FRANKLIN TEMPLETON INVESTMENTS

Fund Commentary

Templeton Global Fund
January 2010

Overview

- After a bright start to the month, equity markets slipped on concerns about a tightening of Chinese monetary policy, U.S. proposals on banking regulation and European sovereign debt.
- Over the month ended 31 January 2010, the fund fell by 4.98% net in dollars compared with the MSCI AC World Index, which fell by 4.30%.
- The fund saw favorable returns from its IT and industrials investments, but less satisfactory outcomes from financials, telecoms and utilities. Overall fund performance fell modestly below that of the benchmark.
- A media holding was sold, while new positions in European electrical engineering, telecoms equipment, vehicle manufacturing and a Japanese financial stock were added to the portfolio.
- Recent adverse developments notwithstanding, underlying economic conditions appear supportive of equity markets.

Market Review

After a strong start to January, equity markets saw profit-taking and finished lower. Catalysts for the change in market mood included a Chinese move to tighten controls on bank lending in response to strong economic data, unexpectedly restrictive proposals on banking regulation from U.S. President Obama and worries about sovereign debt in a number of eurozone countries, particularly Greece. Softer-than-expected U.S. employment data and German car registrations also affected investor sentiment, though more forward-looking surveys suggested that the economic recovery was intact. The materials sector fell quite sharply, in line with a set-back in commodity markets occasioned by the news from China, with IT and energy also underperforming. Health care and consumer staples held up better as investors became more defensively minded. After taking account of euro weakness and yen strength, Japanese equities were relatively buoyant, while European stocks underperformed their global peers.

Performance Review and Contributors to Performance

Among favorable returns from the fund's consumer electronics-related holdings, Japan's Sony Corp. advanced on news of very strong North American sales of its PS3 games console and software, along with a good reception for proposed new product launches, notably in the 3D television field. Philips Electronics revealed strong third quarter earnings after good performances from its health care equipment and LED lighting businesses. Information technology generated outperformance from the fund's European and Asian semiconductor-related investments. The contribution of Philips Electronics to the industrials sector was augmented by British Airways, which advanced on a combination of encouraging news on passenger traffic, progress in merger talks with Spanish airline Iberia and relief that threatened industrial action over the Easter holiday period would not take place. A low weighting in metals and mining stocks benefited relative results in the materials sector, but weakness for Australian aluminium producer Alumina offset some of the effect. The fund also saw solid returns from U.S. drug stocks Merck & Co. and Amgen, with cost-saving initiatives for the former and an upbeat outlook statement from the latter reinforcing a modest boost from hopes that the U.S. health care bill might fail to pass.

Financials produced the least satisfactory relative performance. December quarterly results at asset manager Legg Mason revealed significant fund outflows and unexpected property costs. Several of the fund's commercial banking stocks reacted negatively to bond market concerns and U.S. proposals on bank regulation, while European insurance holdings underperformed their U.S. equivalents. The 50% devaluation of the Venezuelan bolivar led to profit-taking in Spanish-based telecoms company Telefonica, for which Venezuela is an important market. Rumoured plans to launch a bid for control over Telecom Italia also affected the stock price of Telefonica. The telecommunication services sector as a whole disappointed, while in utilities the European stocks that made up the bulk of the fund's exposure reacted to weak customer demand. With retail stocks generally softening over the month, fashion retailer Liz Claiborne gave back some of its December strength. Overall, the fund produced a return modestly behind that of its benchmark.

Strategy and Activity

A media holding was sold while new positions in European electrical engineering, telecoms equipment, vehicle manufacturing and a Japanese financial stock were added to the portfolio. At month-end, the portfolio was overweighted in health care, telecommunication services and consumer discretionary relative to its benchmark, and it was underweighted in materials, information technology and energy.

Investment Outlook

Although recent economic releases have raised a measure of doubt about the resilience of developed market growth, most indicators still point to the potential for a cyclical economic recovery. Surveys of manufacturing intentions have continued to strengthen, order books have risen, improving consumer confidence has been encouraging rebuilding of inventory levels and, outside the UK, developed market inflation remains subdued. Concerns persist that fiscal imbalances threaten a number of sovereign bond markets and that in a number of cases, banks are proving slow to transmit stimulus measures to wider economies. However, earnings forecasts continue to trend higher, underpinning market valuations. We remain confident of the fund's favorable valuation growth prospects over our five-year time horizon.

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	-5.0%	0.7%	7.6%	40.5%	-27.3%	0.9%	169.0%
AACR[1]	N/A	N/A	N/A	33.4%	-11.6%	-0.8%	5.1%

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.*