



FRANKLIN TEMPLETON
INVESTMENTS

FTIF Templeton Emerging Markets Fund

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

MANAGER REPORT

31 December 2009

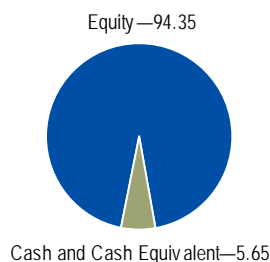
Fund Characteristics

Fund Inception Date	28.02.1991
Investment Style	Value
Lead Portfolio Manager(s)	Mark Mobius; Dennis Lim; Tom Wu
Primary Benchmark	MSCI Emerging Markets Index
Base Currency	USD
Total Net Assets (USD)	1,332,566,458
Number of Issuers	93
ISIN Code	LU0029874905
Bloomberg Code	TEMEMKI LX

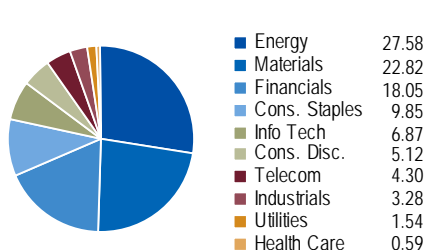
OVERVIEW

- During 2009, emerging markets experienced a tremendous surge 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 10.15% in U.S. dollars. As emerging market equities continued to gain throughout the period, nearly every sector contributed positively to performance, with particularly strong contributions from the materials and energy sectors.
- We believe that emerging markets are in a secular bull phase and that the general direction of emerging market economies could continue to be upward. Many countries have already returned to growth, and we expect that growth to strengthen in 2010. According to the International Monetary Fund (IMF), emerging market economies are expected to grow an average of 5.1% in 2010. We believe this higher growth should eventually be reflected in equity market performance.
- However, we also recognize that emerging 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.

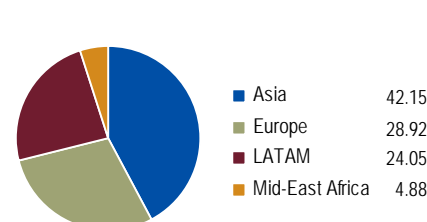
Portfolio Allocation (%)



Sector Breakdown (%)



Geographic Breakdown (%)



CUMULATIVE PERFORMANCE (%)

Historical Performance

31 December 2009

	1 Mth	3 Mths	6 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (28.02.91)
FTIF Templeton Emerging Markets Fund A(Ydis) USD—NAV	3.50	10.15	34.20	71.73	71.73	3.59	66.47	93.39	220.11
MSCI Emerging Markets Index USD	3.96	8.58	31.42	79.02	79.02	17.16	108.99	161.95	572.89

ANNUALIZED PERFORMANCE (%) – NET OF SALES CHARGE²

Historical Performance

31 December 2009

	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (28.02.91)
Templeton Emerging Markets Fund A(Ydis) USD—Net of Fees	63.1	-0.5	9.6	6.3	6.1

For information related to the headings “Fund Characteristics”, “Portfolio Allocation”, “Sector Breakdown”, “Geographic Breakdown”, “FTIF Templeton Emerging Markets Fund A(Ydis) 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. ²Annual average compounded return adjusted for 5% initial sales charge.

MARKET REVIEW

During 2009, emerging markets experienced a tremendous surge after a significant fall at the end of 2008. The result of that surge was that during 2009, the MSCI Emerging Markets Index returned 79.02% in U.S.-dollar terms. The surge in prices was a result of many factors, but most significant was the rapid increase in money supply and liquidity supplied by governments globally to prevent an economic depression. This led to a huge inflow of funds into the emerging markets asset class. In the first 11 months of 2009, emerging markets recorded nearly US\$75 billion in net inflows, about 40% more than the record-high US\$54 billion in 2007. In the last 15 years, net inflows have totaled more than US\$153 billion. We expect this trend to continue. Another critical aspect of the year was the way the two most populous countries in the world, China and India, forged ahead with incredible gross domestic product (GDP) growth of 8% and 6%, respectively, in the first nine months of 2009, in the face of dire predictions regarding the global economy. That is not to say that there weren't any anxieties in 2009, but 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 emerging markets can be sustained.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

For the quarter ended 31 December 2009, the fund rose by net 10.15% in U.S. dollars. As emerging market equities continued to gain throughout the period, nearly every sector contributed positively to performance, with the fund's lone health care position resulting in the only sector detraction.

The commodity-related sectors of materials and, to a lesser extent, energy contributed positively to absolute performance in the fourth quarter of 2009. Top contributors in the metals and mining industry included companies producing iron, steel, platinum, copper, coal, aluminium and nickel and operating in India, Brazil, South Africa, Chile, China and Russia. Performance also benefited from oil, gas and consumable fuels companies based in China, Brazil, Russia and Turkey. With signs of a tentative recovery in economies globally, relatively tight supply conditions and increasing demand, especially from China, these industries benefited from rising prices and improving prospects for 2010. 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 We believe commodity prices are likely to display a long-term upward trend due to the fundamental imbalance between increasing demand and relatively inelastic supply, although they will probably continue to experience significant volatility in the short to medium term, partly due to speculative activities.

Commercial banks in the financials sector also benefited absolute performance for the quarter. Banks in several emerging markets performed well, with firms in Brazil, Russia and Turkey leading gains. The financial crisis at the end of 2008 impacted a number of commercial banks in emerging markets, but confidence has since recovered, aided by expectations of positive economic growth in 2010 in a number of emerging markets. In addition to commercial banks, other consumer-related industries also benefited from rising per capita income and strengthening demand for consumer goods and services in emerging markets. Brazilian firms in the consumer staples sector supported gains in the beverages and cosmetics industries, while auto makers, media companies and electrical appliance retailers based in China, South Africa, Mexico and Hong Kong boosted performance in the consumer discretionary sector. Investments in a few Asian IT services companies in the information technology sector aided absolute performance for the period, as did select wireless telecommunication services companies operating in Latin America, Russia and central Asia.

A few stocks detracted slightly from performance on an absolute basis for the quarter, the most significant of which were a commercial bank and a real estate developer operating in eastern Europe as well as two Asian energy companies.

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 political environment.

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 we recognize that the upward trend in commodities is unlikely to be smooth. Meanwhile, per capita income for emerging markets consumers is rising on the back of higher economic growth and lower birth rates, which, coupled with large populations in countries like China and India, point to a significant opportunity for consumer products and services. Yet many of these consumer markets have barely been penetrated, which indicates the potential for growth. We are looking at several areas where the consumer has an impact, including consumer banking, retailing and consumer products.

During the quarter, our focus on undervalued stocks trading at attractive valuations led us to increase the fund's investments in India, Brazil and Russia. We also undertook select purchases in Austria, the United Arab Emirates and Chile. We increased the fund's exposure to the oil and gas exploration and production, real estate management and development, IT consulting, and diversified metals and mining industries. Conversely, we reduced the fund's holdings in telecommunication service providers, broadcasting and cable TV firms, and casinos and gaming companies due to the availability of what we believed to be more attractive stocks elsewhere in the fund's investment universe.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE *(continued)***Top Sector Contributors**

Sector
Materials
Energy
Financials

Top Sector Detractor

Sector
Health Care

Top Sector Weights

Sector
Energy
Materials
Financials

Bottom Sector Weights

Sector
Health Care
Utilities
Industrials

Top Security Contributors

Security
SESA GOA LTD
VALE
ANGLO AMERICAN PLC
TATA CONSULTANCY SERVICES LTD
CHINA COAL ENERGY CO LTD
CIA BEBIDAS DAS AMERICAS
ANTOFAGASTA PLC
ITAU UNIBANCO HOLDING SA
HIDILI INDUSTRY INTERNATIONAL DEVELOPMENT LTD
HINDALCO INDUSTRIES LTD

Top Security Detractors

Security
ERSTE GROUP BANK AG
PTT PUBLIC COMPANY
IMMOEAST AG
SK ENERGY CO LTD
SHINHAN FINANCIAL GROUP CO LTD
WIENERBERGER AG
PTT EXPLORATION&PROD
HYUNDAI DEVELOPMENT CO
RAIFFEISEN INTERNATIONAL BANK-HOLDING AG
KANGWON LAND INC

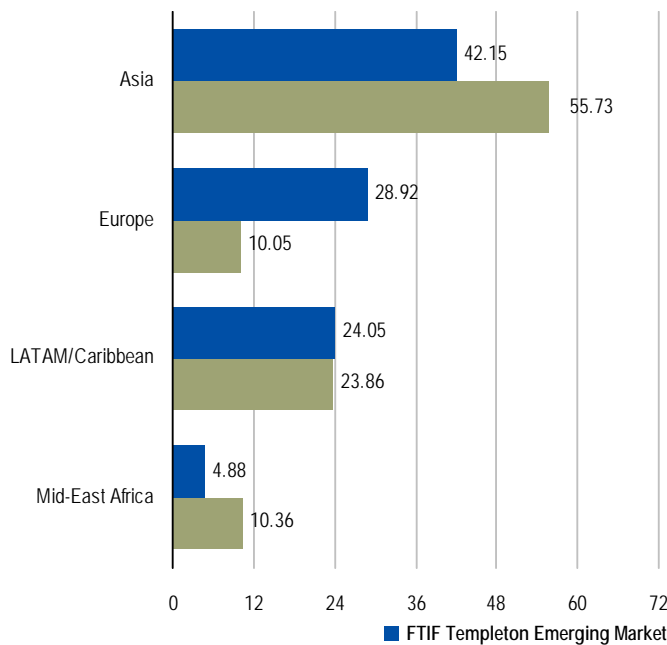
1. Metal Bulletin, 5 November 2009.

Source for "Top Sector Contributors", "Top Sector Detractor", "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.

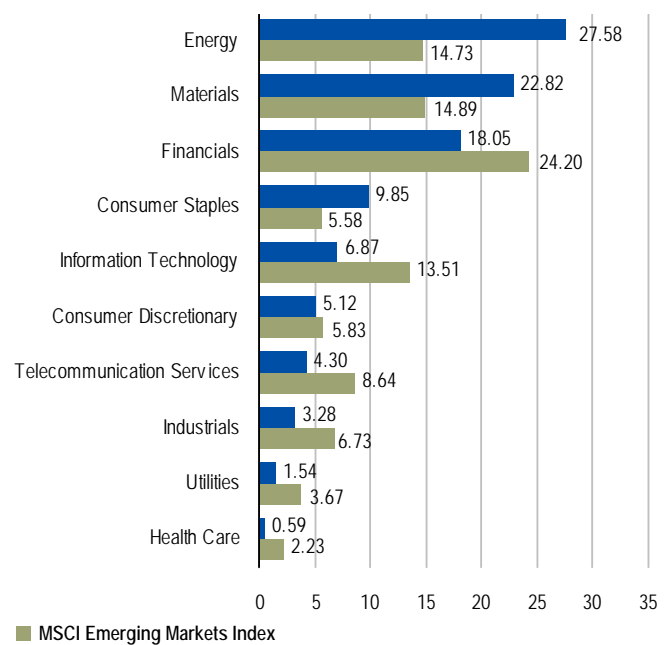
Source for "Top Security Contributors" and "Top Security Detractors": FactSet Research System, Inc. as of 31 December 2009. Profile data is calculated as a percentage of total. Holdings of the same issuer have been combined.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE (continued)

Geographic Weightings vs. Benchmark (%)



Sector Weightings vs. Benchmark (%)



Top Ten Equity Issuer

Security	Percent of Total
VALE SA	4.57
PETROLEO BRASILEIRO SA (PETROBRAS)	4.26
PETROCHINA CO LTD CL A	3.59
GAZPROM	3.35
TATA CONSULTANCY SERVICES LTD	3.18
SESA GOA LTD	3.00
LUKOIL HOLDINGS	2.74
ITAU UNIBANCO HOLDING SA	2.74
OTP BANK	2.27
ANGLO AMERICAN PLC	2.20
Total	31.90

Fundamental Portfolio Characteristics

	Price to Earnings	Price to Book Value	Price to Cash Flow	Dividend Yield	Market Cap (USD Millions)
FTIF Templeton Emerging Markets Fund (Wtd. Avg.)	15.69x	2.22x	8.02x	2.35%	31,395
MSCI Emerging Markets Index (Wtd. Avg.)	20.59x	2.15x	11.03x	2.05%	37,993

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 emerging markets in 2010 is positive. We believe that emerging markets are in a secular bull phase and that the general direction of emerging market economies could continue to be upward. Many countries have already returned to growth, and we expect that growth to strengthen in 2010. We have seen governments globally implement huge stimulus packages to bring economies out of recession and ensure that they maintain sustainable growth.

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. Therefore, 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, keeping in mind that every bull market is likely to have corrections, and with the active developments in derivatives, those corrections could be large. Our optimism is 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 emerging markets compared to developed markets, (5) the accumulation of foreign exchange reserves, which puts emerging economies in a much stronger position to weather external shocks, (6) the relatively lower debt levels of emerging market countries, and (7) the high level of money supply growth globally. We believe all these factors make emerging markets attractive to investors around the world.

We could see more money being directed into emerging 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 these markets to command even greater attention in the global investment universe. We believe emerging markets such as China, Brazil, Russia and India could become some of the world's most important and influential countries.

INVESTMENT OBJECTIVE

Long-term capital growth by investing mainly in equity securities of emerging market companies, or those companies which derive a significant proportion of their revenues or profits from emerging economies.

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.

This information is not a complete analysis of every material fact regarding these securities and should not be viewed as an investment recommendation. Any views expressed are the views of the portfolio manager and do not constitute investment advice. This report, issued by Franklin Templeton Investments, does not constitute or form part of any offer to invest nor is it an invitation to invest. Subscriptions may only be made on the basis of the most recent Prospectus which is available at Templeton Asset Management Ltd or our authorised distributors. Investors should read the Prospectus for details before investing. Past performance is not necessarily a guide to future performance and the value of the shares and the income from them may fall as well as rise. This investment product is not available to U.S. and Canadian residents and U.S. citizens. Investors may wish to seek advice from a financial adviser before making a commitment to invest in shares of the Fund. Biz Regn No: 199205211E