



FRANKLIN TEMPLETON
INVESTMENTS

FTIF Templeton China Fund

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

MANAGER REPORT

31 January 2010

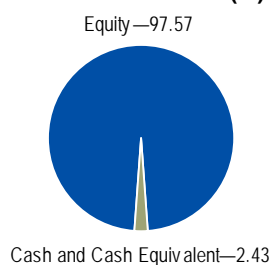
Fund Characteristics

Fund Inception Date	01.09.1994
Investment Style	Value
Lead Portfolio Manager	Mark Mobius
Primary Benchmark	MSCI Golden Dragon Index
S&P Fund Management Rating	AA
Morningstar Rating™	★★★★
Base Currency	USD
Total Net Assets (USD)	929,415,963
Number of Issuers	90
ISIN Code	LU0052750758
Bloomberg Code	TEMCHAI LX

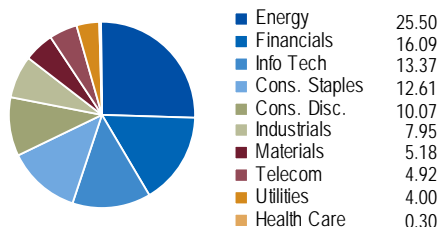
OVERVIEW

- Chinese markets corrected in January as investors grew increasingly concerned about the 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 proposals for the U.S. financial sector.
- For the three months ended 31 January 2010, the fund returned -1.24% in U.S. dollars. Chinese markets experienced a degree of volatility during the period, and so while a few sectors contributed positively to absolute performance, this was offset by declines in a number of stocks, most notably in the financials, energy and materials sectors.
- We believe that the Chinese market is in a secular bull phase and that its general direction could continue to be upward, although corrections seem likely along the way, given the volatile nature of emerging markets. Long term, we are positive on China for several reasons: high economic growth, high foreign reserves, decreasing dependence on developed markets and a strengthening domestic market.
- The rapid developments in China could allow it to command even greater attention in the global investment universe and feature among the world's most important and influential countries. We could see more money being directed into China 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.

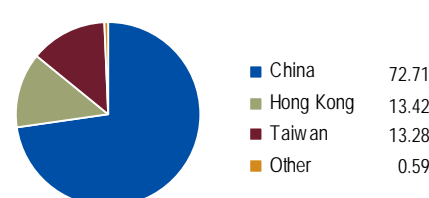
Portfolio Allocation (%)



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 (01.09.94)
FTIF Templeton China Fund A(acc) USD—NAV	-7.08	-1.24	1.42	-7.08	62.16	25.62	101.56	209.03	126.06
MSCI Golden Dragon Index USD	-7.56	-2.63	1.27	-7.56	65.66	10.18	71.62	40.85	N/A

ANNUALIZED PERFORMANCE (%) – NET OF SALES CHARGE²

Historical Performance

31 January 2010

	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (01.09.94)
Templeton China Fund A(acc) USD—Net of Fees	54.10	6.10	13.90	11.40	5.10

For information related to the headings "Fund Characteristics", "Portfolio Allocation", "Sector Breakdown", "Geographic Breakdown", "FTIF Templeton China Fund A(acc) 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

Chinese markets corrected as investors grew increasingly concerned about the 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 Golden Dragon Index ended the month down 7.56% in U.S.-dollar terms.

Gross domestic product (GDP) growth in China accelerated to 8.7% year-over-year in 2009, exceeding the government's 8% target, supported by an expansionary credit policy as well as greater public expenditure and consumer demand. Exports recorded positive growth in December, the first time in more than a year, increasing 17.7% year-over-year compared to a decline of 1.2% year-over-year in November. Economic recovery and improving domestic demand led consumer prices to increase 1.9% year-over-year in December, their second consecutive monthly increase after nine months of decline. In January, the People's Bank of China (PBOC) switched to a tightening monetary policy as part of efforts to curb excessive credit growth, raising the reserve ratios for banks by 50 basis points to 16% for the country's largest banks and 14% for the smaller banks. Yields on government bonds were also raised.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

For the three months ended 31 January 2010, the fund returned -1.24% in U.S. dollars. Chinese markets experienced a degree of volatility during the period, and so while a few sectors contributed positively to absolute performance, this was offset by declines in a number of stocks, most notably in the financials, energy and materials sectors.

We believe several consumer-related companies are likely to benefit from relatively high economic growth, rising per capita income, improving demographics and strengthening demand for consumer goods and services in China. In the consumer staples sector, performance was supported by strongly performing food and staples retailers, food products firms and beverage companies. In the consumer discretionary sector, fund performance was aided by investments in auto companies and distributors. 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

The fund's investments in the information technology sector saw solid gains in the three-month period, with particular strength in computers and peripherals makers and semiconductor firms. In the industrials sector, airlines and transportation infrastructure firms contributed positively to performance.

However, commercial banks in the financials sector saw sharp declines, as the government's move toward a tighter monetary policy stance raised fears of a slowdown in lending. Since late 2008, the Chinese government has urged banks to lend in order to support its economic stimulus package, which was introduced to maintain high growth in the domestic economy. According to some reports, Chinese banks granted a record 7.73 trillion yuan in new local-currency loans in the first seven months of 2009 alone, far exceeding the government's minimum target of 5 trillion yuan set at the beginning of the year.² But in January 2010, the government began to tighten monetary policy as part of efforts to curb excessive credit growth. While this move may have a short-term impact, we believe a lending slowdown may benefit the domestic economy in the long term by reducing risk to some degree. We continue to believe in the long-term potential for Chinese banks, as the Chinese consumer has yet to fully transition from saving to spending.

In the commodity-related sectors of energy and materials, a number of major oil, gas and consumable fuels companies and metals and mining firms also detracted from fund performance for the three-month period. Energy firms declined as the price of crude fell and the U.S. dollar strengthened at the end of January, while steel prices in China also fell on higher inventories and concerns on monetary tightening, which may affect capital availability. We believe commodity prices will likely follow a long-term upward trend, but we also realize that these prices are subject to volatility in the short term.

In addition, the fund's exposure to the utilities sector, particularly holdings in select independent power producers, detracted from absolute performance for the period.

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. Subscriptions received during the month and our focus on undervalued stocks trading at attractive valuations led us to increase the fund's investments in industries such as steel, apparel, accessories and luxury goods, automobile manufacturing, oil and gas, and life and health insurance. Conversely, we undertook select sales in communication equipment makers, tires and rubber companies and publishing firms due to the availability of what we believed to be more attractive stocks elsewhere in the fund's investment universe.

Top Sector Contributors

Sector
Consumer Staples
Information Technology
Consumer Discretionary

Top Sector Detractors

Sector
Financials
Energy
Materials

Top Sector Weights

Sector
Energy
Financials
Information Technology

Bottom Sector Weights

Sector
Health Care
Utilities
Telecommunication Services

Top Security Contributors

Security
YANZHOU COAL MINING CO LTD
DAIRY FARM INTERNATIONAL HOLDINGS LTD
LITE-ON IT CORP
SHENGUAN HOLDINGS (GROUP) LTD
YANTAI CHANGYU PIONEER WINE B HKD
CHONGQING CHANGAN AUTO B HKD
CHINA YURUN FOOD GROUP LTD
CHINA FOODS LTD
DONGFENG MOTOR GROUP CO LTD
CHINA COAL ENERGY CO LTD

Top Security Detractors

Security
BANK OF CHINA LTD
CHINA PETROLEUM & CHEMICAL CORP
CNOOC LTD
PETROCHINA CO LTD
CHINA CONSTRUCTION BANK CORP
ANGANG STEEL CO LTD
JIANGXI COPPER CO LTD
BOC HONG KONG (HOLDINGS) LTD
DATANG INTERNATIONAL POWER GENERATION CO LTD
CHINA SHENHUA ENERGY CO LTD

1. Reuters, 2 June 2009.

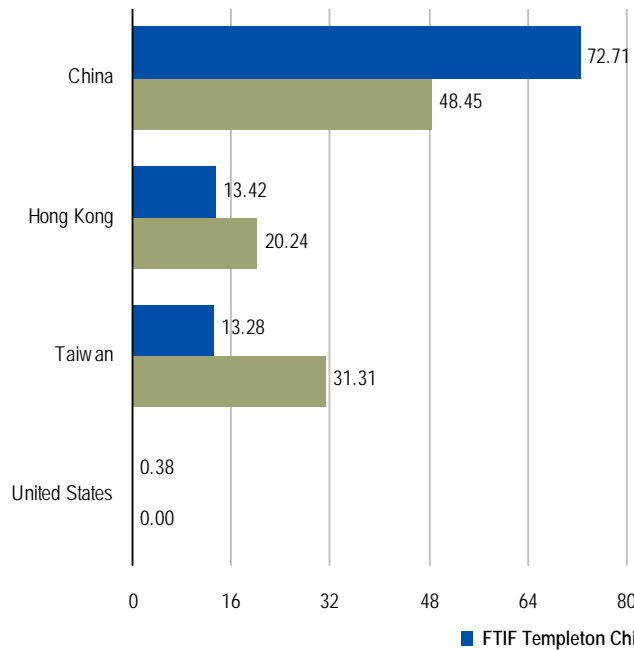
2. Reuters, 21 August 2009.

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.

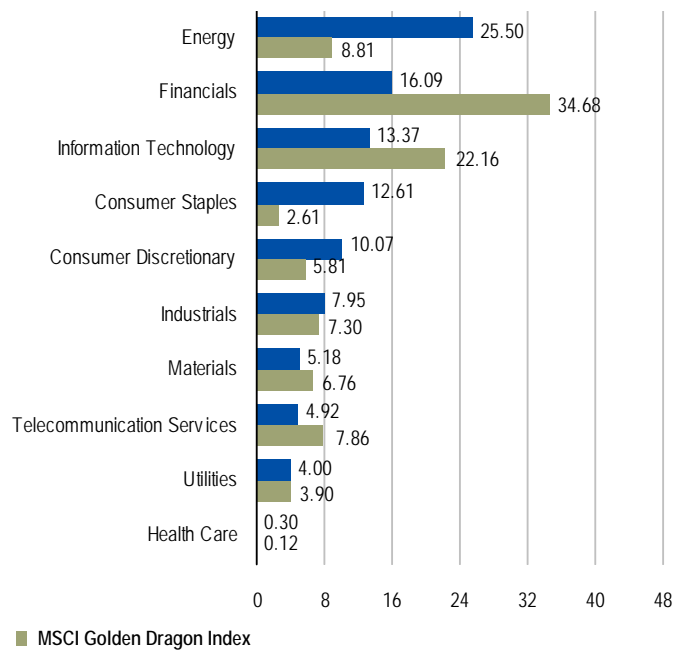
Source for "Top Security Contributors" and "Top Security Detractors": FactSet Research System, Inc. as of 31 January 2010. Profile data is calculated as a percentage of total. Holdings of the same issuer have been combined.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE *(continued)*

Geographic Weightings vs. Benchmark (%)



Sector Weightings vs. Benchmark (%)



Top Ten Equity Issuers

Security	Percent of Total
CHINA PETROLEUM & CHEMICAL CORP (SINOPEC)	5.83
CNOOC LTD	5.63
DAIRY FARM INTERNATIONAL HOLDINGS LTD	5.14
PETROCHINA CO LTD	5.04
CHINA MOBILE LTD	4.36
BANK OF CHINA LTD	4.26
YANZHOU COAL MINING CO LTD	3.91
CHINA LIFE INSURANCE CO LTD	2.93
TAIWAN SEMICONDUCTOR MANUFACTURING CO LTD	2.79
CHINA SHENHUA ENERGY CO LTD	2.49
Total	42.38

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 China Fund (Wtd. Avg.)	17.45x	2.30x	11.50x	2.42%	31,096
MSCI Golden Dragon Index (Wtd. Avg.)	28.31x	2.03x	13.16x	2.37%	47,643

INVESTMENT OUTLOOK

Our outlook for China continues to be positive due to its relatively strong fundamental characteristics and faster growth rate compared to its developed and emerging market counterparts. Growth in 2009 outpaced growth in developed countries by a very wide margin despite the global economic slowdown. According to the International Monetary Fund, China is expected to grow by 9.0% in 2010, among the fastest rates of any major economy in the world.

We believe that the Chinese market is in a secular bull phase and that its general direction could continue to be upward, although corrections seem likely along the way. 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.³ 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.

From a long-term perspective, we believe investing in China offers a number of advantages. In addition to strong economic growth, China has the largest store of foreign reserves at more than US\$2 trillion. While China's growth cannot be totally separated from that of developed markets in terms of trade and capital flows, as time goes by, emerging 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 is stimulating internal demand, which is picking up dramatically, boosted by government subsidies. Government expenditure in areas such as infrastructure and private domestic consumption has at least partially offset the moderation in growth resulting from slowing exports, and the services sector has also been gaining in importance.

Inflation has been coming down since the middle of 2008, accompanied by lower interest rates. A rise in interest rates could have a negative impact on markets in the short term, if inflation does not rise at the same time. 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 factors that influence markets.

The rapid developments in China could allow it to command even greater attention in the global investment universe. We could see more money being directed into China 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. Even though valuations are no longer as cheap as they were at the end of 2008, we are still able to find opportunities. We continue to pay attention to valuations and long-term earnings growth prospects in order to avoid expensive stocks. In our opinion, current valuations are below their five-year historical highs and do not appear excessive.

INVESTMENT OBJECTIVE

Long-term capital appreciation by investing primarily in equity securities of companies located primarily in China, Hong Kong and Taiwan.

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.

3. 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.

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