |
| A(Ydis)USD | YIELD 1.12 |

Client Services

Global (727) 299-5042

U.S. (800) 239-3894

Email: stpcds@templeton.com

Offshore Sales Support Team

U.S. (800) 233-9796

Canada (877) 389-0076

Web www.templetonoffshore.com

Address

100 Fountain Parkway

PO Box 33030

St. Petersburg, Florida 33716

COUNTRY BREAKDOWN¹

| COUNTRY BREAKDOWN | % |
|----------------------|-------|
| Other | 34.31 |
| India | 14.66 |
| China | 12.84 |
| South Korea | 8.03 |
| South Africa | 6.40 |
| Turkey | 6.09 |
| Taiwan | 5.24 |
| Egypt | 5.16 |
| Brazil | 4.08 |
| Cash/Cash Equivalent | 3.19 |

INDUSTRY BREAKDOWN¹

| INDUSTRY BREAKDOWN | % |
|---------------------------------|-------|
| Other | 32.59 |
| Capital Goods | 10.69 |
| Food Beverage & Tobacco | 10.39 |
| Materials | 8.90 |
| Pharmaceuticals & Biotechnology | 8.53 |
| Media | 7.33 |
| Consumer Durables & Apparel | 6.92 |
| Technology Hardware & Equipment | 6.58 |
| Banks | 4.86 |
| Cash/Cash Equivalent | 3.19 |

CURRENCY BREAKDOWN¹

| CURRENCY BREAKDOWN | % |
|--------------------|-------|
| Hong Kong Dollar | 15.65 |
| Indian Rupee | 14.66 |
| US Dollar | 11.76 |
| S Korean Won | 8.03 |
| S Africa C Rand | 6.40 |
| Turkish Lira | 6.09 |
| Taiwan Dollar | 5.24 |
| Egyptian Pound | 4.40 |
| Brazilian Real | 4.08 |
| Other | 23.70 |

FUND IDENTIFIERS

| SHARE CLASS* | INCEPTION DATE | CUSIP | BLOOMBERG | ISIN |
|--------------|----------------|-----------|-----------|--------------|
| A(Ydis)USD | 10/18/2007 | L4058Y741 | TSCAYDSLX | LU0300738605 |
| A(acc)USD | 10/18/2007 | L4058Y758 | TEMCACULX | LU0300738514 |
| C(acc)USD | 02/21/2008 | L40592674 | TSCCAUSLX | LU0343523212 |
| N(acc)USD | 10/18/2007 | L4058Y774 | TSCNACULX | LU0300739322 |
| A(acc)EUR | 10/18/2007 | L4058Y733 | TSCAEURLX | LU0300743431 |

* (Mdis) - monthly distribution; (Qdis) - quarterly distribution; (Ydis) - yearly distribution; (acc) - accumulation

WHAT ARE THE RISKS

All Fund investments in the securities issued by corporations, governments, and public-law entities in different nations and denominated in different currencies involve certain risks. These risks are typically increased in developing countries and emerging markets. Such risks can have adverse effects on portfolio holdings. Investors in Funds investing in emerging markets should in particular be informed that the liquidity of securities issued by corporations and public-law entities in emerging markets may be substantially smaller than with comparable securities in industrialized countries. Small-cap company funds often experience sharper price fluctuation than stocks in Large-cap companies. The Fund may be subject to a variety of risks in addition to those described herein. Please consult the Prospectus for a full discussion of these risks.

DISCLAIMERS

1. Portfolio Composition and Asset Allocation data as of February 28, 2010 (Negative currency positions, if any, may occur due to hedging, unsettled payables, and derivatives holdings).
 2. The portfolio manager for the Fund reserves the right to withhold release of information with respect to holdings that would otherwise be included in a top 10 holdings list.
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 Investors should consider the fund's investment objective, risks, charges and expenses carefully before investing. The prospectus contains this and other information about the fund. Performance figures shown represent the aggregate total return for the period indicated assuming, where relevant, the reinvestment of dividends and distributions. The performance figures are shown net of all fees, but do not reflect the effect of any sales charges that might apply. Such sales charges would have the effect of reducing the performance returns shown. Due to rounding, the percentages shown may be within 0.1% tolerance of the true value. The "Ten Largest Holdings" represent the ten largest holdings in the Fund as of the date shown, and do not represent all of the securities purchased, sold or recommended for advisory clients. The reader should not assume that investment in the securities listed was or will be profitable. This report does not constitute or form part of any offer for shares of the Fund or an invitation to apply for such shares. Subscriptions for shares in the Fund can only be made on the basis of the Fund's most recent prospectus. The price of shares of the Fund and income therefrom can go down as well as up and you may not get back the full amount that you invested. **Past performance is no guarantee for future performance.** Fund holdings and characteristics are subject to change. Currency fluctuations will affect the value of overseas investments. No shares in this Fund may be offered or sold to citizens or residents of the United States of America. Current performance may be lower or higher than the performance data quoted. Please consult your professional advisor for current performance and before deciding to invest. To obtain a free prospectus or for questions relating to the information set forth above may be referred to Franklin Templeton Client Dealer Services at the address and number listed below. Investors should read the prospectus carefully before investing.
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