



FRANKLIN TEMPLETON
INVESTMENTS

FRANKLIN U.S. GOVERNMENT FUND

A SUB-FUND OF LUXEMBOURG-DOMICILED SICAV

August 31, 2012

INVESTMENT OBJECTIVE

The Fund's investment objective is income and safety of principal. The Fund seeks to achieve its objective by investing in debt obligations issued or guaranteed by the U.S. government and its agencies, including purchasing mortgage- and asset-backed securities.

FUND MANAGER AND LOCATION

Roger Bayston, San Mateo, California
Paul Varunok, San Mateo, California

FUND DATA¹

Base Currency of Fund: US Dollar

Portfolio Size: \$2,532.65 million

Date of Launch: February 28, 1991

Purchase of Shares:

Min Initial Investment \$5,000.00

Min Subsequent Investment \$1,000.00

Primary Fund Benchmark/Index:

Barclays U.S. Government - Intermediate Index

Morningstar™ Workstation Category:

USD Government Bond

Dividend Frequency: Monthly

Investment Management Fee (% p.a.):²

0.65%

Share Class	Date Paid	Amount
A(Mdis)USD	07/16/12	\$0.02
B(Mdis)USD	07/16/12	\$0.01
N(Mdis)USD	07/16/12	\$0.01

FUND AWARDS AND RATINGS

S&P Capital IQ Grading:³ Gold/V2

Morningstar™ Overall Rating:⁴ ★★☆☆

Morningstar™ Style Box:⁴

DURATION

Short Int Long

			QUALITY
		X	High
			Medium
			Low

Current

Client Services

Global (727) 299-5042

U.S. (800) 239-3894

Email: stpcds@templeton.com

Offshore Sales Support Team

U.S. (800) 233-9796

Canada (877) 389-0076

Web www.templetonoffshore.com

Address

100 Fountain Parkway

PO Box 33030

St. Petersburg, Florida 33716

ASSET ALLOCATION¹

EQUITY	FIXED INCOME	CASH & CASH EQUIVALENTS	# OF ISSUES
-	98.82%	1.18%	2339

PERFORMANCE IN SHARE CLASS CURRENCY AS OF AUGUST 31, 2012

	1-MO	3-MO	6-MO	1-YR	3-YR*	5-YR*	10-YR*	SINCE LAUNCH	SINCE LAUNCH*
A(Mdis)USD	0.06	0.80	1.66	2.89	4.74	5.46	4.09	165.49	4.64
A(acc)USD	0.09	0.74	1.59	2.85	-	-	-	8.40	4.29
AX(acc)USD	0.07	0.72	1.52	2.68	4.55	5.24	3.87	53.52	4.07
B(Mdis)USD	-0.04	0.41	0.97	1.54	3.44	4.13	2.81	57.67	3.52
B(acc)USD	-0.08	0.47	1.02	1.58	3.46	4.15	-	32.14	2.83
C(acc)USD	0.07	0.66	1.25	2.08	3.97	4.64	-	36.99	3.21
N(Mdis)USD	0.01	0.64	1.26	2.18	4.04	4.72	3.36	68.98	4.06
N(acc)USD	0.00	0.56	1.27	2.14	4.02	4.71	3.35	51.59	3.75

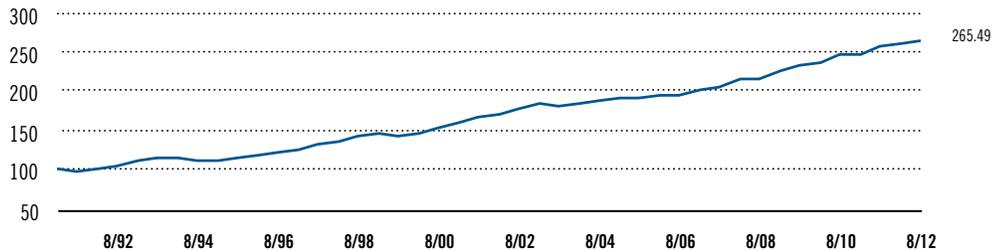
*Annualized Performance

CALENDAR YEAR PERFORMANCE AS OF AUGUST 31, 2012

	NAV	YTD	2011	2010	2009	2008	2007	2006	2005	2004
A(Mdis)USD	\$9.85	1.75	6.25	5.65	4.05	6.10	5.72	3.21	1.91	3.51
A(acc)USD	\$10.84	1.78	6.08	-	-	-	-	-	-	-
AX(acc)USD	\$15.35	1.59	6.04	5.48	3.85	5.86	5.49	3.01	1.71	3.25
B(Mdis)USD	\$9.86	0.84	4.91	4.40	2.75	4.83	4.43	1.95	0.77	2.19
B(acc)USD	\$12.87	0.94	4.94	4.29	2.73	4.90	4.45	1.97	0.69	2.13
C(acc)USD	\$13.70	1.25	5.45	4.82	3.21	5.33	4.84	2.38	1.16	2.57
N(Mdis)USD	\$9.89	1.32	5.48	4.86	3.42	5.35	4.92	2.54	1.18	2.71
N(acc)USD	\$14.34	1.27	5.51	4.93	3.31	5.36	4.91	2.47	1.30	2.66

TOTAL PERFORMANCE IN US DOLLAR AS OF AUGUST 31, 2012

*Since inception at NAV with an initial 100 USD investment and all dividends reinvested.



■ Franklin U.S. Government Fund - A(Mdis)USD

PORTFOLIO COMPOSITION (% OF TOTAL)¹

COUPON RATE BREAKDOWN*

COUPON	%
GNMA 4.0%	7.50
GNMA 4.5%	20.39
GNMA 5.0%	27.77
GNMA 5.5%	20.83
GNMA 6.0%	9.52
GNMA 6.5%	8.43
GNMA 7.0%	2.35
GNMA 7.5%	0.74
GNMA 8.0%	0.35
GNMA 8.5%	0.25
GNMA 9.0%	0.10
GNMA 9.5%	0.04
GNMA 10.0%	0.02
GNMA 10.5%	0.02
GNMA 11.0%	0.00
GNMA 11.5%	0.00
GNMA 12.0%	0.00
Cash	1.69

*Par-value weighted.

FIXED INCOME CHARACTERISTICS

STATISTICS	
Average Duration	2.64 Yrs
Weighted Avg Yield to Maturity	1.61%
Average Weighted Maturity	4.05 Yrs
3 Yrs Annualized Std Deviation - Fund	2.13%

SHARE CLASS

SHARE CLASS	YIELD
A(Mdis)USD	1.95
B(Mdis)USD	0.85
N(Mdis)USD	1.33

COUNTRY BREAKDOWN¹

COUNTRY BREAKDOWN	%
United States	98.82
Cash & Cash Equivalents	1.18

CURRENCY BREAKDOWN¹

CURRENCY BREAKDOWN	%
US Dollar	100.00

FUND IDENTIFIERS

SHARE CLASS*	INCEPTION DATE	CUSIP	BLOOMBERG	ISIN
A(Mdis)USD	02/28/1991	L9025R216	TEMUSGILX	LU0029872446
A(acc)USD	09/30/2010	L4059C110	TEUSAAULX	LU0543330301
AX(acc)USD	12/03/2001	L4058S348	TEMUSIXLX	LU0138076046
B(Mdis)USD	07/01/1999	L9052N187	TEMUSBILX	LU0098868937
B(acc)USD	09/09/2002	L4058S603	TEMUSBALX	LU0152908629
C(acc)USD	09/09/2002	L4058S546	TEMUSCALX	LU0152907142
N(Mdis)USD	07/01/1999	L9052N203	TEMUSXILX	LU0098867376
N(acc)USD	05/14/2001	L4058R712	TEMUSBXLX	LU0128529913

* (Mdis) - monthly distribution; (Qdis) - quarterly distribution; (Ydis) - yearly distribution; (acc) - accumulation

WHAT ARE THE RISKS

Because the Fund invests primarily in debt obligations issued or guaranteed by the U.S. government and its agencies, it may experience greater volatility than a more geographically diversified fund. The Fund's share price and yield will be affected by interest rate movements and mortgage prepayments. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. The Fund may be subject to a variety of risks in addition to those described herein. Please consult the Prospectus for a full discussion of these risks.

DISCLAIMERS

1. Portfolio Composition and Asset Allocation data as of July 31, 2012 (Negative currency positions, if any, may occur due to hedging, unsettled payables, and derivatives holdings).
 2. Investment Management Fee is a monthly fee equivalent to a percentage of the Fund's adjusted daily net assets received by the Investment Manager for each Class of Shares, except for the I shares classes. For a full description of all fees and charges that an investor may incur, including the initial sales charges and maintenance and company charges attributable to a class of shares of the Fund, please consult the current Prospectus of FTIF.
 3. An S&P Capital IQ fund grading represents an opinion only and should not be relied on when making an investment decision. Past performance is not indicative of future results. Currency exchange rates may affect the value of investments. Copyright © 2012 by McGraw-Hill International (UK) Limited (S&P), a subsidiary of The McGraw-Hill Companies, Inc. All rights reserved.
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