



Fund Commentary

Templeton Global Fund Fourth Quarter 2009

Overview

- Equities saw modest gains over the quarter as economic activity firmed and corporate earnings exceeded forecasts, offsetting a modest headwind from bond markets.
- For the quarter ended 31 December 2009, the fund rose 2.70% (net in U.S. dollars). The fund's benchmark, the MSCI All Country World Index, rose 4.72% (also in U.S. dollars).
- Strong performance from the energy and health care sectors did not offset weaker results from materials and telecommunications.
- Positions were added in European and U.S. health care, Asian telecom, and U.S. food service, while a European oil stock was sold.
- Entering the New Year, the background for equities appears supportive, although necessary reductions in economic and monetary stimulus may present a challenge going forward.

Market Review

After a brief decline in October, global equities regained momentum, rising in November and December to complete their third consecutive quarter of positive returns and best annual performance in six years. Reported data continued to indicate incremental improvements in global economic variables and corporate profitability. In the United States, jobless claims and durable goods orders improved, and the economy expanded modestly after its worst recession in six decades. European economic conditions also improved, largely on the back of an export recovery in Germany and France. In Japan, industrial production rebounded and the government said the economy would expand for the first time in three years. The ongoing recovery in the developing world was even more dramatic. Spurred by organic demand recovery and official stimulus, equities reflected optimistic expectations for sustained economic recovery and returned over 80% in Brazil, Russia, India and China during 2009 (in local currency terms).

Performance Review and Contributors to Performance

The energy sector provided the strongest returns for the fund in the fourth quarter. Two European integrated oil holdings enjoyed strong December performance on rising oil prices and a weather-related boost to demand. An above-index weighting in health care yielded benefits, as easing concerns about the impact of U.S. health care reforms and the completion of several potentially beneficial mergers drove improved performance in the sector. Elsewhere, Norwegian telecoms business Telenor advanced as the resolution of a potentially crippling legal dispute with a Russian partner shifted market attention to the group's low valuation and attractive mix of businesses. U.S. database management group Oracle Corp. performed well after management raised guidance and announced stronger-than-expected results, driven by solid

sales from its database and application software businesses and effective cost management. Software giant Microsoft Corp rose as third-quarter profits exceeded market expectations and strong demand for the Windows 7 operating system fueled optimism about other new product launches due in 2010. Dutch consumer electronics business Koninklijke Philips Electronics gained ground as much-improved margins led to a strong quarterly result.

The fund's low weighting in materials hampered relative performance as metal and mining stocks performed strongly. Telenor aside, telecoms generally disappointed. Telekom Austria was hit particularly hard after a profit warning in December that suggested a severe weakening in margins for its eastern European operations. A planned share buy back was shelved, although the company's generous dividend was maintained. In consumer staples, the fund suffered from a combination of a low portfolio weighting in a buoyant sector and a disappointing return from the UK's Premier Foods on concerns about sluggish sales trends. Elsewhere, Dutch banking group ING fell on concerns about the degree of restructuring imposed by the European Union as the price of state aid, along with a substantial capital raising. Biotechnology business Amgen slipped on news of a delay in the launch of its osteoporosis treatment, although a positive opinion on the drug from the European Medicines Agency gave the shares a boost in December.

Strategy and Activity

Positions were added in European and U.S. health care, Asian telecom, and U.S. food service, while a European oil stock was sold. The most significant overweighted allocations were to telecommunication services, health care and consumer discretionary, with underweighted allocations to materials, financials and consumer staples.

Investment Outlook

While conditions in financial markets and the global economy have undoubtedly improved since the beginning of 2009, the swift and sharp recovery in equities has been largely driven by a revival of optimism. It has been the implicit guarantee by global governments to underpin the financial system, rather than a dramatic or broad-based improvement in economic or business fundamentals, that was the main impetus to the market's dramatic rally since the March trough. As these guarantees are withdrawn and global economies are forced to stand on their own, the current disconnect between value and share prices should lessen, with markets becoming far more discriminating going forward. In such a climate, we believe it is more important than ever to focus on companies with the financial strength to thrive regardless of economic conditions. At Templeton, we continue to use bottom-up equity analysis to uncover these promising value opportunities for long-term investors. We remain encouraged by the bargains that still exist among high-quality, financially resilient and historically undervalued stocks in a number of industry sectors.

Fund performance as of end of period under review:

	1-mth	3-mth	6-mth	1-year	3-year	5-year	Since Launch (28/02/91)
Total Return	2.5%	2.7%	24.5%	30.7%	-22.5%	4.1%	183.1%
AACR ¹	N/A	N/A	N/A	24.2%	-9.7%	-0.2%	5.4%

Source: Franklin Templeton Investments. Fund performance computed in share class currency, on NAV-NAV basis and dividends reinvested.

¹ Average annual compounded return of Fund, taking into account relevant initial sales charge.

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