



FRANKLIN TEMPLETON
INVESTMENTS

FTIF Templeton Asian Growth Fund

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

MANAGER REPORT

31 January 2010

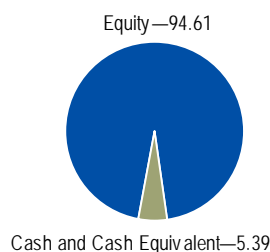
Fund Characteristics

Fund Inception Date	30.06.1991
Investment Style	Value
Lead Portfolio Manager	Mark Mobius
Primary Benchmark	MSCI All Country Asia ex Japan Index
S&P Fund Management Rating	AAA
Morningstar Rating™	★★★★
Base Currency	USD
Total Net Assets (USD)	8,136,482,126
Number of Issuers	66
ISIN Code	LU0029875118
Bloomberg Code	TEMFRELX

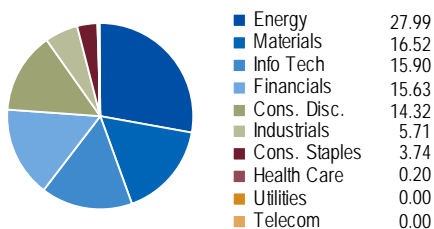
OVERVIEW

- Asian markets corrected as investors grew increasingly concerned about the Chinese government's efforts to curb inflation, with sentiment further dampened by concerns about the strength of the global recovery, Greece's high debt levels and U.S. President Barack Obama's proposal for greater regulation and taxation of the U.S. financial sector.
- For the three months ended 31 January 2010, the fund rose by net 5.70% in U.S. dollars. The consumer discretionary, information technology and materials sectors contributed the most, while the energy sector detracted from absolute performance.
- We believe that Asian markets are in a secular bull phase and that their general direction could continue to be upward, although corrections seem likely along the way, given their volatile nature. Risks include the large volume of derivative securities and a sudden reduction in the level of money supply.
- Long term, we are positive on Asia for several reasons: higher economic growth, higher foreign reserves, decreasing dependence on developed markets, and lower inflation along with lower interest rates. Despite recent rises, we are still able to find opportunities. In our opinion, current valuations are below their five-year historical highs and do not appear excessive.

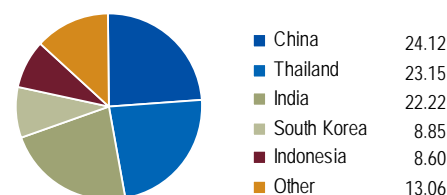
Portfolio Allocation (%)



Sector Breakdown (%)



Geographic Breakdown (%)



CUMULATIVE PERFORMANCE (%)

Historical Performance

31 January 2010

	1 Mth	3 Mths	6 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (30.06.91)
FTIF Templeton Asian Growth Fund A(Ydis) USD—NAV	-4.93	5.70	13.99	-4.93	98.70	28.51	104.05	155.45	179.43
MSCI All Country Asia ex Japan Index USD	-6.02	0.71	5.53	-6.02	71.40	10.05	78.04	78.03	308.89

ANNUALIZED PERFORMANCE (%) – NET OF SALES CHARGE²

Historical Performance

31 January 2010

	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (30.06.91)
Templeton Asian Growth Fund A(Ydis) USD—Net of Fees	88.80	6.90	14.20	9.30	5.40

For information related to the headings "Fund Characteristics", "Portfolio Allocation", "Sector Breakdown", "Geographic Breakdown", "FTIF Templeton Asian Growth Fund A(Ydis) USD—NAV", please see note regarding Fund Characteristics data and Fund Ratings on back page. Source: Franklin Templeton Investments, 31 January 2010. **Past performance does not guarantee future results.**

Source for MSCI benchmark returns: FactSet Research System, Inc., as of 31 January 2010.

Performance calculated as at 31 Jan 2010 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

Asian markets corrected as investors grew increasingly concerned about the Chinese government's efforts to curb inflation, with sentiment further dampened by concerns about the strength of the global recovery, Greece's high debt levels and U.S. President Barack Obama's proposal for greater regulation and taxation of the U.S. financial sector. We believe the actions taken by the Chinese government are unlikely to derail the country's broader economic recovery. The MSCI All Country Asia ex-Japan Index ended the month down 6.02% in U.S.-dollar terms.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

For the three months ended 31 January 2010, the fund rose by net 5.70% in U.S. dollars. Most sectors contributed positively to fund performance, with the exception of the energy sector and select individual positions.

The consumer discretionary sector contributed most to absolute performance for the reporting period, driven primarily by positions in Chinese and Indonesian automobile companies. Even though the effects of the global financial crisis undermined purchasing power and eroded demand for new cars, impacting the car industry globally, prospects for select automakers in Asia appear to be improving due to increasing domestic demand. China is now the world's largest auto market, as consumer sentiment and demand improved thanks to a number of auto-related stimulus measures, tax incentives and subsidies that were implemented by Beijing in 2009.¹ Indonesia's domestic consumption is growing rapidly, accounting for almost two-thirds of the economy, and both the retailing and transportation industries appear to be holding up relatively well in the context of the global economic slowdown.² The country's population is larger than that of Brazil and Russia, indicating huge potential for a vibrant consumer market.

The fund's investments in the information technology sector saw solid gains in the three-month period, with particular strength in IT services companies, semiconductor firms and communications equipment makers based in India, Taiwan and Hong Kong. As the global economy begins to mend and western companies focus on reducing operational costs and boosting efficiency, demand for outsourcing services has revived and prices have stabilized, fueling hopes for recovery in the IT outsourcing industry. Several Indian software services companies have noted that the industry has recently been recovering from the impact of the global economic slowdown. Most top software companies reported robust net profits in the December-end quarter on the back of strong growth in business volumes.³

Fund performance for the quarter was also supported by holdings in the commodity-related metals and mining industry of the materials sector, where gains were led by iron ore, aluminum and cement companies operating in India and Thailand. With signs of an economic recovery, particularly in emerging markets, relatively tight supply conditions and increasing demand, especially from China, these companies benefited from rising prices and improving prospects for 2010. India's iron ore exports more than doubled in October 2009 compared to the same month a year ago on the back of an increase in demand from Chinese steel producers, according to a joint study by a group of iron ore exporters. Meanwhile, Indian steel consumption jumped 6.8% in the April-November 2009 period, boosted by demand from auto and construction companies as well as public expenditure on infrastructure development.⁴ 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.⁵

Performance also benefited from investments in Thai and Indonesian commercial banks. With expectations of improved economic growth in 2010 in a number of Asian economies and increasing investor confidence, shares of commercial banks have recovered substantially since the lows of early 2009. We continue to believe strongly in the potential for Asian commercial banks, since we believe they are likely to benefit from increasing demand for financial services, fueled by comparatively strong economic growth and rising per capita income in Asia. Elsewhere, individual positions that contributed positively to performance for the period included investments in the machinery industry and the food and staples retailing industry.

However, a number of major Chinese and Thai energy firms detracted from fund performance for the three-month period, declining as the price of crude fell while the U.S. dollar strengthened at the end of January. While we believe commodity prices will likely follow a long-term upward trend, we also realize that these prices are subject to volatility in the short term. Notable individual detractors from performance included a major aluminum producer and a commercial bank.

Strategy and Activity

Our investment strategy employs a bottom-up, value oriented, long-term approach. As we look for investments, we focus on specific companies and undertake in-depth research to evaluate their earnings, asset value, growth and cash flow potential 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.

Our focus continues to be on two major themes: consumers and commodities. Per capita income in most emerging markets is still lower than most developed countries, but it is rapidly increasing on the back of higher economic growth and lower birth rates, which means that the *growth rate* of per capita income is higher in emerging markets than in developed countries. The large populations in India and China, with over a billion people each, make for a lot of consumers in Asia alone. These markets also have tremendous potential for consumer goods because of their very low penetration. We are looking at several consumer areas, including consumer banking, retail and consumer products.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE *(continued)*

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. In this area, we are looking at companies that are strong in the production of commodities such as oil, iron ore, nickel and platinum.

Portfolio inflows during the month and our focus on undervalued stocks trading at attractive valuations led us to increase the fund's investments in China, via the Hong Kong-listed "H" shares, as well as in India and Indonesia. We also made select purchases in Pakistan, South Korea and Thailand, and increased the fund's holdings in industries such as oil and gas, banking, IT consulting, construction and engineering, and real estate management and development.

Top Sector Contributors

Sector
Consumer Discretionary
Information Technology
Materials

Top Sector Detractors

Sector
Energy
Health Care

Top Sector Weights

Sector
Energy
Materials
Financials

Bottom Sector Weights

Sector
Telecommunication Services
Utilities
Health Care

Top Security Contributors

Security
DENWAY MOTORS LTD
SESA GOA LTD
TATA CONSULTANCY SERVICES LTD
ASTRA INTERNATIONAL
BRILLIANCE CHINA AUTOMOTIVE HOLDINGS LTD
INFOSYS TECHNOLOGIES LTD
VTECH HOLDINGS LTD
OIL & GAS DEVELOPMENT CORP
SIAM CEMENT
CHINA INTL MARINE CONT

Top Security Detractors

Security
ALUMINUM CORP OF CHINA LTD
PETROCHINA CO LTD
PTT EXPLORATION&PROD
SIAM COMMERCIAL BANK
CHINA PETROLEUM & CHEMICAL CORP
PTT PUBLIC COMPANY
COMPAL COMMUNICATIONS INC
GS ENGINEERING & CONSTRUCTION CORP
CNOOC LTD
HCL INFOSYSTEMS LTD

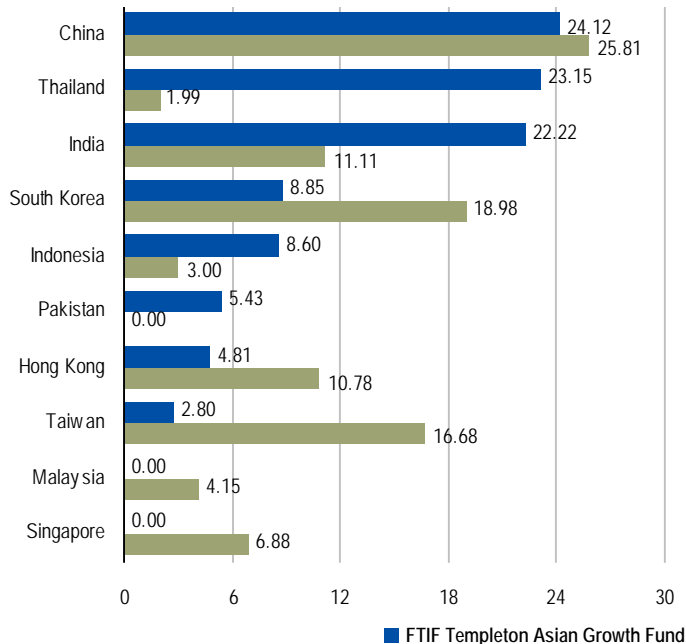
1. Reuters, 2 June 2009.
2. FT Asia-Pacific, 10 September 2009.
3. Wall Street Journal, 11 February 2010.
4. IBEF: Indian Brand Equity Foundation.
5. Metal Bulletin, 5 November 2009.

Source for "Top Sector Contributors", "Top Sector Detractors", "Top Sector Weights" and "Bottom Sector Weights": FactSet Research System, Inc. as of 31 January 2010. Profile data is calculated as a percentage of total. Holdings of the same issuer have been combined.

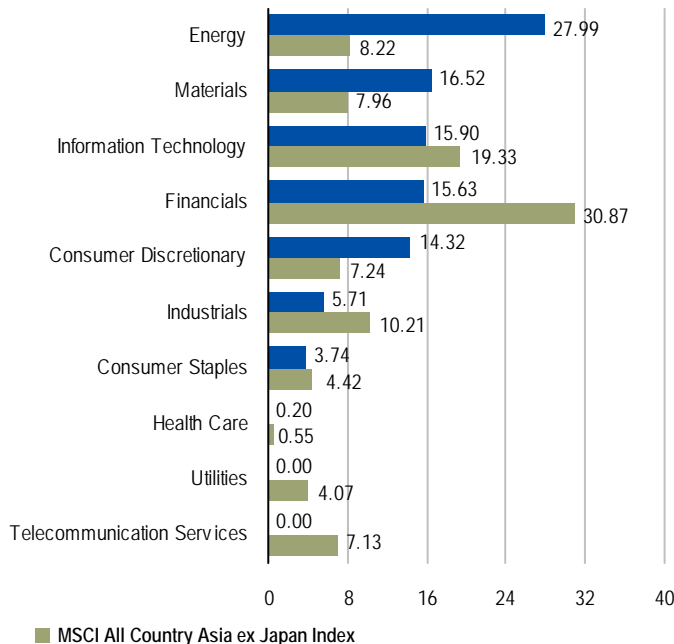
Source for "Top Security Contributors" and "Top Security Detractors": FactSet Research System, Inc. as of 31 January 2010. Profile data is calculated as a percentage of total. Holdings of the same issuer have been combined.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE (continued)

Geographic Weightings vs. Benchmark (%)



Sector Weightings vs. Benchmark (%)



Top Ten Equity Issuers

Security	Percent of Total
SESA GOA LTD	5.58
TATA CONSULTANCY SERVICES LTD	5.42
DENWAY MOTORS LTD	5.04
PTT PUBLIC CO LTD	4.63
PT ASTRA INTERNATIONAL TBK	4.46
ALUMINUM CORP OF CHINA LTD	4.19
SK ENERGY CO LTD	4.15
OIL & GAS DEVELOPMENT CO LTD	4.00
INFOSYS TECHNOLOGIES LTD	3.87
SIAM COMMERCIAL BANK	3.62
Total	44.96

Source for the Fund’s “Geographic Weightings” and “Sector Weightings” above: Franklin Templeton Investments as of 31 January 2010 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 January 2010. 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.

Fundamental Portfolio Characteristics

	Price to Earnings	Price to Book Value	Price to Cash Flow	Dividend Yield	Market Cap (USD Millions)
FTIF Templeton Asian Growth Fund (Wtd. Avg.)	16.17x	2.31x	10.67x	2.16%	14,506
MSCI All Country Asia ex Japan Index (Wtd. Avg.)	22.38x	1.97x	11.86x	2.01%	33,941

INVESTMENT OUTLOOK

Our outlook for Asian markets continues to be positive. We believe that these markets are in a secular bull phase and that the general direction of Asian markets could continue to be upward, although corrections seem likely along the way, given their volatile nature. Currently, the biggest risk we see to markets worldwide is the level of derivatives, which could contribute to asset bubbles if not properly regulated. The total value of derivatives is now over US\$600 trillion, 10 times more than the total economic output of the world.⁶ A sudden sharp decline in money supply might also trigger a downward trend. Other risks include the loss of investor confidence, over- or poor regulation in various industries, adoption of protectionist measures, or abandonment of the market economy philosophy.

However, a number of factors strengthen our belief in Asia. First, gross domestic product (GDP) growth in many Asian markets is much higher than in developed markets. According to the International Monetary Fund, in 2010 China and India are expected to grow by 9.0% and 6.4%, respectively, while developed markets are expected to grow just 1.3%. Second, foreign reserves in emerging markets have surpassed those of developed countries since 2005 and continue to build up, with China holding the most, at more than US\$2 trillion. Third, the debt-to-GDP ratio in most Asian countries is much lower than in developed countries.

Fourth, while Asia's growth cannot be totally separated from that of developed markets in terms of trade and capital flows, as time goes by, Asian countries are becoming less dependent on trade with the U.S. In Asia, this is particularly evident as China is now the major export destination for many Asian countries. Domestic growth within several Asian countries is also stimulating internal demand. Fifth, inflation has been coming down swiftly since the middle of 2008, accompanied by lower interest rates. A rise in interest rates could have a negative impact on markets, especially in the short term and if inflation does not rise simultaneously. But if inflation rises faster than interest rates, the impact may not be as negative. Over the long term, higher interest rates may not necessarily lead to stock market declines because they could indicate a demand for creditors and mean that businesses are recovering. It is important to remember that interest rates are only one of the many factors that influence markets.

The rapid developments in Asia could allow it to command even greater attention in the global investment universe. We could see more money being directed into Asia 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. Indeed, a number of emerging markets have experienced a rapid run up over the past several months. Therefore, we must pay attention to valuations and long-term earnings growth prospects in order to avoid buying or holding expensive stocks. In our opinion, current valuations are below their five-year historical highs and do not appear excessive, so we are still able to find opportunities.

INVESTMENT OBJECTIVE

Long-term capital appreciation by investing primarily in equity securities of companies incorporated or who have their area of primary activity in Asia (excluding Australia, New Zealand and Japan).

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.

6. Bank of International Settlements, Semiannual OTC derivatives statistics at end-June 2009. 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 January 2010. **Past performance does not guarantee future results.**

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 © 2010, McGraw-Hill Companies, Ltd. trading as Standard & Poor's ("S&P"). Morningstar Rating™ © 2010, 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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