FRANKLIN TEMPLETON INVESTMENTS

FTIF Templeton BRIC Fund

Sub-Fund of Franklin Templeton Investment Funds (Luxembourg-Registered SICAV)

MANAGER REPORT | **31 December 2009**

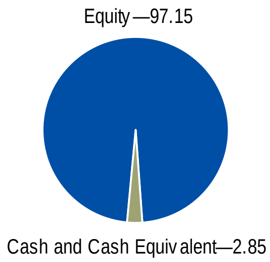
Fund Characteristics

Fund Inception Date	25.10.2005
Investment Style	Value
Lead Portfolio Manager(s)	Mark Mobius; Dennis Lim; Tom Wu
Primary Benchmark	MSCI BRIC Index
S&P Fund Management Rating	A
Base Currency	USD
Total Net Assets (USD)	2,812,929,895
Number of Issuers	62
ISIN Code	LU0229945570
Bloomberg Code	TEMBRAC LX

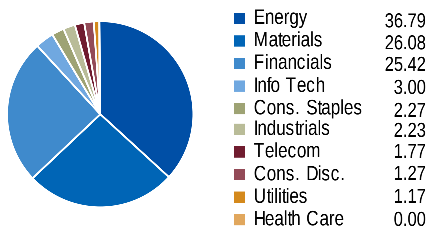
OVERVIEW

- BRIC markets experienced a tremendous surge in 2009, outperforming their emerging market counterparts, as a result of many factors, probably the most significant of which was a rapid increase in liquidity supplied by governments globally to prevent an economic depression.
- For the quarter ended 31 December 2009, the fund rose by net 13.00% in U.S. dollars. Every sector contributed positively to performance, with particular strength in the energy, materials and financials sectors.
- Our outlook for BRIC markets in 2010 is positive. We believe that these markets are in a secular bull phase and that the general direction of BRIC economies could continue to be upward. China and India continue to record exceptionally robust growth rates despite the global economic slowdown, while resource-rich countries like Brazil and Russia are likely to benefit from increasing global demand for commodities.
- The BRIC markets outperformed their emerging and developed market counterparts in 2009, and we believe this outperformance is likely to continue. However, we also recognize that these markets display significant volatility, and we therefore expect corrections along the way. We view these opportunities as a time to continue holding quality investments and to increase our holdings in select stocks that we believe, over a five-year time frame, could continue to show stable financing and good earnings. Even though valuations are no longer as cheap as they were at the end of 2008, we believe current valuations are not excessive, and we are still able to find attractive investment opportunities.

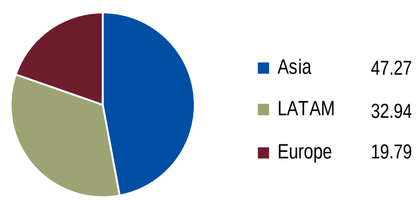
Portfolio Allocation (%)



Sector Breakdown (%)



Geographic Breakdown (%)



CUMULATIVE PERFORMANCE (%)

Historical Performance

31 December 2009

	1 Mth	3 Mths	6 Mths	YTD	1 Yr	3 Yrs	Since Incept (25.10.05)
FTIF Templeton BRIC Fund A(acc) USD—NAV	2.87	13.00	31.79	89.13	89.13	9.41	79.10
MSCI BRIC Index USD	1.69	10.56	30.67	93.52	93.52	25.17	122.22

ANNUALIZED PERFORMANCE (%) – NET OF SALES CHARGE[2]

Historical Performance

31 December 2009

	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (25.10.05)
Templeton BRIC Fund A(acc) USD—Net of Fees	79.70	1.30	NA	NA	13.50

For information related to the headings “Fund Characteristics”, “Portfolio Allocation”, “Sector Breakdown”, “Geographic Breakdown”, “FTIF Templeton BRIC Fund A(acc) USD—NAV”, please see note regarding Fund Characteristics data and Fund Ratings on back page. Source: Franklin Templeton Investments, 31 December 2009. **Past performance does not guarantee future results.**
Source for MSCI benchmark returns: FactSet Research System, Inc., as of 31 December 2009.
Performance calculated as at 31 Dec 2009 in USD; NAV-NAV; dividend reinvested. Past performance is not indicative of future performance. [2]Annual average compounded return adjusted for 5% initial sales charge.

MARKET REVIEW

BRIC markets experienced a tremendous surge in 2009, with the MSCI BRIC Markets Index rising 93.52% in U.S.-dollar terms. The surge in prices was a result of many factors, probably the most significant of which was the rapid increase in liquidity supplied by governments globally to prevent an economic depression. Another critical aspect of the year was the impressive economic growth of the two most populous countries in the world, China and India, in the face of dire predictions regarding the global economy. China's gross domestic product (GDP) grew 9% year-over-year during the third quarter of 2009 (compared to 8% year-over-year in the second quarter), as the government's stimulus measures and robust bank lending continued to boost economic recovery. The Indian economy grew 8% year-over-year in the third quarter, the fastest in 18 months, primarily driven by government expenditure and growth in private consumption and manufacturing.

Meanwhile, Brazil's GDP grew 1% quarter-over-quarter in the third quarter of 2009, supported by strength in the manufacturing and services sectors, growing demand for fixed capital and higher private consumption, as an expansionary monetary policy, tax breaks and lower inflation increased disposable incomes. Russia's GDP grew 14% quarter-over-quarter in the third quarter, supported by government stimulus measures, favorable external conditions and lower interest rates. Although the country's GDP contracted 9% year-over-year, this was still an improvement from the 11% year-over-year fall in the second quarter. While there were points of anxiety in 2009, they were few and far between. In general, as long as global money supply continues its upward trend, we believe that the bullish sentiment in these markets can be sustained.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

For the quarter ended 31 December 2009, the fund rose by net 13.00% in U.S. dollars. Given the very strong performance of BRIC markets during the reporting period, very few stocks in the portfolio detracted from absolute performance, with positive contributions from every sector.

The commodity-related sectors of energy and materials were the strongest contributors to absolute performance for the fourth quarter of 2009. With signs of a tentative recovery in economies globally, several oil, gas and consumable fuels companies, energy equipment and services providers, metals and mining firms, and chemicals producers benefited from rising prices and improving prospects for 2010, amid relatively tight supply conditions and increasing demand, especially from China. Since touching lows in early 2009, the price of oil has more than doubled, while iron-ore prices in the spot market for delivery to China rose approximately 15% in the two months to the beginning of November, at which point they were higher than average annual contract prices.[1]

Commercial banks in the financials sector also contributed substantially to absolute performance for the quarter, with Brazilian banks posting particularly sharp gains during the period, although banks in China and Russia also performed well. According to Standard & Poor's (S&P), the ratings agency, Latin American banks have been able to withstand the economic slowdown due to a greater dependency on deposits rather than loans.[2] The financial crisis last year hit banks in certain BRIC markets hard, but investor confidence has since recovered, driving prices substantially higher. Bank loan penetration is still very low in most BRIC markets—evidence that companies have been following conservative lending and leveraging policies. This low penetration not only reduces the risk of bad debt, but also serves as a barometer of how under-penetrated the countries are in terms of goods and services. In addition to commercial banks, other consumer-related companies also benefited from rising per capita income and strengthening demand for consumer goods and services in the BRIC markets, particularly beverage companies in the consumer staples sector.

Investments in Indian IT services companies in the information technology sector aided absolute performance for the period, as did positions in Chinese companies in the industrials sector. Governments' focus on infrastructure development as part of measures to stimulate domestic economies continued to support the fund's investments in infrastructure-related companies, especially positions in shipping companies and machinery manufacturers.

Only a few stocks detracted slightly from performance on an absolute basis for the quarter, the most significant of which were Indian, Russian and Brazilian companies in the construction materials industry, the oil, gas and consumable fuels industry and the transportation infrastructure industry.

Strategy and Activity

Our investment strategy employs a bottom-up, value-oriented, long-term approach. We focus on the market price of a company's securities relative to our evaluation of the company's long-term earnings, asset value and cash flow potential. As we look for investments, we focus on specific companies and undertake in-depth research to construct an action list from which we make our buy decisions. Before we make a purchase, we look at the company's potential for earnings and growth over a five-year horizon. During our analysis, we also consider the company's position in its sector, the economic framework and the political environment.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE *(continued)*

Our focus continues to be on two major themes: commodities and consumers. We believe commodity prices will trend upwards, partly because of weakness in the U.S. dollar, and also because we expect the global demand for commodities to outgrow supply over the long term. However, speculation in derivatives markets is likely to exacerbate volatility in the sector, and the upward trend in commodities is unlikely to be smooth. Therefore, when investing in commodity-related companies, we look for companies that can operate with low costs, in order to minimize the impact of any possible downturn in commodity prices. Meanwhile, per capita income for emerging market consumers is rising on the back of higher economic growth and lower birth rates, which, coupled with large populations in emerging markets, especially in the BRIC countries, point to a significant opportunity for consumer products and services. Many of these consumer markets have relatively low penetration, indicating potential for growth. We are looking at several areas where the consumer has an impact, including consumer banking, telecommunication services, retailing and consumer products.

Portfolio inflows during the quarter and our continued search for attractively valued stocks led us to increase the fund's investments in Russia, India and Brazil. Within China, we increased the fund's holdings in the Hong Kong-listed "H" shares and reduced investments in "Red-chip" shares. We also increased the fund's holdings in industries such as oil and gas, diversified metals and mining, real estate management and development, and banking. Conversely, we undertook select sales in telecommunication service providers and industrial machinery companies due to the availability of what we believed to be more attractive stocks elsewhere in the fund's investment universe.

Top Sector Contributors

Sector
Energy
Materials
Financials

Top Sector Weights

Sector
Energy
Financials
Materials

Bottom Sector Weights

Sector
Consumer Discretionary
Utilities
Consumer Staples

Top Security Contributors

Security
YANZHOU COAL MINING CO LTD
VALE SA
STEEL AUTHORITY OF INDIA LTD
PETROBRAS PETROLEO BRASILEIRO
ITAU UNIBANCO HOLDING SA
HINDALCO INDUSTRIES LTD
CIA BEBIDAS DAS AMERICAS
BANCO BRADESCO SA
HIDILI INDUSTRY INTERNATIONAL DEVELOPMENT LTD
CHINA COAL ENERGY CO LTD

Top Security Detractors

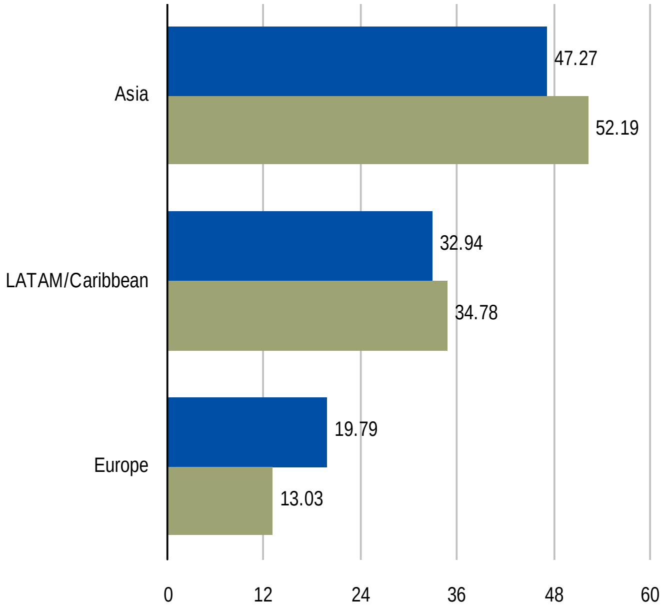
Security
GRASIM INDUSTRIES LTD
LUKOIL HOLDINGS
WILSON SONS LTD
VSMPO AVISMA CORP
PENINSULA LAND LTD
FEDERAL BANK LTD
KARNATAKA BANK LTD
CHINA TELECOM CORP LTD
CHINA MOBILE LTD

1. Metal Bulletin, 5 November 2009.
2. Source: AFP, 13 October 2009.

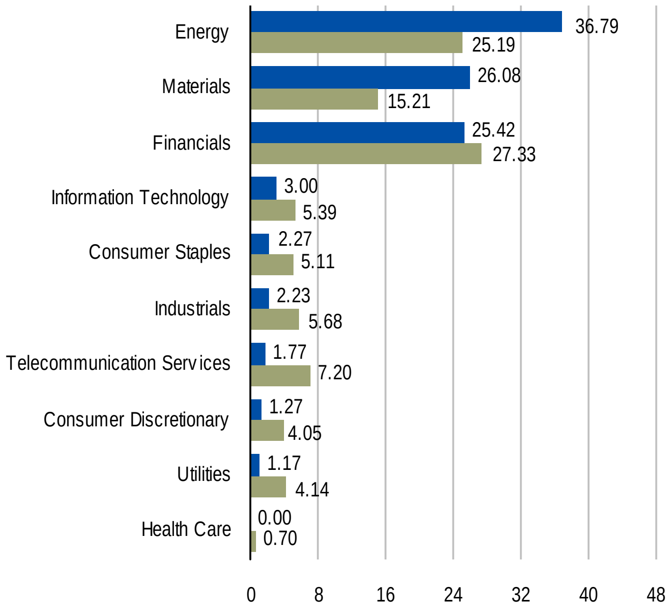
Source for "Top Sector Contributors", "Top Sector Weights" and "Bottom Sector Weights": FactSet Research System, Inc. as of 31 December 2009. Profile data is calculated as a percentage of total. Holdings of the same issuer have been combined.
Source for "Top Security Contributors" and "Top Security Detractors": FactSet Research System, Inc. as of 31 December 2009. Profile data is calculated as a percentage of total. Holdings of the same issuer have been combined.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE *(continued)*

Geographic Weightings vs. Benchmark (%)



Sector Weightings vs. Benchmark (%)



Top Ten Equity Issuers

Security	Percent of Total
PETROLEO BRASILEIRO SA (PETROBRAS)	7.77
VALE SA	6.81
YANZHOU COAL MINING CO LTD	4.77
ITAU UNIBANCO HOLDING SA	4.69
PETROCHINA CO LTD CL A	4.45
GAZPROM	4.03
BANCO BRADESCO SA	4.01
LUKOIL HOLDINGS	3.51
INDUSTRIAL AND COMMERCIAL BANK OF CHINA LTD CL A	3.04
STEEL AUTHORITY OF INDIA LTD	2.80
Total	45.88

Fundamental Portfolio Characteristics

	Price to Earnings	Price to Book Value	Price to Cash Flow	Dividend Yield	Market Cap (USD Millions)
FTIF Templeton BRIC Fund (Wtd. Avg.)	15.70x	2.33x	7.90x	2.28%	46,509
MSCI BRIC Index (Wtd. Avg.)	18.77x	2.34x	10.91x	2.02%	55,953

Source for the Fund’s “Geographic Weightings” and “Sector Weightings” above: Franklin Templeton Investments as of 31 December 2009. Holdings of the same issuer have been combined. Weightings as percent of equity.
Source for the benchmark’s “Geographic Weightings” and “Sector Weightings” above: MSCI, as of 31 December 2009. The above MSCI Index, the primary benchmark for this composite, is an equity index calculated by Morgan Stanley Capital International (MSCI). The index measures the total return (gross dividends are reinvested) of equity securities available to foreign (nonlocal) investors in the relevant geographic region as reflected in the name of the index or as defined by MSCI. Securities included in the index are weighted according to their Free Float adjusted market capitalization (Price*Shares outstanding*Foreign Inclusion Factor).
For the “Top Ten Equity Issuers” above, please note that top ten equity holdings information is historical and may not reflect current or future composite characteristics. All holdings are subject to change. Holdings of the same issuers have been combined. The information provided is not a recommendation to purchase, sell, or hold any particular security. The securities identified do not represent the composite’s entire holdings and in the aggregate may represent only a small percentage of such holdings. There is no assurance that securities purchased will remain in the composite, or that securities sold will not be repurchased.
For information related to the heading “Fundamental Portfolio Characteristics” above, please see note regarding Fund Characteristics data on back page. Source: Franklin Templeton Investments, 31 December 2009. **Past performance does not guarantee future results.**

INVESTMENT OUTLOOK

Our outlook for BRIC markets in 2010 is positive. We believe that these markets are in a secular bull phase and that the general direction of BRIC economies could continue to be upward. From a long-term perspective, we believe BRIC markets offer several important advantages to investors. Greater trade with each other and with other growing emerging economies has offset some of the adverse impact of lower demand from developed economies. They are becoming more domestically driven, while government expenditure in areas such as infrastructure and private domestic consumption has also somewhat offset the moderation in growth resulting from slowing exports. The services sector has been gaining in importance, especially in China and India, while resource-rich countries like Brazil and Russia are likely to benefit from increasing global demand for commodities such as oil, steel, aluminum and pulp.

As we go forward in this bullish environment, we believe earnings projections are likely to be revised upwards. However, we also recognize that emerging markets display significant volatility, and we therefore expect corrections along the way. Multiple risks also exist, such as the inability of governments to control derivatives markets, loss of investor confidence, over or poor regulation in various industries, adoption of protectionist measures, or abandonment of the market economy philosophy. We must pay attention to valuations and long-term earnings growth prospects in order to avoid buying or holding expensive stocks as a result of dramatic price rises already seen. In our opinion, current valuations are below their five-year historical highs and as a result, we do not view them as excessive.

We look to 2010 with optimism, founded on: (1) growing investor confidence in equities generally and emerging markets specifically, (2) strong fund inflows into emerging markets, (3) the search for higher returns in the face of low bank interest rates, (4) relatively higher GDP growth in BRIC markets compared to developed markets, (5) the accumulation of foreign exchange reserves, (6) the relatively lower debt levels of BRIC market countries, and (7) the high level of money supply growth globally.

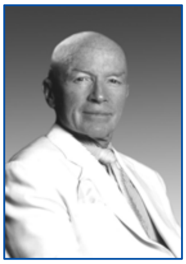
We could see more money being directed into these markets over the next 10 years, as investors realize that they may be able to buy good value at reasonable prices with relatively lower risk, compared to developed markets. The rapid developments in emerging markets should allow them to command even greater attention in the global investment universe. We believe Brazil, Russia, India and China could eventually become some of the world's most important and influential countries.

INVESTMENT OBJECTIVE

The Fund's investment objective is to achieve long-term capital appreciation by investing in companies listed in Brazil, Russia, India and China (including Hong Kong and Taiwan) (BRIC), as well as in companies that derive a significant proportion of their revenues or profits from BRIC economies, or have a significant portion of their assets there.

INVESTMENT PHILOSOPHY

The foundation of the Templeton Emerging Markets Team's investment philosophy—value-oriented, patient, bottom-up, global Investing—has remained consistent for several decades. Its strategy is grounded in patience and the belief that on a short-term basis, stocks overreact to news and noise. On a long-term basis, markets are efficient and patience will reward those who have identified undervalued stocks. Through proprietary research, Templeton seeks to identify quality investments in frequently unfashionable and undervalued stocks.



PORTFOLIO MANAGEMENT TEAM

Mark Mobius, Ph.D., executive chairman of Templeton Asset Management Ltd., currently directs analysts based in Templeton's 15 emerging markets offices and manages the emerging markets portfolios.

Dr. Mobius has spent more than 30 years working in emerging markets all over the world. He joined Franklin Templeton Investments in 1987 as president of the Templeton Emerging Markets Fund, Inc. In 1999, he was appointed joint chairman of the Global Corporate Governance Forum Investor Responsibility Taskforce of the World Bank and Organization for Economic Cooperation and Development.

Dr. Mobius was named by Asiamoney magazine in 2006 as one of their "Top 100 Most Powerful and Influential People." Asiamoney said, he "…boasts one of the highest profiles of any investor in the region and is regarded by many in the financial industry as one of the most successful emerging markets investors over the last 20 years. Despite tough times during the financial crisis nine years ago, he still commands a strong following in the investment world and is influencing the direction of billions of investment dollars."

Other awards include: (1) "Emerging Markets Equity Manager of the Year 2001" by International Money Marketing, (2) "Ten Top Money Managers of the 20th Century" in a survey by the Carson Group in 1999, (3) "Number One Global Emerging Market Fund" in the 1998 Reuters Survey, (4) "1994 First in Business Money Manager of the Year" by CNBC, (5) "Closed-End Fund Manager of the Year" in 1993 by Morningstar and, (6) "Investment Trust Manager of the Year 1992" by Sunday Telegraph.

Dr. Mobius earned bachelor's and master's degrees from Boston University, and a Doctor of Philosophy (PhD) in economics and political science from the Massachusetts Institute of Technology. He is the author of the books Trading with China, The Investor's Guide to Emerging Markets, Mobius on Emerging Market, Passport to Profits, Equities—An Introduction to the Core Concepts, Mutual Funds—An Introduction to the Core Concept, Foreign Exchange—An Introduction to the Core Concepts and Mark Mobius—An Illustrated Biography.

EXPLANATORY NOTES

Fund Characteristics: The Price to Earnings, Price to Cash Flow and Price to Book Value calculations shown herein use harmonic means. Values less than 0.01 (i.e. negative value) are excluded and values in excess of 200x are capped at 200x. Yields above 100% are also excluded. For the benchmarks, no limits are applied to these ratios in keeping with the benchmark's calculation methodology. Market capitalization statistics are indicated in the base currency for the portfolio presenter.

Fund Ratings: S&P Fund Management Ratings © 2009, McGraw-Hill Companies, Ltd. trading as Standard & Poor's ("S&P"). Morningstar Rating™ © 2009, Morningstar, Inc.

Fund performance data include reinvested dividends, and is net of management fees. Sales charges, other commissions, taxes and other relevant costs to be aid by the investor are not included.

Disclaimers:

Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalization figures for both the portfolio and the benchmark are the security level, not aggregated up to the main issuer. The dividend yield quoted here should not be used as an indication of the income to be received from this portfolio.

Top Security Contributors and Top Security Detractors are holdings based on the last 12 months period. These securities do not represent all the securities purchased, sold or recommended for advisory clients, and the reader should not assume that investment in the security listed was or will be profitable. Holdings are subject to change, holdings of the same issuer have been combined. The information provided is not a recommendation to purchase, sell or hold any particular security. The security identified does not represent the composite's entire holdings and in the aggregate, may represent a small percentage of such holdings. There is no assurance that security purchased will remain in the composite, or that security sold will not be repurchased.

Performance figures are not based on audited financial statements and assume reinvestment of interest and dividends. When comparing the performance of Franklin Templeton Investment Funds ("FTIF" or the "Fund") with a benchmark index, it is important to note that the securities in which FTIF invests may be substantially different than those represented by the benchmark index. Furthermore, an investment in FTIF represents an investment in a managed investment company in which certain charges and expenses, including management fees, are applicable. These charges and expenses are not applicable to indices. Lastly, please note that indices are unmanaged and are not available for direct investment. Certain data and other information shown have been supplied by outside sources. While we consider that information to be reliable, we give no assurance that such data and information is accurate or complete.

The indices are provided only to show the investment environment during the specific periods shown. The performance of each index does not include the deduction of expenses and does not represent the performance of any Franklin Templeton fund. The indices include a greater number of securities than those held in the Fund. An index is unmanaged and one cannot invest directly in an index. **Past performance is no guarantee of future results.**

Top ten holdings may differ for individual accounts within the composite. In addition, it should not be assumed that any securities mentioned were or will prove to be profitable. For the most current information on the composite, please contact your Franklin Templeton marketing representative. Stocks mentioned in this report are not a solicitation to purchase those stocks, and are examples of some stocks which performed well. Not all stocks in the portfolio performed as well.

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