

# 富蘭克林坦伯頓法人機構專用基金-國際股票系列

Templeton Institutional Funds-International Equity Series

## 半年度財務報告中文簡譯本

2023 年 6 月 30 日

(尚未經審計)

本基金半年報中文簡譯本僅供參考。中文簡譯本之內容與英文半年報若有歧異，以英文半年報之內容為準。

# 富蘭克林坦伯頓法人機構專用基金-國際股票系列

## 財務重點

Primary 股	2023 年 6 月 30 日	截至 12 月 31 日止之年度				
	半年度底 (尚未經審計)	2022	2021	2020	2019	2018
<b>每單位股份操作績效</b>						
(針對持續全年流通在外之股份)						
期初淨資產價值	\$10.19	\$11.96	\$15.22	\$15.54	\$14.87	\$21.99
來自投資操作之收益 <sup>a</sup> :						
淨投資收益 <sup>b</sup>	0.17	0.26	0.26	1.03 <sup>c</sup>	0.64	0.42
淨實現及未實現利得(損失)	1.11	(1.40)	0.55	(0.32)	1.06	(3.66)
來自投資操作之收益總額	1.28	(1.14)	0.81	0.71	1.70	(3.24)
扣除配息:						
來自淨投資收益	—	(0.10)	(1.46)	(0.67)	(1.02)	(0.42)
來自淨實現利得	—	(0.53)	(2.61)	(0.36)	(0.01)	(3.46)
配息總額	—	(0.63)	(4.07)	(1.03)	(1.03)	(3.88)
期末淨資產價值	<b>\$11.47</b>	<b>\$10.19</b>	<b>\$11.96</b>	<b>\$15.22</b>	<b>\$15.54</b>	<b>\$14.87</b>
總報酬 <sup>d</sup>	12.67%	(9.23)%	5.75%	5.30%	11.57%	(14.87)%
<b>對應平均淨資產比率<sup>e</sup></b>						
費用(未扣除關係企業支付或減免款項)	1.04%	0.87%	0.94%	0.87%	0.82%	0.80%
費用(扣除關係企業支付或減免款項)	1.00%	0.83%	0.91%	0.84%	0.82% <sup>f</sup>	0.80% <sup>f,g</sup>
淨投資收益	3.07%	2.35%	1.64%	7.51% <sup>c</sup>	4.13%	1.98%
<b>補充資料</b>						
期末淨資產(000's)	\$181,628	\$196,051	\$386,291	\$447,139	\$1,695,980	\$2,785,308
投資組合資金週轉率	9.74%	46.42%	44.73%	89.34%	36.83% <sup>h</sup>	25.60% <sup>h</sup>

a. 視與基金所獲取的收益以及/或是基金投資市值的變動相關的基金股份出售與購回的時點而定，於此期間內流通在外股份所顯示的金額可能與此期間的經營業績表無法關聯。

b. 以每日平均流通在外股數為基礎。

c. 每股淨投資收益包括約每股\$0.77 有關特定基金扣繳的歐盟稅款回收之調整。如排除此金額，淨投資收益佔平均淨資產之比率將為 1.86%，且全部的收益將為(0.03)%。

d. 低於一年期間的總報酬數字未年化。

e. 低於一年期間的年化比率。

f. 關係企業支付或減免款項的利益四捨五入到小於 0.01%。

g. 費用減少的利益四捨五入到小於 0.01%。

h. 不包括由於非現金贖回而交付的有價證券的價值。

# 富蘭克林坦伯頓法人機構專用基金-國際股票系列

## 資產負債表

2023年6月30日(尚未經審計)

資產：

證券投資：

成本 - 非關係企業上市公司 \$134,099,639

成本 - 非控制關係企業上市公司(附註 3d) 3,511,548

價值 - 非關係企業上市公司(包含證券借出\$2,537,081) \$176,543,839

價值 - 非控制關係企業上市公司(附註 3d) 3,511,548

外幣價值(成本\$189,326) 188,999

應收款項：

股本銷售款 104,234

股利 3,425,315

歐盟稅款回收(附註 1e) 691,972

經紀商保證金：

期貨合約 74,780

期貨合約變動保證金 24,120

資產合計 184,564,807

負債：

應付款項：

股本贖回款 8,091

管理費用 110,919

股務代理機構費用 5,855

董事酬金與費用 754

針對歐盟回收稅款之美國國稅局結算協議款項(附註 1e) 2,357,023

應計費用及其他負債 315,148

負債合計 2,797,790

淨資產價值 \$181,767,017

淨資產包含：

實收資本 \$130,573,250

可分配利得(損失)總額 51,193,767

淨資產價值 \$181,767,017

Primary 股：

淨資產價值 \$181,628,177

流通在外股份 15,829,853

每股淨資產價值 \$11.47

# 富蘭克林坦伯頓法人機構專用基金-國際股票系列

## 經營業績表

截至 2023 年 6 月 30 日止之半年度 (尚未經審計)

投資收益：

股利：(扣除外國稅額 \$252,672)

非關係企業上市公司	\$3,955,309
非控制關係企業上市公司(附註 3d)	77,114

利息：

非關係企業上市公司	1,745
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來自借出證券的收益：

非關係企業上市公司(扣除費用和退款)	1,482
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其他收益(附註 1e)	11,959
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扣除：針對歐盟回收稅款之美國國稅局結算協議款項(附註 1e)	(74,993)
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總投資收益	<u>3,972,616</u>
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費用：

管理費用(附註 3a)	757,526
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股務代理機構費用(附註 3c)	
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Primary 股	25,076
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Service 股	11
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次股務代理機構費用 - Service 股(附註 3c)	6
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保管機構費用	8,499
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股東報告書費用	2,055
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註冊與申報費用	22,465
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專業人士費用	86,126
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董事酬金與費用	15,242
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其他	96,796
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總費用	1,013,802
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由關係企業減免/支付的費用(附註 3d 及 3e)	(40,561)
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淨費用	<u>973,241</u>
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淨投資收益	<u>2,999,375</u>
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實現與未實現利得(損失)：

淨實現利得(損失)來自：

投資：

非關係企業上市公司	7,428,888
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外幣交易	(55,642)
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期貨合約	144,628
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淨實現利得(損失)	<u>7,517,874</u>
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淨未實現溢價(折價)在：

投資：

非關係企業上市公司	12,436,169
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以外幣計價之其他資產與負債換算	85,550
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期貨合約	45,268
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淨未實現溢價(折價)	<u>12,566,987</u>
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淨實現與未實現利得(損失)	<u>20,084,861</u>
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淨資產在營運操作上的淨增加(減少)	<u>\$23,084,236</u>
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# 富蘭克林坦伯頓法人機構專用基金-國際股票系列

## 淨資產變動表

	2023年6月30日 半年度底 (尚未經審計)	2022年12月31日 年度底
淨資產增加(減少)：		
營運操作：		
淨投資收益	\$2,999,375	\$6,213,919
淨實現利得(損失)	7,517,874	12,372,227
淨未實現溢價(折價)變動	12,566,987	(49,923,932)
淨資產在營運操作上的淨增加(減少)	<u>23,084,236</u>	<u>(31,337,786)</u>
對股東配息		
Primary 股	—	(12,095,509)
Service 股	—	(7,083)
對股東的配息總額	<u>—</u>	<u>(12,102,592)</u>
股本交易(附註2)		
Primary 股	(37,491,651)	(146,821,378)
Service 股	661	(376,524)
股本交易總額	<u>(37,490,990)</u>	<u>(147,197,902)</u>
淨資產的增加(減少)	<u>(14,406,754)</u>	<u>(190,638,280)</u>
淨資產		
年度期初	196,173,771	386,812,051
年度期末	<u>\$181,767,017</u>	<u>\$196,173,771</u>

# 富蘭克林坦伯頓法人機構專用基金-國際股票系列

## 財務報告附註（尚未經審計）

### 1. 組織結構與重要會計政策

坦伯頓法人機構基金（以下簡稱本信託）是依據美國 1940 年投資公司法案（簡稱為 1940 法案）註冊成立的開放式投資公司，其中包含二支不同之基金，並且採行美國一般公認會計原則（U.S. GAAP）之專業會計和報導指南，以及財務會計準則委員會（FASB）會計準則編纂之主題 946，金融服務—投資公司（ASC 946），包括但不限於 ASC 946。富蘭克林坦伯頓法人機構專用基金—國際股票系列提供兩種股份類別：Primary 股與 Service 股。各股份類別的首次銷售手續費、或有遞延銷售手續費、對單一股份具影響之事件的投票權、轉換權益、不同約定之分銷費用及股務代理機構費用皆有所不同。

本基金重要會計政策摘要如下：

#### a. 財務工具評價

本基金為每日以公平價值（fair value）評價投資的財務工具。公平價值是市場參與者於秩序交易中，賣出資產或轉移負債於衡量日所被買賣參與者接受的價格。本基金在每個營業日的美東時間下午四點或紐約證券交易所（NYSE）正常排定的收盤時間計算每股淨資產價值（NAV），以較早者為準。在基金董事會所核准的政策及程序下，董事會已指定本基金的投資經理公司為評價指定人並負責監督評價。本基金的行政經理公司協助投資經理公司履行此職責，包括主導具有交叉功能之評價委員會（the Valuation Committee（VC））。本基金得以利用獨立定價服務、來自證券和財務工具的交易商所提供的報價及其他市場資訊來決定公平價值。

在證券交易所或那斯達克交易系統掛牌之股票是分別以最後公告售價或當日官方收盤價格計價。外國證券是以證券主要交易之外國證券交易所或是東部時間下午四點收盤價估值。其價格將以國外證券依估值當日東部時間下午四點的收盤匯率被轉換成美元後的價值而定。店頭市場交易證券其估值則不超過最近一次的買賣報價範圍。同時在多個市場或多個交易所進行交易的證券，其估值則以最具廣度和代表性之市場的報價為準。某些股權證券是以類似證券的基本特徵或關係為評價基礎。

債權證券通常是在店頭市場而不在證券交易所進行交易。本基金的定價服務是使用多種評價技術來決定其公平價值。於交易活絡的市場，定價服務可能利用市場基礎法（market-based approach），即使用證券交易公司的報價來決定公平價值。於交易不活絡或有所限制的市場，定價服務亦使用財產評價模型（proprietary valuation model），其考量了市場特性（例如：基準收益率曲線、信用價差、估計違約率、預期市場利率變動性、票券利率、本金付款期待時間、擔保品及其他獨特的證券特性）來評估相關的現金流量，並再用折現法計算公平價值。

投資於開放式共同基金則以結算後的淨資產價值評價。

當財務工具缺乏可以信賴或是無法獲得市場價格時，本基金採用一些程序來決定其公平價值。在這些程序下，本基金主要使用市場基礎法（market-based approach），即使用相關或可比較之資產或負債、近期交易、市場乘數及其他相關資訊來決定投資之公平價值。收益基礎衡量法（income-based valuation approach）也可用於投資之預期未來現金流量折價以計算公平價值。由於處分投資的限制的本質或是存續期間，可能也使用折價來計算。由於此類投資評價固有的不確定性，其公平價值與活躍市場存在的價格可能會有顯著的差異。

於外國證券交易所及店頭交易市場掛牌證券的交易，可能早於東部時間下午四點時間。此外，某些外國市場的交易並不會發生在每一個基金的營業日內。有時候，在外國證券交易完畢與東部時間下午四點之間的時間裡發生的事件可能對本基金所持有之投資組合證券價值的可信

# 富蘭克林坦伯頓法人機構專用基金-國際股票系列

## 1. 組織結構與重要會計政策(承續前文)

### a. 財務工具評價(承續前文)

度造成影響。因此，由外國市場收盤後所決定之基金組合證券價格與東部時間下午四點最近的價格間，可能會產生差異。為了最小化這些潛在的差異，本基金得採用獨立定價服務將投資組合證券的價值調整至東部時間下午四點最新指標的公平價值。截至 2023 年 6 月 30 日，部分證券已使用公平價值程序來定價，在這種情況下，這些證券被分類為公平價值衡量層級中的等級 2（稱為“市場公平價值”）。更多說明，請參閱“公平價值衡量”附註。

當申報期間的最後一日為非營業日時，某些外國市場是在基金的淨值未被計算時營業，此可能造成基金投資組合證券的價值在申報期間的最後營業日及最後日曆日間所有差異。任何因外國市場開市所造成之顯著證券價值變動將被基金為反映財務申報目的而進行調整和反映。

### b. 外幣轉換

投資組合中以外幣結算的證券以及其他資產與負債，是在估值日以這類外幣對美元的匯率轉換成美元來定價。本基金得簽訂外匯契約協助以外幣計價的交易。以外幣結算之證券的申購與銷售，收益與費用項目是以在交易日生效的匯率轉換成美元來定價。以外幣計價之投資組合證券、資產及負債包含這些外幣相對於美元價值下跌的風險。有時候，事件的發生可能影響外幣對美元匯率的可獲得性或可信度。若有此類事件發生，將以本基金董事會所建立並核准之程序來確定該匯率的公平價值。

本基金不會單獨報告由於持有證券的市價變動而引起的外幣匯率變動的結果。這類的變動已包含在經營業績表的淨實現與未實現投資利益或損失中。

已實現的匯兌利得或損失來自於外幣銷售、在證券的交易日與交割日之間所實現的貨幣利得或損失及股利、利息、外國預扣稅的紀錄金額與其實際交付的等值美元金額之間的差異。淨未實現匯兌利得或損失來自於在報告期末除所持有的投資證券之外，以外幣結算之資產與負債的外幣匯率變動。

### c. 衍生性金融商品

特定或所有基金投資於衍生性金融商品係為了管理風險或是增加對不同的其他投資或市場之曝險。衍生性金融商品為依標的資產或其名目金額為基礎之金融契約，其無須原始投資金額或其原始淨投資金額小於一般對市場因素改變有相似反應的投資金額，及其需要或允許淨額交割。衍生性金融商品存在許多風險，包含交易對手可能無法履行基於契約條款之義務、難於次級市場變現之可能性、以及/或是於市場波動時使本基金之利得或損失曝險於超過資產負債表所列金額之可能性。這些契約在本期間之已實現利得和損失及未實現溢價及折價皆已列示於經營業績表中。

擔保品要求依衍生性金融商品種類而不同。抵押或初始保證金係依經紀商或交易結算所對交易和結算衍生性金融商品設定之要求。初始保證金係存放於交易所，可以現金和/或證券的形式。

本基金從事交易所交易之期貨契約主要係為了管理曝險於利率風險。期貨契約是本基金與交易對手約定在未來日期以指定價格買賣資產的協議。所要求的初始保證金是由本基金質押，並將以公平價值估算的每日保證金變動以在資產負債表中之應付或應收保證金變動列示。

有關其他衍生性商品資訊，請參閱附註 6。

# 富蘭克林坦伯頓法人機構專用基金-國際股票系列

## 1. 組織結構與重要會計政策(承續前文)

### d. 證券借貸

本基金參與一項代理機構基礎之證券借貸計劃以賺取額外的收益。本基金收取相當於所借出證券之公平價值至少 102% 的金額之現金擔保品。在此借貸的存續期間內擔保品的金額不低於該借出證券公平價值（在基金各營業日結束時評定）的 100%，任何因證券價值變動而須追加的擔保品必須於次一營業日交付給本基金。與其他基金存入聯合現金帳戶的擔保品被投資於富蘭克林顧問公司（其為本基金的關係企業）所管理的貨幣市場基金。此外，本基金持有 2,670,556 美元的美國政府和機構證券作為抵押品。本基金不能再質押或轉售這些作為抵押品持有的證券。因此，非現金抵押品不包括在資產負債表中。本基金收取來自現金擔保品的投資收益，以及從借貸者收取出借費用與回扣。來自借出證券的收益，扣除支付予證券借貸機構以及/或是第三方供應商的費用，已分別記錄於經營業績表中。本基金承擔有關擔保品投資與證券借出的市場風險，以及代理機構違反其對本基金義務的風險。如果借貸者違反其應返還借出證券的義務，本基金有權利運用所收取的擔保品於公開市場再買回這些證券。證券借貸機構已同意賠償本基金由第三方借入者產生的違約風險。

### e. 所得稅與遞延稅

按照基金政策，本基金必須符合美國稅務法對於投資公司的規定，對股東分配幾乎所有的應稅收益與淨實現利益以免於繳納聯邦所得稅及特許權稅，因此無需預提美國聯邦所得稅。

本基金在外國管轄區域的投資所收取的收益、證券售出的資本利得以及一些外匯交易可能須繳納外國稅捐。如有外國稅捐，其金額將依據本基金所投資之外國市場實施的稅務法規與稅率申報。如外國對淨實現利得加以課稅，本基金將記錄預估的遞延稅賦義務，其金額相當於當證券在評價日交易須支付的稅額。

由於遍及歐盟一些國家的幾個訴訟案件結果，本基金已經為以前在這些國家所賺取股利的代扣稅款申報追加的回收稅款（歐盟回收）。已認可收益，若有的話，這些歐盟回收金額是以其他收益反映於經營業績表中，而任何相關應收款項，若有的話，是以歐盟稅款回收反映於資產負債表中。與這些申報相關的任何費用都反映在經營業績表中的其他費用中。當這些訴訟的最終裁決、取得這些回收稅款的可能性以及付款的可能時間安排尚存有不確定性時，則無金額得以被反映於財務報表中。就美國所得稅目的，本基金所收取的歐盟回收稅款，若有的話，基金股東能夠在其個人所得稅申報單中用為稅收抵免來減少外國稅額。如果基金在一個財政年度收到的歐盟收回的款項超過基金支付的外國預扣稅，並且基金之前已轉嫁給其股東，基金產生的外國稅款可用作股東收入的抵免或扣除退稅，基金將與美國國稅局 (IRS) 簽訂交割協議，以代表基金股東支付相關的納稅義務。本基金已決定與 IRS 達成一項結算協議，並在經營業績表中將估計費用計為收益的減項。

只有當稅務機關基於稅項的技術優勢進行依據美國一般公認會計原則 (U.S.GAAP) 審查時認為不明確稅項低於 50% 的可能性持續情況下，本基金才會承認不明確稅項的賦稅利益。截至 2022 年 6 月 30 日止及所有開放稅賦年度，本基金認為沒有因被要求於納稅申報表所揭有關不明確稅項之納稅申報（或預計在未來進行納稅申報）之未承認賦稅利益而產生的負債。開放稅賦年度為基於稅賦管轄權之法定時效限制下仍須接受審查的年度。

### f. 證券交易、投資收益、費用及配息

證券交易是在交易日作入帳。證券交易之已實現利得或損失則決定於特定基礎。利息收入與預估費用則每日計提。利息收入包括債券折價及溢價攤銷。股利收入是在除息日入帳，除了某些來自外國證券的股利是在本基金接獲除息日通知才立即認定。對股東的配息是在除息日入帳並且依據所得稅法（稅基）確定。以稅基所決定的可分配盈餘可能不同於依照一般美國



# 富蘭克林坦伯頓法人機構專用基金-國際股票系列

## 1. 組織結構與重要會計政策(承續前文)

### f. 證券交易、投資收益、費用及配息(承續前文)

公認會計準則所紀錄的盈餘。這些差異可能是永久或是暫時的。在資本帳戶中，永久性差異將被重新分類以反映其稅賦特性。這些重新分類對淨資產或是經營業績並不會造成影響。暫時性差異則不用重新分類，因為差異在後續期間將會迴轉。

本信託所招致的共同費用，將依個別基金的淨資產佔本信託的聯合總淨資產的比率來配置到個別基金，個別基金單獨招致的費用將直接記錄在招致此費用的基金帳內。

已實現與未實現利得與損失以及淨投資收益(股份等級特定費用除外)，是依照個別股份等級的淨資產之相對比重而每日分配到個別股份等級。股份等級的費用差異可能導致各股份等級每股配息款項的差異。

### g. 會計估計

管理階層依照美國一般公認的會計準則編制財務報表時需要做出會計估計與假設。這些會計估計與假設會影響於財務報表日的資產與負債金額以及在財務報表期間的收入與費用金額。實際結果可能與估計值不同。

### h. 保證及賠償

在本信託的組織文件規定下，本信託同意免除其主管與董事在其職責範圍而發生的負債責任。此外，在正常業務狀況下，本信託代表本基金與服務提供機構簽訂契約也包含責任免除條款。本信託在這些免責條款下的最大風險是未知的，因為涉及未來可能對本信託發生的被訴訟索賠。目前，本信託預期損失的風險是很小的。

## 2. 基金股份

截至 2023 年 6 月 30 日，本基金授權發行無數量管制的股份(無股票面值)。本基金股份的交易如下表：

	截至 6 月 30 日止之半年度		截至 12 月 31 日止之年度	
	2023 年		2022 年	
	股份	金額	股份	金額
<b>Primary 股：</b>				
股份銷售	818,629	\$9,030,409	5,546,145	\$61,560,957
配息轉入再投資之股份發行	—	—	1,197,455	11,551,000
股份贖回	(4,232,760)	(46,522,060)	(19,788,709)	(219,933,335)
淨增加(減少)	(3,414,131)	\$(37,491,651)	(13,045,109)	\$(146,821,378)

## 3. 與關係企業的交易

富蘭克林公司作為控股公司，與其各附屬公司合稱為富蘭克林坦伯頓基金集團。本基金的部分主管與董事也是下列附屬公司的主管以及/或是董事：

附屬公司	與本基金的關係
Templeton Investment Counsel, LLC (TIC)	投資經理公司
Franklin Templeton Investments Corp. (FTIC)	投資經理公司
Franklin Templeton Services, LLC (FT Services)	行政經理公司
Franklin Templeton Distributors, Inc. (Distributors)	主辦承銷商
Franklin Templeton Investor Services, LLC (Investor Services)	股務代理機構

## 富蘭克林坦伯頓法人機構專用基金-國際股票系列

### 3. 與關係企業的交易(承續前文)

#### a. 管理費用

自 2023 年 5 月 1 日生效，本基金按本基金的平均每日淨資產比例，按月支付 TIC 投資管理費用，詳如下表所示：

年化費率	淨資產
0.775%	不超過(含)五億美元
0.755%	超過五億美元，不超過(含)十億美元
0.735%	超過十億美元，不超過(含)五十億美元
0.715%	超過五十億美元，不超過(含)一百億美元
0.695%	超過一百億美元，不超過(含)一百五十億美元
0.675%	超過一百五十億美元

在 2023 年 5 月 1 日之前，本基金按本基金的平均每日淨資產比例，按月支付 TIC 投資管理費用，詳如下表所示：

年化費率	淨資產
0.775%	不超過(含)十億美元
0.755%	超過十億美元，不超過(含)五十億美元
0.735%	超過五十億美元，不超過(含)一百億美元
0.715%	超過一百億美元，不超過(含)一百五十億美元
0.695%	超過一百五十億美元，不超過(含)二百億美元
0.675%	超過二百億美元

截至 2023 年 6 月 30 日，實際年化投資管理費率為基金平均每日淨資產的 0.775%。

#### b. 行政費用

依據與 TIC 的契約，FT Services 對本基金提供行政管理服務。按本基金的每日平均淨資產支付行政管理服務費用，其並不是本基金額外的費用

#### c. 股務代理機構費用

每個基金股份為 Investor Services 對股東服務範圍的績效支付股務代理機構費用義務。在 2022 年 10 月 1 日之後，費用基礎為年化資產費用的 0.016% 加上交易基礎費用；在 2022 年 10 月 1 日之前，費用基礎為年化資產費用的 0.02% 加上交易基礎費用。此外，每個股份償付 Investor Services 的墊付款項以及支付予第三方的股東服務費用。這些費用將以各個股份淨資產的相對比例為基礎每日配置於各該股份。

在截至 2023 年 6 月 30 日，本基金支付股務代理機構的費用已標示於經營業績表中，其中 \$23,199 美元是用以支付 Investor Services。

Service 股將支付不超過 0.15% 每日平均淨資產的次股務代理機構費用，本基金支付次股務代理機構的費用已列示於經營業績表中。

#### d. 投資於關係企業管理投資公司

本基金得在不為了管理或政策上執行控制影響之目的而投資於一家或數家關係企業管理投資公司。根據 1940 年法案的定義，當基金直接或間接擁有附屬基金 25% 或更多已發行股份或有權對管理行使控制權時，該投資被視為基金的“控制關係企業”。基金的投資目的不是對管理或政策施加控制影響。本基金可減少投資於關係企業管理投資公司的資產所對應的管理費用已標示於經營業績表中，但其金額不超過各個關係企業直接或間接所支付的管理費用和行政費用。

# 富蘭克林坦伯頓法人機構專用基金-國際股票系列

## 3. 與關係企業的交易(承續前文)

### d. 投資於關係企業管理投資公司(承續前文)

在截至 2023 年 6 月 30 日止之半年度，本基金投資在關係企業管理投資公司明細如下：

上市公司名稱	期初 價值	申購	賣出	已實現 資本利得(損失)	未實現 溢價(折價) 之淨變動	期末 價值	期末 持有股數	投資收益
非控制關係企業								
Institutional Fiduciary Trust Money Market Portfolio, 4.699%	\$7,572,866	\$32,045,191	\$(36,106,509)	\$—	\$—	\$3,511,548	3,511,548	(股利) \$77,144
關係企業證券 總額	\$7,572,866	\$32,045,191	\$(36,106,509)	\$—	\$—	\$3,511,548		\$77,144

### e. 免除與費用償還

TIC 已事先簽約同意免除或限制其收取的費用，投資管理費將不會超過本基金平均日淨資產的 0.74%，直到 2024 年 4 月 30 日。免除或支付的總費用在基金會計年度結束後不會重新收取。

## 4. 所得稅

基於所得稅目的，於 2023 年 6 月 30 日，本基金之投資成本及淨未實現溢價(折價)如下表所示：

投資成本	\$143,255,634
未實現溢價	\$46,307,671
未實現折價	(9,530,351)
淨未實現溢價(折價)	\$36,777,320

收益以及/或是資本利得在帳面基礎與稅賦基礎上有所不同，主要是因為對歐盟稅款回收、被動式國外投資公司股份、外幣交易及沖銷性交易之處理不同而影響分配的特性所致。

## 5. 投資交易

截至 2023 年 6 月 30 日止之年度內買入與賣出(不包括短期證券)的交易額分別為 \$18,359,418 美元及 \$48,104,385 美元。

## 6. 其他衍生性金融商品資訊

截至 2023 年 6 月 30 日，本基金對衍生性金融商品合約的投資反應在資產負債表中，如下所示：

未列入避險工具的衍生性商品合約	衍生性工具之資產		衍生性工具之負債	
	資產負債表位置	公平價值	資產負債表位置	公平價值
股權契約				
	期貨合約的變動保證金	\$—	期貨合約變動保證金	\$22,433 <sup>a</sup>
總計		\$—		\$22,433

a. 該金額反映了投資報表中報告的期貨合約累計升值(折價)。期末應收/應付的變動保證金僅於資產負債表中單獨報告。先前變動保證金之變動於收到或付款時記載為現金。

# 富蘭克林坦伯頓法人機構專用基金-國際股票系列

## 6. 其他衍生性金融商品資訊(承續前文)

截至 2023 年 6 月 30 日止年度，衍生金融商品合約在經營績效表中之影響如下：

未計入避險工具之衍生性商品契約	於經營業績表位置	淨實現利得(損失)期間	於經營業績表位置	淨未實現溢價(折價)期間
	淨實現利得(損失)來自：		淨未實現溢價(折價)在：	
股權契約	期貨合約	\$144,628	期貨合約	\$45,268
合計		<u>\$144,628</u>		<u>\$45,268</u>

截至 2023 年 6 月 30 日之半年度，期貨合約的平均月末名目金額為\$2,081,429 美元。

有關衍生金融工具，請參見附註 1(c)。

## 7. 集中風險

投資於外國證券可能含有特定風險，須考量的因素也與投資美國證券的一般相關事項不同，例如貨幣價值的波動及當地與地區經濟、政治及社會情況的變動等，該因素可能導致大幅度的市場波動。許多外國地區的政治和金融不確定性可能會增加市場波動和投資外國證券的經濟風險。此外，某些外國證券的流動性可能低於美國證券。

## 8. 信用工具

本基金與富蘭克林坦伯頓基金集團所管理的其他美國註冊以及外國投資基金（全體地，以下稱「全體借用人」）共同簽定一項於 2024 年 2 月 2 日到期之貸款總額為 26.75 億美元的優先無擔保聯合全球信用貸款（以下稱「全球信用工具」）。全球信用工具為一項資金來源以提供予全體借用人因應暫時與緊急目的，包括有能力去應付未來無預期或不尋常的大量贖回需求。

依據全球信用工具條款，本基金除了應負擔所動用任何貸款的利息，以及由本基金所產生的其他成本之外，尚須依據本基金佔全體借用人淨資產總額的相對持份比例，分攤履行及維持全球信用工具所產生的費用及支出，包括全球信用工具未使用部位的 0.15% 年度承諾費用。這些費用已反映於經營業績表的其他費用中。截至 2023 年 6 月 30 日止，本基金並未動用全球信用工具貸款。

## 9. 公平價值衡量

本基金採用公平價值的等級，其係用來區別從獨立來源所取得的市場資料(明顯信息)與基金自行的市場假設(非明顯信息)。這些信息被用於決定基金投資之財務工具的價值，並得概述於以下之公平價值的等級：

- 等級 1—用同一財務工具的現行市場報價
- 等級 2—其他重要的明顯信息(包括對於相類似財務工具的報價、利率、預付款項速度及信用風險等)
- 等級 3—重要的非明顯信息(包括基金決定財務工具的公平價值之自行假設)

用以評價投資的信息或方法之等級，並非暗示該投資的投資風險或流動性。

在公平價值等級間變動的情形下，本基金採用引發變動事件的日期，作為認定轉移的日期。

# 富蘭克林坦伯頓法人機構專用基金-國際股票系列

## 9. 公平價值衡量(承續前文)

以下為截至 2023 年 6 月 30 日止，評估本基金資產及負債之公平價值所包含的輸入等級概要：

	等級 1	等級 2	等級 3	合計
<b>資產：</b>				
證券投資：				
股權投資：				
比利時	\$—	\$2,621,402	\$—	\$2,621,402
加拿大	5,459,160	—	—	5,459,160
智利	—	2,333,614	—	2,333,614
中國	2,447,768	—	—	2,447,768
法國	—	19,359,855	—	19,359,855
德國	—	25,250,467	—	25,250,467
匈牙利	—	1,876,422	—	1,876,422
愛爾蘭	—	3,945,873	—	3,945,873
日本	—	35,200,215	—	35,200,215
荷蘭	—	12,305,049	—	12,305,049
新加坡	—	3,073,375	—	3,073,375
南韓	—	8,245,984	—	8,245,984
西班牙	—	3,043,168	—	3,043,168
瑞士	—	2,775,931	—	2,775,931
台灣	—	3,481,237	—	3,481,237
泰國	—	1,471,850	—	1,471,850
英國	—	35,528,297	—	35,528,297
美國	3,202,560	4,921,612	—	8,124,172
託管和訴訟信託	—	—	— <sup>a</sup>	—
短期投資	3,511,548	—	—	3,511,548
證券投資總額	\$14,621,036	\$165,434,351 <sup>b</sup>	\$—	\$180,055,387
<b>負債：</b>				
其他金融工具：				
期貨合約	\$22,433	\$—	—	\$22,433
其他金融工具總額	\$22,433	—	—	\$22,433

a. 包括的金融工具已評定無價值。

b. 包括價值\$165,434,351 美元的外國證券，由於應用了市場公平價值，這些證券被歸類為等級 2。有關更多資訊，請參閱金融衍生工具評價說明。

當在期初以及/或期末有顯著的等級 3 投資時，資產調節係以使用等級 3 信息來決定其公平價值。

## 10. 期後事項

本基金已評量截至本財報公告日期間的期後事項，確定沒有發生應行揭露的事項。

SEMIANNUAL REPORT

# TEMPLETON INSTITUTIONAL FUNDS

June 30, 2023



FRANKLIN  
TEMPLETON

Foreign Smaller Companies Series

International Equity Series

The Securities and Exchange Commission has adopted new regulations that will result in changes to the design and delivery of annual and semiannual shareholder reports beginning in July 2024.

If you have previously elected to receive shareholder reports electronically, you will continue to do so and need not take any action.

Otherwise, paper copies of the Fund's shareholder reports will be mailed to you beginning in July 2024. If you would like to receive shareholder reports and other communications from the Fund electronically instead of by mail, you may make that request at any time by contacting your financial intermediary (such as a broker-dealer or bank) or, if you are a direct investor, enrolling at [franklintempleton.com](https://franklintempleton.com).

You may access [franklintempleton.com](https://franklintempleton.com) by scanning the code below.



Not FDIC Insured | May Lose Value | No Bank Guarantee



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Visit **franklintempleton.com** for fund updates, to access your account, or to find helpful financial planning tools.



# Foreign Smaller Companies Series

This semiannual report for Foreign Smaller Companies Series (Fund) covers the period ended June 30, 2023.

## Fund Overview

### Your Fund's Goal and Main Investments

The Fund seeks long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in investments of smaller companies located outside the U.S., including emerging markets. For purposes of this 80% policy, the Fund defines smaller companies as those with market capitalizations that do not exceed \$4 billion. However, under normal conditions, when making an initial purchase of securities of a company, we will only invest in securities of companies with a market capitalization of not more than \$2 billion. Once a security qualifies for initial purchase, it continues to qualify for additional purchases as long as it is held by the Fund, provided that the issuer's market capitalization does not exceed \$4 billion.

### Performance Overview

The Fund posted a +8.82% cumulative total return for the six months under review. In comparison, the Fund's benchmark, the MSCI All Country World Index (ACWI) ex USA Small Cap Index-NR, which measures the performance of global developed and emerging market small-cap equities excluding the U.S., posted a +6.84% cumulative total return.<sup>1</sup> Please note, index performance information is provided for reference and we do not attempt to track the index but rather undertake investments on the basis of fundamental research. You can find the Fund's long-term performance data in the Performance Summary beginning on page 4.

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [ftinstitutional.com](https://www.ftinstitutional.com) or call a Franklin Templeton Institutional Services representative at (800) 321-8563.*

### Geographic Composition

6/30/23

	% of Total Net Assets
Europe	44.1%
Asia	40.6%
Latin America & Caribbean	5.3%
North America	4.4%
Other	0.8%
Short-Term Investments & Other Net Assets	4.8%

### Portfolio Composition

6/30/23

	% of Total Net Assets
Machinery	11.2%
Electronic Equipment, Instruments & Components	8.3%
Leisure Products	7.6%
Textiles, Apparel & Luxury Goods	6.0%
Food Products	5.0%
Capital Markets	4.3%
Professional Services	3.9%
Health Care Equipment & Supplies	3.2%
Building Products	3.0%
Life Sciences Tools & Services	2.9%
Banks	2.8%
Specialty Retail	2.8%
Entertainment	2.7%
Energy Equipment & Services	2.4%
Other*	29.1%
Short-Term Investments & Other Net Assets	4.8%

\*Categories within the Other category are listed in full in the Fund's Schedule of Investments (SOI), which can be found later in this report.

1. Source: Morningstar.

The index is unmanaged and includes reinvestment of any income or distributions. It does not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Net Returns (NR) include income net of tax withholding when dividends are paid. See [www.franklintempletondatasources.com](https://www.franklintempletondatasources.com) for additional data provider information.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Schedule of Investments (SOI). The SOI begins on page 13.

**Top 10 Holdings**

6/30/23

<b>Company Industry, Country</b>	<b>% of Total Net Assets</b>
Asics Corp. <i>Textiles, Apparel &amp; Luxury Goods, Japan</i>	2.0%
Interpump Group SpA <i>Machinery, Italy</i>	2.0%
Technogym SpA <i>Leisure Products, Italy</i>	1.9%
Sanlorenzo SpA <i>Leisure Products, Italy</i>	1.9%
i-SENS, Inc. <i>Health Care Equipment &amp; Supplies, South Korea</i>	1.9%
OneSpaWorld Holdings Ltd. <i>Diversified Consumer Services, Bahamas</i>	1.9%
King Yuan Electronics Co. Ltd. <i>Semiconductors &amp; Semiconductor Equipment, Taiwan</i>	1.7%
Barco NV <i>Electronic Equipment, Instruments &amp; Components, Belgium</i>	1.6%
Bucher Industries AG <i>Machinery, Switzerland</i>	1.6%
Gerresheimer AG <i>Life Sciences Tools &amp; Services, Germany</i>	1.6%

Thank you for your continued participation in Foreign Smaller Companies Series. We look forward to serving your future investment needs.

Harlan B. Hodes  
Lead Portfolio Manager

David A. Tuttle, CFA  
Kyle Denning, CFA  
Katie Ylijoki, CFA

Portfolio Management Team

## Performance Summary as of June 30, 2023

The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses. Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses. Capital gain distributions are net profits realized from the sale of portfolio securities.

### Performance as of 6/30/23<sup>1</sup>

	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>
6-Month	+8.82% <sup>4</sup>	+8.82%
1-Year	+9.97%	+9.97%
5-Year	+2.96%	+0.58%
10-Year	+52.10%	+4.28%

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [ftinstitutional.com](https://ftinstitutional.com) or call a Franklin Templeton Institutional Services representative at (800) 321-8563.*

See page 5 for Performance Summary footnotes.

## Total Annual Operating Expenses<sup>5</sup>

---

1.02%

Events such as the spread of deadly diseases, disasters, and financial, political or social disruptions, may heighten risks and adversely affect performance.

**All investments involve risks, including possible loss of principal. Small- and mid-cap stocks** involve greater risks and volatility than large-cap stocks. **International investments** are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets**. To the extent the Fund invests in companies in a specific **country or region**, the Fund may experience greater volatility than a fund that is more broadly diversified geographically. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. The Fund's prospectus also includes a description of the main investment risks.

1. The total annual operating expenses are as of the Fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns.
  2. Cumulative total return represents the change in value of an investment over the periods indicated.
  3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Return for less than one year, if any, has not been annualized.
  4. Total return information is based on net asset values calculated for shareholder transactions. Certain adjustments were made to the net assets of the Fund at 12/31/22 for financial reporting purposes. Accordingly, adjusted total returns have been disclosed in the Financial Highlights and differ from those reported here.
  5. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Financial Highlights sections in this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs: (1) transaction costs, including sales charges (loads) on Fund purchases and redemptions, if applicable; and (2) ongoing Fund costs, including management fees, distribution and service (12b-1) fees, if applicable, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses. The table below shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

### Actual Fund Expenses

The table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value." You can estimate the expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then  $\$8,600 \div \$1,000 = 8.6$* ). Then multiply the result by the number in the row under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were \$7.50, then  $8.6 \times \$7.50 = \$64.50$* ). In this illustration, the actual expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading "Hypothetical" is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

Beginning Account Value 1/1/23	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Annualized Expense Ratio <sup>2</sup>
	Ending Account Value 6/30/23	Expenses Paid During Period 1/1/23–6/30/23 <sup>1,2</sup>	Ending Account Value 6/30/23	Expenses Paid During Period 1/1/23–6/30/23 <sup>1,2</sup>	
\$1,000	\$1,088.18	\$5.70	\$1,019.33	\$5.51	1.10%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 181/365 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

# International Equity Series

This semiannual report for International Equity Series (Fund) covers the period ended June 30, 2023.

## Fund Overview

### Your Fund's Goal and Main Investments

The Fund seeks long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in foreign (non-U.S.) equity securities. The Fund invests predominantly in companies located outside the U.S. including companies located in developing market countries.

### Performance Overview

The Fund's Primary shares posted a +12.67% cumulative total return for the six months under review. For comparison, the Fund's primary benchmark, the MSCI All Country World Index (ACWI) ex USA Index-NR, which measures the equity market performance of global developed and emerging markets excluding the U.S., posted a +9.47% cumulative total return.<sup>1</sup> Also in comparison, the Fund's secondary benchmark, the MSCI Europe, Australasia, Far East Index (EAFE)-NR, which measures the equity market performance of global developed markets excluding the U.S. and Canada, posted a +11.66% cumulative total return.<sup>1</sup> Please note, index performance information is provided for reference and we do not attempt to track an index but rather undertake investments on the basis of fundamental research. You can find the Fund's long-term performance data in the Performance Summary beginning on page 9.

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [ftinstitutional.com](https://www.ftinstitutional.com) or call a Franklin Templeton Institutional Services representative at (800) 321-8563.*

1. Source: Morningstar.

The indexes are unmanaged and include reinvestment of any income and distributions. They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Net Returns (NR) include income net of tax withholding when dividends are paid. See [www.franklintempletondatasources.com](https://www.franklintempletondatasources.com) for additional data provider information.

**The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Schedule of Investments (SOI). The SOI begins on page 20.**

### Geographic Composition

6/30/23

	% of Total Net Assets
Europe	58.7%
Asia	29.6%
North America	7.5%
Latin America & Caribbean	1.3%
Short-Term Investments & Other Net Assets	2.9%

### Portfolio Composition

6/30/23

	% of Total Net Assets
Banks	12.3%
Oil, Gas & Consumable Fuels	12.1%
Pharmaceuticals	9.2%
Semiconductors & Semiconductor Equipment	6.1%
Automobiles	3.9%
Diversified Telecommunication Services	3.9%
Commercial Services & Supplies	3.0%
Technology Hardware, Storage & Peripherals	2.8%
Metals & Mining	2.6%
Multi-Utilities	2.2%
Health Care Equipment & Supplies	2.2%
Construction Materials	2.2%
Electrical Equipment	2.2%
Specialty Retail	2.0%
Other*	30.4%
Short-Term Investments & Other Net Assets	2.9%

\*Categories within the Other category are listed in full in the Fund's Schedule of Investments (SOI), which can be found later in this report.

**Top 10 Holdings**

6/30/23

<b>Company Industry, Country</b>	<b>% of Total Net Assets</b>
Shell plc <i>Oil, Gas &amp; Consumable Fuels, Netherlands</i>	4.2%
BP plc <i>Oil, Gas &amp; Consumable Fuels, United Kingdom</i>	4.0%
Deutsche Telekom AG <i>Diversified Telecommunication Services, Germany</i>	3.8%
TotalEnergies SE <i>Oil, Gas &amp; Consumable Fuels, France</i>	3.8%
Sumitomo Mitsui Financial Group, Inc. <i>Banks, Japan</i>	3.0%
GFL Environmental, Inc. <i>Commercial Services &amp; Supplies, Canada</i>	3.0%
Samsung Electronics Co. Ltd. <i>Technology Hardware, Storage &amp; Peripherals, South Korea</i>	2.8%
Sanofi SA <i>Pharmaceuticals, United States</i>	2.7%
Lloyds Banking Group plc <i>Banks, United Kingdom</i>	2.4%
AstraZeneca plc <i>Pharmaceuticals, United Kingdom</i>	2.3%

Thank you for your continued participation in International Equity Series. We look forward to serving your future investment needs.

Peter A. Nori, CFA  
Lead Portfolio Manager

Matthew R. Nagle, CFA  
Heather Waddell, CFA

Portfolio Management Team

## Performance Summary as of June 30, 2023

The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses. Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities.

### Performance as of 6/30/23<sup>1,2</sup>

Share Class	Cumulative Total Return <sup>3</sup>	Average Annual Total Return <sup>4</sup>
<b>Primary</b>		
6-Month	+12.67%	+12.67%
1-Year	+17.95%	+17.95%
5-Year	+12.08%	+2.31%
10-Year	+44.11%	+3.72%
<b>Service</b>		
6-Month	+12.64% <sup>5</sup>	+12.64%
1-Year	+17.99%	+17.99%
5-Year	+11.33%	+2.17%
10-Year	+42.07%	+3.57%

*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [ftinstitutional.com](https://ftinstitutional.com) or call a Franklin Templeton Institutional Services representative at (800) 321-8563.*

See page 10 for Performance Summary footnotes.



## Total Annual Operating Expenses<sup>6</sup>

Share Class	With Fee Waiver	Without Fee Waiver
Primary	0.83%	0.88%
Service	0.97%	1.02%

Each class of shares is available to certain eligible investors and has different annual fees and expenses, as described in the prospectus.

Events such as the spread of deadly diseases, disasters, and financial, political or social disruptions, may heighten risks and adversely affect performance.

All investments involve risks, including possible loss of principal. International investments are subject to special risks, including currency fluctuations and social, economic and political uncertainties, which could increase volatility. These risks are magnified in **emerging markets**. To the extent the Fund invests in companies in a specific **country or region**, the Fund may experience greater volatility than a Fund that is more broadly diversified geographically. The **investment style** may become out of favor, which may have a negative impact on performance. The manager may consider **environmental, social and governance (ESG) criteria** in the research or investment process; however, ESG considerations may not be a determinative factor in security selection. In addition, the manager may not assess every investment for ESG criteria, and not every ESG factor may be identified or evaluated. The Fund's prospectus also includes a description of the main investment risks.

1. Gross expenses are the Fund's total annual operating expenses as of the Fund's prospectus available at the time of publication. Actual expenses may be higher and may impact portfolio returns. Net expenses reflect contractual fee waivers, expense caps and/or reimbursements, which cannot be terminated prior to 4/30/24 without Board consent. Additional amounts may be voluntarily waived and/or reimbursed and may be modified or discontinued at any time without notice.
2. Total return was positively impacted by the recognition of tax reclaims for previously withheld taxes on dividends in certain countries across the European Union (see Note 1e in the Notes to Financial Statements section). Uncertainty exists with respect to future recognition of additional European Union tax reclaims. Total return would have been lower without recognition of such tax reclaims during the year ended 12/31/20.
3. Cumulative total return represents the change in value of an investment over the periods indicated.
4. Average annual total return represents the average annual change in value of an investment over the periods indicated. Return for less than one year, if any, has not been annualized.
5. Total return information is based on net asset values calculated for shareholder transactions. Certain adjustments were made to the net assets of the Fund at 12/31/22 for financial reporting purposes. Accordingly, adjusted total returns have been disclosed in the Financial Highlights and differ from those reported here.
6. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Financial Highlights sections in this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown. See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs: (1) transaction costs, including sales charges (loads) on Fund purchases and redemptions, if applicable; and (2) ongoing Fund costs, including management fees, distribution and service (12b-1) fees, if applicable, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses. The table below shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

### Actual Fund Expenses

The table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value" for each class of shares. You can estimate the expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then  $\$8,600 \div \$1,000 = 8.6$* ). Then multiply the result by the number in the row for your class of shares under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were \$7.50, then  $8.6 \times \$7.50 = \$64.50$* ). In this illustration, the actual expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example for the class of shares you hold with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading "Hypothetical" is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

Share Class	Beginning Account Value 1/1/23	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 6/30/23	Expenses Paid During Period 1/1/23–6/30/23 <sup>1,2</sup>	Ending Account Value 6/30/23	Expenses Paid During Period 1/1/23–6/30/23 <sup>1,2</sup>	
Primary	\$1,000	\$1,126.70	\$5.25	\$1,019.86	\$4.99	1.00%
Service	\$1,000	\$1,126.40	\$5.27	\$1,019.84	\$5.01	1.00%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 181/365 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

## Financial Highlights

### Foreign Smaller Companies Series

	Six Months Ended June 30, 2023 (unaudited)	Year Ended December 31,				
		2022	2021	2020	2019	2018
<b>Per share operating performance</b>						
(for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$16.35	\$21.80	\$23.03	\$21.40	\$17.96	\$25.08
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup> . . . . .	0.09	0.31	0.28	0.17	0.30	0.37
Net realized and unrealized gains (losses) . . . . .	1.33	(5.38)	2.07	1.74	3.79	(4.97)
Total from investment operations . . . . .	1.42	(5.07)	2.35	1.91	4.09	(4.60)
Less distributions from:						
Net investment income . . . . .	—	(0.32)	(0.28)	(0.22)	(0.37)	(0.21)
Net realized gains . . . . .	—	(0.06)	(3.30)	(0.06)	(0.28)	(2.31)
Total distributions . . . . .	—	(0.38)	(3.58)	(0.28)	(0.65)	(2.52)
Net asset value, end of period . . . . .	\$17.77	\$16.35	\$21.80	\$23.03	\$21.40	\$17.96
Total return <sup>c</sup> . . . . .	8.69%	(23.19)%	10.72%	8.95%	22.86%	(18.48)%
<b>Ratios to average net assets<sup>d</sup></b>						
Expenses before waiver and payments by affiliates . . . . .	1.10%	1.02%	1.04%	1.04%	1.02%	1.01%
Expenses net of waiver and payments by affiliates . . . . .	1.10% <sup>e</sup>	1.02% <sup>e</sup>	1.04% <sup>e</sup>	1.03%	1.02% <sup>e</sup>	1.00% <sup>f</sup>
Net investment income . . . . .	1.07%	1.76%	1.13%	0.87%	1.48%	1.54%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$217,887	\$353,380	\$739,717	\$725,098	\$782,971	\$739,576
Portfolio turnover rate . . . . .	21.46%	16.54%	31.09%	34.89%	39.48%	34.10%

<sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Total return is not annualized for periods less than one year.

<sup>d</sup>Ratios are annualized for periods less than one year.

<sup>e</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

<sup>f</sup>Benefit of expense reduction rounds to less than 0.01%.

## Schedule of Investments (unaudited), June 30, 2023

## Foreign Smaller Companies Series

	Industry	Shares	Value
<b>Common Stocks 94.9%</b>			
<b>Austria 1.5%</b>			
AT&S Austria Technologie & Systemtechnik AG . . . . .	Electronic Equipment, Instruments & Components	33,827	\$1,215,444
<sup>a</sup> DO & CO AG . . . . .	Commercial Services & Supplies	15,653	2,138,964
			3,354,408
<b>Bahamas 1.6%</b>			
<sup>a</sup> OneSpaWorld Holdings Ltd. . . . .	Diversified Consumer Services	281,146	3,401,866
<b>Belgium 2.5%</b>			
Barco NV . . . . .	Electronic Equipment, Instruments & Components	141,940	3,541,358
<sup>b</sup> Kinepolis Group NV . . . . .	Entertainment	41,399	1,864,669
			5,406,027
<b>Brazil 3.4%</b>			
Camil Alimentos SA. . . . .	Food Products	1,162,600	1,714,115
<sup>a</sup> Dexco SA . . . . .	Paper & Forest Products	907,100	1,581,782
M Dias Branco SA. . . . .	Food Products	322,100	2,863,515
Tres Tentos Agroindustrial SA . . . . .	Food Products	482,900	1,295,882
			7,455,294
<b>Canada 3.2%</b>			
<sup>a,b</sup> Canada Goose Holdings, Inc. . . . .	Textiles, Apparel & Luxury Goods	56,400	1,003,934
Canadian Western Bank . . . . .	Banks	166,931	3,115,071
Computer Modelling Group Ltd. . . . .	Energy Equipment & Services	410,104	2,061,820
North West Co., Inc. (The). . . . .	Consumer Staples Distribution & Retail	37,400	886,510
			7,067,335
<b>China 1.6%</b>			
<sup>c</sup> JNBY Design Ltd., Reg S . . . . .	Textiles, Apparel & Luxury Goods	856,500	930,483
<sup>b</sup> Xtep International Holdings Ltd. . . . .	Textiles, Apparel & Luxury Goods	2,489,623	2,548,240
			3,478,723
<b>Denmark 0.7%</b>			
Matas A/S. . . . .	Specialty Retail	95,697	1,411,001
<b>Finland 1.9%</b>			
Anora Group OYJ . . . . .	Beverages	39,559	212,465
<sup>b</sup> Fiskars OYJ Abp . . . . .	Household Durables	71,397	1,205,015
Huhtamaki OYJ. . . . .	Containers & Packaging	80,286	2,635,111
			4,052,591
<b>Germany 6.2%</b>			
<sup>b</sup> Adesso SE . . . . .	IT Services	13,983	1,890,007
Gerresheimer AG . . . . .	Life Sciences Tools & Services	30,135	3,392,743
Jenoptik AG . . . . .	Electronic Equipment, Instruments & Components	64,131	2,203,448
<sup>a,c</sup> Montana Aerospace AG, 144A, Reg S . . . . .	Aerospace & Defense	115,309	1,862,064
Rational AG . . . . .	Machinery	3,094	2,240,574
Stabilus SE . . . . .	Machinery	32,286	1,940,961
			13,529,797
<b>Greece 0.5%</b>			
JUMBO SA. . . . .	Specialty Retail	42,966	1,181,598
<b>Hong Kong 3.0%</b>			
Techtronic Industries Co. Ltd. . . . .	Machinery	257,500	2,815,866
<sup>b</sup> Value Partners Group Ltd. . . . .	Capital Markets	4,398,000	1,390,514

**Foreign Smaller Companies Series** (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Hong Kong</b> (continued)			
VTech Holdings Ltd. . . . .	Communications Equipment	360,100	\$2,364,875
			6,571,255
<b>India 0.8%</b>			
<sup>a</sup> Exide Industries Ltd. . . . .	Automobile Components	603,254	1,744,665
<b>Israel 0.8%</b>			
<sup>a</sup> Nayax Ltd. . . . .	Electronic Equipment, Instruments & Components	90,031	1,711,316
<b>Italy 9.9%</b>			
Brunello Cucinelli SpA. . . . .	Textiles, Apparel & Luxury Goods	29,648	2,610,600
<sup>c</sup> Carel Industries SpA, 144A, Reg S . . . . .	Building Products	60,298	1,817,025
Intercos SpA. . . . .	Personal Care Products	135,107	2,270,611
Interpump Group SpA. . . . .	Machinery	77,459	4,308,426
LU-VE SpA. . . . .	Building Products	13,373	448,034
Sanlorenzo SpA . . . . .	Leisure Products	94,203	4,052,100
<sup>a,b</sup> Seco SpA . . . . .	Technology Hardware, Storage & Peripherals	351,711	1,967,653
<sup>c</sup> Technogym SpA, 144A, Reg S . . . . .	Leisure Products	451,514	4,180,509
			21,654,958
<b>Japan 18.9%</b>			
Anicom Holdings, Inc. . . . .	Insurance	219,400	959,195
Asics Corp. . . . .	Textiles, Apparel & Luxury Goods	142,600	4,413,516
Bunka Shutter Co. Ltd. . . . .	Building Products	160,700	1,238,316
CKD Corp. . . . .	Machinery	136,900	2,245,832
Fuji Oil Holdings, Inc. . . . .	Food Products	60,500	837,175
Glory Ltd. . . . .	Machinery	56,700	1,137,747
Idec Corp. . . . .	Electrical Equipment	86,100	1,982,672
IDOM, Inc. . . . .	Specialty Retail	294,100	1,795,976
Kaneka Corp. . . . .	Chemicals	69,200	1,939,691
Meitec Corp. . . . .	Professional Services	182,000	3,140,821
Nichiha Corp. . . . .	Building Products	139,100	2,983,545
Nihon Parkerizing Co. Ltd. . . . .	Chemicals	65,700	490,026
Nissei ASB Machine Co. Ltd. . . . .	Machinery	49,100	1,399,603
Qol Holdings Co. Ltd. . . . .	Consumer Staples Distribution & Retail	133,800	1,613,391
Sato Holdings Corp. . . . .	Commercial Services & Supplies	131,600	1,787,906
Shima Seiki Manufacturing Ltd. . . . .	Machinery	165,100	2,134,652
Shoei Co. Ltd. . . . .	Automobile Components	55,400	1,027,774
Square Enix Holdings Co. Ltd. . . . .	Entertainment	24,300	1,130,784
TechnoPro Holdings, Inc. . . . .	Professional Services	137,100	2,982,930
Topcon Corp. . . . .	Electronic Equipment, Instruments & Components	145,800	2,148,459
Tsumura & Co. . . . .	Pharmaceuticals	142,900	2,646,317
Zojirushi Corp. . . . .	Household Durables	85,600	1,056,812
			41,093,140
<b>Netherlands 0.9%</b>			
Flow Traders Ltd. . . . .	Capital Markets	87,875	1,939,057
<b>Norway 1.7%</b>			
<sup>a</sup> PhotoCure ASA. . . . .	Pharmaceuticals	106,625	463,058
TGS ASA . . . . .	Energy Equipment & Services	213,984	3,188,709
			3,651,767
<b>Philippines 1.0%</b>			
Century Pacific Food, Inc. . . . .	Food Products	4,898,200	2,268,588

**Foreign Smaller Companies Series** (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Portugal 0.6%</b>			
Corticeira Amorim SGPS SA . . . . .	Containers & Packaging	127,431	\$1,344,763
<b>South Korea 5.3%</b>			
BNK Financial Group, Inc. . . . .	Banks	260,142	1,373,256
DGB Financial Group, Inc. . . . .	Banks	328,461	1,817,669
Hite Jinro Co. Ltd. . . . .	Beverages	91,476	1,504,003
i-SENS, Inc. . . . .	Health Care Equipment & Supplies	214,854	4,033,170
NHN KCP Corp. . . . .	Financial Services	108,411	830,440
NongShim Co. Ltd. . . . .	Food Products	6,444	1,946,013
			11,504,551
<b>Sweden 3.5%</b>			
<sup>b,c</sup> Dometic Group AB, 144A . . . . .	Automobile Components	272,912	1,799,478
Electrolux Professional AB, B . . . . .	Machinery	276,059	1,498,028
Granges AB . . . . .	Metals & Mining	220,200	2,101,100
<sup>c</sup> Thule Group AB, 144A, Reg S . . . . .	Leisure Products	75,997	2,235,680
			7,634,286
<b>Switzerland 4.8%</b>			
Bucher Industries AG . . . . .	Machinery	7,984	3,533,425
Logitech International SA . . . . .	Technology Hardware, Storage & Peripherals	21,508	1,277,575
<sup>c</sup> Medacta Group SA, 144A, Reg S . . . . .	Health Care Equipment & Supplies	20,736	2,824,097
Siegfried Holding AG. . . . .	Life Sciences Tools & Services	3,515	2,906,754
			10,541,851
<b>Taiwan 8.5%</b>			
Chicony Electronics Co. Ltd. . . . .	Technology Hardware, Storage & Peripherals	627,037	1,974,720
Giant Manufacturing Co. Ltd. . . . .	Leisure Products	170,482	1,264,781
Johnson Health Tech Co. Ltd. . . . .	Leisure Products	763,000	1,761,966
King Yuan Electronics Co. Ltd. . . . .	Semiconductors & Semiconductor Equipment	1,962,000	3,601,045
Merida Industry Co. Ltd. . . . .	Leisure Products	266,000	1,901,457
Nan Pao Resins Chemical Co. Ltd. . . . .	Chemicals	265,000	1,401,875
Nien Made Enterprise Co. Ltd. . . . .	Household Durables	108,000	1,190,176
<sup>a</sup> Primax Electronics Ltd. . . . .	Electronic Equipment, Instruments & Components	636,000	1,346,075
Shin Zu Shing Co. Ltd. . . . .	Machinery	395,000	1,148,980
Topkey Corp. . . . .	Leisure Products	172,000	1,068,405
Tripod Technology Corp. . . . .	Electronic Equipment, Instruments & Components	451,000	1,789,525
			18,449,005
<b>Thailand 1.6%</b>			
Hana Microelectronics PCL . . . . .	Electronic Equipment, Instruments & Components	1,552,000	2,086,108
Major Cineplex Group PCL . . . . .	Entertainment	3,391,700	1,404,544
			3,490,652
<b>United Kingdom 9.3%</b>			
Coats Group plc . . . . .	Textiles, Apparel & Luxury Goods	1,837,686	1,624,367
Greggs plc . . . . .	Hotels, Restaurants & Leisure	78,805	2,559,990
<sup>c</sup> Ibstock plc, 144A, Reg S . . . . .	Construction Materials	1,094,926	1,945,388
Johnson Service Group plc . . . . .	Commercial Services & Supplies	790,226	1,035,702
Man Group plc . . . . .	Capital Markets	1,170,775	3,251,338
Oxford Instruments plc . . . . .	Electronic Equipment, Instruments & Components	64,688	2,242,798
Pagegroup plc . . . . .	Professional Services	409,554	2,087,899
Rathbones Group plc . . . . .	Capital Markets	116,199	2,749,691
VIDENDUM plc. . . . .	Household Durables	107,976	948,936

**Foreign Smaller Companies Series** (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>United Kingdom</b> (continued)			
<sup>a,c</sup> Watches of Switzerland Group plc, 144A	Specialty Retail	238,542	\$1,849,500
			20,295,609
<b>United States 1.2%</b>			
Axis Capital Holdings Ltd. . . . .	Insurance	19,880	1,070,140
<sup>a</sup> IMAX Corp. . . . .	Entertainment	85,497	1,452,594
			2,522,734
<b>Total Common Stocks (Cost \$157,732,949)</b> . . . . .			<b>206,756,837</b>
	<b>Warrants</b>		
<b>Warrants 0.3%</b>			
<b>Bahamas 0.3%</b>			
<sup>a</sup> OneSpaWorld Holdings Ltd., 3/19/24 . . . . .	Diversified Consumer Services	262,784	630,682
			630,682
<b>Total Warrants (Cost \$221,371)</b> . . . . .			<b>630,682</b>
<b>Total Long Term Investments (Cost \$157,954,320)</b> . . . . .			<b>207,387,519</b>
<b>Short Term Investments 4.1%</b>			
		<b>Principal Amount<sup>f</sup></b>	<b>Value</b>
<b>U.S. Government and Agency Securities 4.0%</b>			
<b>United States 4.0%</b>			
<sup>d</sup> FHLB, 7/03/23 . . . . .		8,600,000	8,600,000
<b>Total U.S. Government and Agency Securities (Cost \$8,597,707)</b> . . . . .			<b>8,600,000</b>
		<b>Shares</b>	
<sup>e</sup> <b>Investments from Cash Collateral Received for Loaned Securities 0.1%</b>			
<b>Money Market Funds 0.1%</b>			
<sup>f,g</sup> Institutional Fiduciary Trust - Money Market Portfolio, 4.699% . . . . .		283,672	283,672
<b>Total Investments from Cash Collateral Received for Loaned Securities (Cost \$283,672)</b> . . . . .			<b>283,672</b>
<b>Total Short Term Investments (Cost \$8,881,379)</b> . . . . .			<b>8,883,672</b>
<b>Total Investments (Cost \$166,835,699) 99.3%</b> . . . . .			<b>\$216,271,191</b>
<b>Other Assets, less Liabilities 0.7%</b> . . . . .			<b>1,616,194</b>
<b>Net Assets 100.0%</b> . . . . .			<b>\$217,887,385</b>

See Abbreviations on page 39.

**Foreign Smaller Companies Series** (continued)

<sup>†</sup>The principal amount is stated in U.S. dollars unless otherwise indicated.

<sup>a</sup>Non-income producing.

<sup>b</sup>A portion or all of the security is on loan at June 30, 2023. See Note 1(d).

<sup>c</sup>Security was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At June 30, 2023, the aggregate value of these securities was \$19,444,224, representing 8.9% of net assets.

<sup>d</sup>The security was issued on a discount basis with no stated coupon rate.

<sup>e</sup>See Note 1(d) regarding securities on loan.

<sup>f</sup>See Note 3(d) regarding investments in affiliated management investment companies.

<sup>g</sup>The rate shown is the annualized seven-day effective yield at period end.



## Financial Highlights

### International Equity Series

	Six Months Ended June 30, 2023 (unaudited)	Year Ended December 31,				
		2022	2021	2020	2019	2018
<b>Primary Shares</b>						
<b>Per share operating performance</b>						
(for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$10.19	\$11.96	\$15.22	\$15.54	\$14.87	\$21.99
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup> . . . . .	0.17	0.26	0.26	1.03 <sup>c</sup>	0.64	0.42
Net realized and unrealized gains (losses)	1.11	(1.40)	0.55	(0.32)	1.06	(3.66)
Total from investment operations . . . . .	1.28	(1.14)	0.81	0.71	1.70	(3.24)
Less distributions from:						
Net investment income . . . . .	—	(0.10)	(1.46)	(0.67)	(1.02)	(0.42)
Net realized gains . . . . .	—	(0.53)	(2.61)	(0.36)	(0.01)	(3.46)
Total distributions . . . . .	—	(0.63)	(4.07)	(1.03)	(1.03)	(3.88)
Net asset value, end of period . . . . .	\$11.47	\$10.19	\$11.96	\$15.22	\$15.54	\$14.87
Total return <sup>d</sup> . . . . .	12.67%	(9.23)%	5.75%	5.30%	11.57%	(14.87)%
<b>Ratios to average net assets<sup>e</sup></b>						
Expenses before waiver and payments by affiliates . . . . .	1.04%	0.87%	0.94%	0.87%	0.82%	0.80%
Expenses net of waiver and payments by affiliates . . . . .	1.00%	0.83%	0.91%	0.84%	0.82% <sup>f</sup>	0.80% <sup>f,g</sup>
Net investment income . . . . .	3.07%	2.35%	1.64%	7.51% <sup>c</sup>	4.13%	1.98%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$181,628	\$196,051	\$386,291	\$447,139	\$1,695,980	\$2,785,308
Portfolio turnover rate . . . . .	9.74%	46.42%	44.73%	89.34%	36.83% <sup>h</sup>	25.60% <sup>h</sup>

<sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.77 per share related to an adjustment for EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.86% and total return would have been (0.03)%.

<sup>d</sup>Total return is not annualized for periods less than one year.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

<sup>g</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>h</sup>Excludes the value of portfolio activity as a result of in-kind transactions.

**International Equity Series** (continued)

	Six Months Ended June 30, 2023 (unaudited)	Year Ended December 31,				
		2022	2021	2020	2019	2018
<b>Service Shares</b>						
<b>Per share operating performance</b>						
(for a share outstanding throughout the period)						
Net asset value, beginning of period . . . . .	\$10.45	\$12.24	\$15.48	\$15.79	\$14.97	\$22.07
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b</sup> . . . . .	0.18	0.20	0.24	1.17 <sup>c</sup>	0.98	0.38
Net realized and unrealized gains (losses)	1.13	(1.38)	0.58	(0.47)	0.70	(3.66)
Total from investment operations . . . . .	1.31	(1.18)	0.82	0.70	1.68	(3.28)
Less distributions from:						
Net investment income . . . . .	—	(0.08)	(1.45)	(0.65)	(0.85)	(0.36)
Net realized gains . . . . .	—	(0.53)	(2.61)	(0.36)	(0.01)	(3.46)
Total distributions . . . . .	—	(0.61)	(4.06)	(1.01)	(0.86)	(3.82)
Net asset value, end of period . . . . .	\$11.76	\$10.45	\$12.24	\$15.48	\$15.79	\$14.97
Total return <sup>d</sup> . . . . .	12.54%	(9.29)%	5.69%	5.16%	11.34%	(15.01)%
<b>Ratios to average net assets<sup>e</sup></b>						
Expenses before waiver and payments by affiliates . . . . .	1.04%	1.01%	1.04%	1.01%	0.97%	0.95%
Expenses net of waiver and payments by affiliates . . . . .	1.00%	0.97%	1.00%	0.98%	0.97% <sup>f</sup>	0.95% <sup>f,g</sup>
Net investment income . . . . .	3.19%	1.71%	1.52%	8.42% <sup>c</sup>	3.98%	1.83%
<b>Supplemental data</b>						
Net assets, end of period (000's) . . . . .	\$139	\$123	\$521	\$448	\$700	\$5,375
Portfolio turnover rate . . . . .	9.74%	46.42%	44.73%	89.34%	36.83% <sup>h</sup>	25.60% <sup>h</sup>

<sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.78 per share related to an adjustment for EU reclaims in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 2.77% and total return would have been (0.14)%.

<sup>d</sup>Total return is not annualized for periods less than one year.

<sup>e</sup>Ratios are annualized for periods less than one year.

<sup>f</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

<sup>g</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>h</sup>Excludes the value of portfolio activity as a result of in-kind transactions.

## Schedule of Investments (unaudited), June 30, 2023

## International Equity Series

	Industry	Shares	Value
<b>Common Stocks 97.1%</b>			
<b>Belgium 1.4%</b>			
Anheuser-Busch InBev SA/NV . . . . .	Beverages	46,247	\$2,621,402
<b>Canada 3.0%</b>			
GFL Environmental, Inc. . . . .	Commercial Services & Supplies	140,700	5,459,160
<b>Chile 1.3%</b>			
Antofagasta plc. . . . .	Metals & Mining	125,487	2,333,614
<b>China 1.3%</b>			
NXP Semiconductors NV . . . . .	Semiconductors & Semiconductor Equipment	11,959	2,447,768
<b>France 10.7%</b>			
Cie de Saint-Gobain . . . . .	Building Products	44,662	2,719,557
Danone SA . . . . .	Food Products	58,543	3,588,046
Eiffage SA . . . . .	Construction & Engineering	19,450	2,030,933
TotalEnergies SE . . . . .	Oil, Gas & Consumable Fuels	121,326	6,965,313
Veolia Environnement SA . . . . .	Multi-Utilities	128,118	4,056,006
			19,359,855
<b>Germany 13.9%</b>			
Bayer AG . . . . .	Pharmaceuticals	54,351	3,008,879
Continental AG . . . . .	Automobile Components	29,726	2,246,017
Deutsche Boerse AG. . . . .	Capital Markets	17,005	3,139,658
Deutsche Telekom AG. . . . .	Diversified Telecommunication Services	320,687	6,997,556
*Fresenius Medical Care AG & Co. KGaA	Health Care Providers & Services	68,436	3,270,933
Infineon Technologies AG . . . . .	Semiconductors & Semiconductor Equipment	71,067	2,926,967
SAP SE . . . . .	Software	26,793	3,660,457
			25,250,467
<b>Hungary 1.0%</b>			
Richter Gedeon Nyrt. . . . .	Pharmaceuticals	76,040	1,876,422
<b>Ireland 2.2%</b>			
CRH plc . . . . .	Construction Materials	71,519	3,945,873
<b>Japan 19.4%</b>			
Hitachi Ltd. . . . .	Industrial Conglomerates	53,500	3,326,904
Honda Motor Co. Ltd. . . . .	Automobiles	133,100	4,032,672
Isuzu Motors Ltd. . . . .	Automobiles	255,700	3,102,387
KDDI Corp. . . . .	Wireless Telecommunication Services	90,400	2,792,221
Mitsubishi Electric Corp. . . . .	Electrical Equipment	277,000	3,916,450
Nitori Holdings Co. Ltd. . . . .	Specialty Retail	16,600	1,864,344
Sony Group Corp. . . . .	Household Durables	35,900	3,241,150
Sumitomo Metal Mining Co. Ltd. . . . .	Metals & Mining	73,600	2,376,299
Sumitomo Mitsui Financial Group, Inc..	Banks	128,100	5,491,056
Takeda Pharmaceutical Co. Ltd. . . . .	Pharmaceuticals	83,900	2,636,718
Tokyo Electron Ltd. . . . .	Semiconductors & Semiconductor Equipment	16,800	2,420,014
			35,200,215
<b>Netherlands 6.8%</b>			
ING Groep NV . . . . .	Banks	226,393	3,052,419
SBM Offshore NV . . . . .	Energy Equipment & Services	119,984	1,644,894
Shell plc . . . . .	Oil, Gas & Consumable Fuels	255,022	7,607,736
			12,305,049
<b>Singapore 1.7%</b>			
United Overseas Bank Ltd. . . . .	Banks	148,100	3,073,375

**International Equity Series** (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>South Korea 4.5%</b>			
KB Financial Group, Inc. . . . .	Banks	51,513	\$1,869,762
Samsung Electronics Co. Ltd. . . . .	Technology Hardware, Storage & Peripherals	91,439	5,035,237
Shinhan Financial Group Co. Ltd. . . . .	Banks	51,868	1,340,985
			8,245,984
<b>Spain 1.7%</b>			
Redeia Corp. SA. . . . .	Electric Utilities	180,941	3,043,168
<b>Switzerland 1.5%</b>			
Adecco Group AG. . . . .	Professional Services	84,753	2,775,931
<b>Taiwan 1.9%</b>			
Taiwan Semiconductor Manufacturing Co. Ltd. . . . .	Semiconductors & Semiconductor Equipment	188,492	3,481,237
<b>Thailand 0.8%</b>			
Kasikornbank PCL . . . . .	Banks	400,600	1,471,850
<b>United Kingdom 19.5%</b>			
AstraZeneca plc . . . . .	Pharmaceuticals	28,955	4,150,823
BAE Systems plc . . . . .	Aerospace & Defense	317,730	3,746,433
BP plc. . . . .	Oil, Gas & Consumable Fuels	1,251,318	7,285,646
Compass Group plc . . . . .	Hotels, Restaurants & Leisure	92,210	2,582,171
DS Smith plc. . . . .	Containers & Packaging	613,146	2,121,717
Lloyds Banking Group plc . . . . .	Banks	7,913,750	4,386,977
Smith & Nephew plc . . . . .	Health Care Equipment & Supplies	247,721	3,996,565
Standard Chartered plc . . . . .	Banks	207,684	1,806,870
Unilever plc. . . . .	Personal Care Products	68,337	3,558,597
WH Smith plc . . . . .	Specialty Retail	95,983	1,892,498
			35,528,297
<b>United States 4.5%</b>			
<sup>b</sup> ICON plc. . . . .	Life Sciences Tools & Services	12,800	3,202,560
Sanofi SA . . . . .	Pharmaceuticals	45,712	4,921,612
			8,124,172
<b>Total Common Stocks (Cost \$134,099,639)</b> . . . . .			<b>176,543,839</b>
<b>Escrows and Litigation Trusts 0.0%</b>			
<sup>b,c</sup> Hemisphere Properties India Ltd., Escrow Account . . . . .		2,094,964	—
<b>Total Escrows and Litigation Trusts (Cost \$—)</b> . . . . .			<b>—</b>
<b>Total Long Term Investments (Cost \$134,099,639)</b> . . . . .			<b>176,543,839</b>

**International Equity Series** (continued)

**Short Term Investments 1.9%**

	Shares	Value
<b>Money Market Funds 1.9%</b>		
<b>United States 1.9%</b>		
<sup>d,e</sup> Institutional Fiduciary Trust - Money Market Portfolio, 4.699% . . . . .	3,511,548	\$3,511,548
<b>Total Money Market Funds (Cost \$3,511,548) . . . . .</b>		<b>3,511,548</b>
<b>Total Short Term Investments (Cost \$3,511,548) . . . . .</b>		<b>3,511,548</b>
<b>Total Investments (Cost \$137,611,187) 99.0% . . . . .</b>		<b>\$180,055,387</b>
<b>Other Assets, less Liabilities 1.0% . . . . .</b>		<b>1,711,630</b>
<b>Net Assets 100.0% . . . . .</b>		<b>\$181,767,017</b>

<sup>a</sup> A portion or all of the security is on loan at June 30, 2023. See Note 1(d).

<sup>b</sup> Non-income producing.

<sup>c</sup> Fair valued using significant unobservable inputs. See Note 9 regarding fair value measurements.

<sup>d</sup> See Note 3(d) regarding investments in affiliated management investment companies.

<sup>e</sup> The rate shown is the annualized seven-day effective yield at period end.

**International Equity Series** (continued)

At June 30, 2023, the Fund had the following futures contracts outstanding. See Note 1(c).

**Futures Contracts**

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/ Unrealized Appreciation (Depreciation)
<b>Equity contracts</b>					
MSCI EAFE Index. . . . .	Long	20	\$2,155,500	9/15/23	\$(22,433)
Total Futures Contracts . . . . .					\$(22,433)

\*As of period end.

See Note 6 regarding other derivative information.

## Statements of Assets and Liabilities

June 30, 2023 (unaudited)

	Foreign Smaller Companies Series	International Equity Series
<b>Assets:</b>		
Investments in securities:		
Cost - Unaffiliated issuers . . . . .	\$166,552,027	\$134,099,639
Cost - Non-controlled affiliates (Note 3d) . . . . .	283,672	3,511,548
Value - Unaffiliated issuers (Includes securities loaned of \$4,368,953 and \$2,537,081 respectively) . . . . .	\$215,987,519	\$176,543,839
Value - Non-controlled affiliates (Note 3d) . . . . .	283,672	3,511,548
Cash . . . . .	1,414,834	—
Foreign currency, at value (cost \$— and \$189,326 respectively) . . . . .	—	188,999
Receivables:		
Investment securities sold . . . . .	9,993	—
Capital shares sold . . . . .	186,093	104,234
Dividends . . . . .	877,535	3,425,315
European Union tax reclaims (Note 1e) . . . . .	—	691,972
Deposits with brokers for:		
Futures contracts . . . . .	—	74,780
Variation margin on futures contracts . . . . .	—	24,120
Total assets . . . . .	218,759,646	184,564,807
<b>Liabilities:</b>		
Payables:		
Investment securities purchased . . . . .	239,138	—
Capital shares redeemed . . . . .	66,768	8,091
Management fees . . . . .	172,495	110,919
Transfer agent fees . . . . .	878	5,855
Trustees' fees and expenses . . . . .	6,532	754
IRS closing agreement payments for European Union tax reclaims (Note 1e) . . . . .	—	2,357,023
Payable upon return of securities loaned (Note 1d) . . . . .	283,672	—
Accrued expenses and other liabilities . . . . .	102,778	315,148
Total liabilities . . . . .	872,261	2,797,790
Net assets, at value . . . . .	\$217,887,385	\$181,767,017
<b>Net assets consist of:</b>		
Paid-in capital . . . . .	\$185,957,592	\$130,573,250
Total distributable earnings (losses) . . . . .	31,929,793	51,193,767
Net assets, at value . . . . .	\$217,887,385	\$181,767,017
Shares outstanding . . . . .	12,262,240	
Net asset value per share . . . . .	\$17.77	

### International Equity Series

**Primary Shares:**

Net assets, at value . . . . .	\$181,628,177
Shares outstanding . . . . .	15,829,853
Net asset value per share . . . . .	\$11.47

**Service Shares:**

Net assets, at value . . . . .	\$138,840
Shares outstanding . . . . .	11,803
Net asset value per share . . . . .	\$11.76

## Statements of Operations

for the six months ended June 30, 2023 (unaudited)

	Foreign Smaller Companies Series	International Equity Series
Investment income:		
Dividends: (net of foreign taxes of \$346,663 and \$252,672, respectively)		
Unaffiliated issuers . . . . .	\$2,482,002	\$3,955,309
Non-controlled affiliates (Note 3d) . . . . .	—	77,114
Interest:		
Unaffiliated issuers . . . . .	100,390	1,745
Income from securities loaned:		
Unaffiliated entities (net of fees and rebates) . . . . .	92,719	1,482
Non-controlled affiliates (Note 3d) . . . . .	52,925	—
Other income (Note 1e) . . . . .	—	11,959
Less: IRS closing agreement payments for European Union tax reclaims (Note 1e) . . . . .	—	(74,993)
Total investment income . . . . .	2,728,036	3,972,616
Expenses:		
Management fees (Note 3a) . . . . .	1,195,630	757,526
Transfer agent fees: (Note 3c)		
Primary Shares . . . . .	—	25,076
Service Shares . . . . .	—	11
Transfer agent fees (Note 3c) . . . . .	29,326	—
Sub-transfer agent fees: (Note 3c)		
Service Shares . . . . .	—	6
Custodian fees . . . . .	26,526	8,499
Reports to shareholders fees . . . . .	4,157	2,055
Registration and filing fees . . . . .	33,677	22,465
Professional fees . . . . .	42,772	86,126
Trustees' fees and expenses . . . . .	29,275	15,242
Other . . . . .	28,317	96,796
Total expenses . . . . .	1,389,680	1,013,802
Expenses waived/paid by affiliates (Note 3d and 3e) . . . . .	(3,647)	(40,561)
Net expenses . . . . .	1,386,033	973,241
Net investment income . . . . .	1,342,003	2,999,375
Realized and unrealized gains (losses):		
Net realized gain (loss) from:		
Investments:		
Unaffiliated issuers . . . . .	18,447,351	7,428,888
Foreign currency transactions . . . . .	145,582	(55,642)
Futures contracts . . . . .	—	144,628
Net realized gain (loss) . . . . .	18,592,933	7,517,874
Net change in unrealized appreciation (depreciation) on:		
Investments:		
Unaffiliated issuers . . . . .	7,833,897	12,436,169
Translation of other assets and liabilities denominated in foreign currencies . . . . .	(5,022)	85,550
Futures contracts . . . . .	—	45,268
Net change in unrealized appreciation (depreciation) . . . . .	7,828,875	12,566,987
Net realized and unrealized gain (loss) . . . . .	26,421,808	20,084,861
Net increase (decrease) in net assets resulting from operations . . . . .	\$27,763,811	\$23,084,236



## Statements of Changes in Net Assets

	Foreign Smaller Companies Series		International Equity Series	
	Six Months Ended June 30, 2023 (unaudited)	Year Ended December 31, 2022	Six Months Ended June 30, 2023 (unaudited)	Year Ended December 31, 2022
Increase (decrease) in net assets:				
Operations:				
Net investment income . . . . .	\$1,342,003	\$9,154,319	\$2,999,375	\$6,213,919
Net realized gain (loss) . . . . .	18,592,933	(30,389,771)	7,517,874	12,372,227
Net change in unrealized appreciation (depreciation) . . . . .	7,828,875	(156,503,588)	12,566,987	(49,923,932)
Net increase (decrease) in net assets resulting from operations.	27,763,811	(177,739,040)	23,084,236	(31,337,786)
Distributions to shareholders:				
Primary Shares . . . . .	—	—	—	(12,095,509)
Service Shares . . . . .	—	—	—	(7,083)
Distributions to shareholders . . . . .	—	(8,550,231)	—	—
Total distributions to shareholders . . . . .	—	(8,550,231)	—	(12,102,592)
Capital share transactions: (Note 2)				
Primary Shares . . . . .	—	—	(37,491,651)	(146,821,378)
Service Shares . . . . .	—	—	661	(376,524)
Capital share transactions (Note 2) . . . . .	(163,256,536)	(200,048,009)	—	—
Total capital share transactions . . . . .	(163,256,536)	(200,048,009)	(37,490,990)	(147,197,902)
Net increase (decrease) in net assets . . . . .	(135,492,725)	(386,337,280)	(14,406,754)	(190,638,280)
Net assets:				
Beginning of period . . . . .	353,380,110	739,717,390	196,173,771	386,812,051
End of period . . . . .	\$217,887,385	\$353,380,110	\$181,767,017	\$196,173,771

# Notes to Financial Statements (unaudited)

## 1. Organization and Significant Accounting Policies

Templeton Institutional Funds (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of two separate funds (Funds). The Funds follow the accounting and reporting guidance in Financial Accounting Standards Board (FASB) Accounting Standards Codification Topic 946, Financial Services – Investment Companies (ASC 946) and apply the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP), including, but not limited to, ASC 946. International Equity Series offers Primary Shares and Service Shares. Each class of shares may differ by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees due to differing arrangements for distribution and transfer agent fees.

The following summarizes the Funds' significant accounting policies.

### a. Financial Instrument Valuation

The Funds' investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Funds calculate the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Board has designated the Funds' investment manager as the valuation designee and has responsibility for oversight of valuation. The investment manager is assisted by the Funds' administrator in performing this responsibility, including leading the cross-functional Valuation Committee (VC). The Funds may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities and derivative financial instruments listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4

p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Funds' pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value.

Investments in open-end mutual funds are valued at the closing NAV.

The Funds have procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Funds primarily employ a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Funds' business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into

## 1. Organization and Significant Accounting Policies

(continued)

### a. Financial Instrument Valuation (continued)

question the reliability of the value of a portfolio security held by the Funds. As a result, differences may arise between the value of the Funds' portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Funds' portfolio securities to the latest indications of fair value at 4 p.m. Eastern time. At June 30, 2023, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 within the fair value hierarchy (referred to as "market level fair value"). See the Fair Value Measurements note for more information.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Funds' NAV is not calculated, which could result in differences between the value of the Funds' portfolio securities on the last business day and the last calendar day of the reporting period. Any security valuation changes due to an open foreign market are adjusted and reflected by the Funds for financial reporting purposes.

### b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Funds may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Funds do not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments in the Statements of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

### c. Derivative Financial Instruments

Certain or all Funds invested in derivative financial instruments in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Funds to gains or losses in excess of the amounts shown in the Statements of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statements of Operations.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities.

Certain or all Funds entered into exchange traded futures contracts primarily to manage and/or gain exposure to equity price risk. A futures contract is an agreement between the Funds and a counterparty to buy or sell an asset at a specified price on a future date. Required initial margins are pledged by the Funds, and the daily change in fair value is

## 1. Organization and Significant Accounting Policies

(continued)

### c. Derivative Financial Instruments (continued)

accounted for as a variation margin payable or receivable in the Statements of Assets and Liabilities. At June 30, 2023, Foreign Smaller Companies Series had no futures contracts.

See Note 6 regarding other derivative information.

### d. Securities Lending

Certain or all Funds participate in an agency based securities lending program to earn additional income. The Funds receive collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Funds. Additionally, the Foreign Smaller Companies Series and International Equity Series held \$4,443,702 and \$2,670,556, respectively in U.S. Government and Agency securities as collateral. These securities are held as collateral in segregated accounts with the Fund's custodian. The Fund cannot repledge or resell these securities held as collateral. As such, the non-cash collateral is excluded from the Statements of Assets and Liabilities. The Funds may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statements of Operations. The Funds bear the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Funds. If the borrower defaults on its obligation to return the securities loaned, the Funds have the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Funds in the event of default by a third party borrower.

### e. Income and Deferred Taxes

It is each Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. Each Fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

The Funds may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which the Funds invest. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Funds invest. When a capital gain tax is determined to apply, certain or all Funds record an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

As a result of several court cases, in certain countries across the European Union, certain or all Funds filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). Income recognized, if any, for EU reclaims is reflected as other income in the Statements of Operations and any related receivable, if any, is reflected as European Union tax reclaims in the Statements of Assets and Liabilities. Any fees associated with these filings are reflected in other expenses in the Statements of Operations. When uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these EU reclaims, and the potential timing of payment, no amounts are reflected in the financial statements. For U.S. income tax purposes, EU reclaims received by the Funds, if any, reduce the amount of foreign taxes Fund shareholders can use as tax deductions or credits on their income tax returns. In the event that EU reclaims received by the Funds during a fiscal year exceed foreign withholding taxes paid by the Funds, and the Funds previously passed through to its shareholders foreign taxes incurred by the Funds to be used as a credit or deduction on a shareholder's income tax return, the Funds will enter into a closing agreement with the Internal Revenue Service (IRS) in order to pay the associated tax liability on behalf of the Funds' shareholders. International Equity Series determined to enter into a closing agreement with the IRS and recorded the estimated payments as a reduction to income, as reflected in the Statements of Operations.

## 1. Organization and Significant Accounting Policies

(continued)

### e. Income and Deferred Taxes (continued)

Each Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of June 30, 2023, each Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

### f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income is recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Funds. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the Funds based on the ratio of net assets of each Fund to the combined net assets of the Trust or based on the ratio of number of shareholders of each Fund to the combined number of shareholders of the Trust. Fund specific expenses are charged directly to the Fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, excluding class specific expenses, are allocated daily to each class of shares based upon the

relative proportion of net assets of each class. Differences in per share distributions by class are generally due to differences in class specific expenses.

### g. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

### h. Guarantees and Indemnifications

Under the Trust's organizational documents, its officers and trustees are indemnified by the Trust against certain liabilities arising out of the performance of their duties to the Trust. Additionally, in the normal course of business, the Trust, on behalf of the Funds, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

## 2. Shares of Beneficial Interest

At June 30, 2023, there were an unlimited number of shares authorized (without par value). Transactions in the Funds' shares were as follows:

	<b>Foreign Smaller Companies Series</b>	
	<b>Shares</b>	<b>Amount</b>
<b>Six Months ended June 30, 2023</b>		
Shares sold . . . . .	531,311	\$9,257,685
Shares redeemed . . . . .	(9,885,755)	(172,514,221)
Net increase (decrease) . . . . .	(9,354,444)	\$(163,256,536)
<b>Year ended December 31, 2022</b>		
Shares sold . . . . .	4,197,769	\$75,350,548
Shares issued in reinvestment of distributions . . . . .	520,814	8,259,148
Shares redeemed . . . . .	(17,038,173)	(283,657,705)
Net increase (decrease) . . . . .	(12,319,590)	\$(200,048,009)
	<b>International Equity Series</b>	
	<b>Shares</b>	<b>Amount</b>
<b>Primary Shares:</b>		
<b>Six Months ended June 30, 2023</b>		
Shares sold . . . . .	818,629	\$9,030,409
Shares redeemed . . . . .	(4,232,760)	(46,522,060)
Net increase (decrease) . . . . .	(3,414,131)	\$(37,491,651)
<b>Year ended December 31, 2022</b>		
Shares sold . . . . .	5,546,145	\$61,560,957
Shares issued in reinvestment of distributions . . . . .	1,197,455	11,551,000
Shares redeemed . . . . .	(19,788,709)	(219,933,335)
Net increase (decrease) . . . . .	(13,045,109)	\$(146,821,378)
<b>Service Shares:</b>		
<b>Six Months ended June 30, 2023</b>		
Shares sold . . . . .	60	\$687
Shares redeemed . . . . .	(2)	(26)
Net increase (decrease) . . . . .	58	\$661
<b>Year ended December 31, 2022</b>		
Shares sold . . . . .	2,911	\$37,138
Shares issued in reinvestment of distributions . . . . .	716	7,083
Shares redeemed . . . . .	(34,473)	(420,745)
Net increase (decrease) . . . . .	(30,846)	\$(376,524)

### 3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Trust are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Templeton Investment Counsel, LLC (TIC)	Investment manager
Franklin Templeton Investments Corp. (FTIC)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Distributors, LLC (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

#### a. Management Fees

Effective May 1, 2023, Foreign Smaller Companies Series pays an investment management fee, calculated daily and paid monthly, to TIC based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.950%	Up to and including \$500 million
0.930%	Over \$500 million, up to and including \$1 billion
0.910%	Over \$1 billion, up to and including \$5 billion
0.890%	Over \$5 billion, up to and including \$10 billion
0.870%	Over \$10 billion, up to and including \$15 billion
0.850%	In excess of \$15 billion

Prior to May 1, 2023, Foreign Smaller Companies Series paid an investment management fee, calculated daily and paid monthly, to TIC based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.950%	Up to and including \$1 billion
0.930%	Over \$1 billion, up to and including \$5 billion
0.910%	Over \$5 billion, up to and including \$10 billion
0.890%	Over \$10 billion, up to and including \$15 billion
0.870%	Over \$15 billion, up to and including \$20 billion
0.850%	In excess of \$20 billion

Effective May 1, 2023, International Equity Series pays an investment management fee, calculated daily and paid monthly, to TIC based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.775%	Up to and including \$500 million
0.755%	Over \$500 million, up to and including \$1 billion
0.735%	Over \$1 billion, up to and including \$5 billion
0.715%	Over \$5 billion, up to and including \$10 billion
0.695%	Over \$10 billion, up to and including \$15 billion
0.675%	In excess of \$15 billion

### 3. Transactions with Affiliates (continued)

#### a. Management Fees (continued)

Prior to May 1, 2023, International Equity Series paid an investment management fee, calculated daily and paid monthly, to TIC based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.775%	Up to and including \$1 billion
0.755%	Over \$1 billion, up to and including \$5 billion
0.735%	Over \$5 billion, up to and including \$10 billion
0.715%	Over \$10 billion, up to and including \$15 billion
0.695%	Over \$15 billion, up to and including \$20 billion
0.675%	In excess of \$20 billion

For the period ended June 30, 2023, each Fund's annualized gross effective investment management fee rate based on average daily net assets was as follows:

	Foreign Smaller Companies Series	International Equity Series
Gross effective investment management fee rate . . . . .	0.950%	0.775%

Under a subadvisory agreement, FTIC, an affiliate of TIC, provides subadvisory services to Foreign Smaller Companies Series. The subadvisory fee is paid by TIC based on the Fund's average daily net assets, and is not an additional expense of the Fund.

#### b. Administrative Fees

Under an agreement with TIC, FT Services provides administrative services to the Funds. The fee is paid by TIC based on each of the Funds' average daily net assets, and is not an additional expense of the Funds.

#### c. Transfer Agent Fees

Each class of shares pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations. Effective October 1, 2022, the fees are based on an annualized asset based fee of 0.016% plus a reduced transaction based fee. Prior to October 1, 2022, the fees were based on an annualized asset based fee of 0.02% plus a transaction based fee. In addition, each class reimburses Investor Services for out of pocket expenses incurred and reimburses shareholder servicing fees paid to third parties. These fees are allocated daily based upon their relative proportion of such classes' aggregate net assets.

For the period ended June 30, 2023, the Funds paid transfer agent fees as noted in the Statements of Operations of which the following amounts were retained by Investor Services:

	Foreign Smaller Companies Series	International Equity Series
Transfer agent fees . . . . .	\$28,474	\$23,199

International Equity Series' Service shares may pay up to 0.15% of average daily net assets for sub-transfer agency fees as noted in the Statements of Operations.



### 3. Transactions with Affiliates (continued)

#### d. Investments in Affiliated Management Investment Companies

Certain or all Funds invest in one or more affiliated management investment companies. As defined in the 1940 Act, an investment is deemed to be a “Controlled Affiliate” of a fund when a fund owns, either directly or indirectly, 25% or more of the affiliated fund’s outstanding shares or has the power to exercise control over management or policies of such fund. The Funds do not invest for purposes of exercising a controlling influence over the management or policies. Management fees paid by the Funds are waived on assets invested in the affiliated management investment companies, as noted in the Statements of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the period ended June 30, 2023, investments in affiliated management investment companies were as follows:

	Value at Beginning of Period	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Period	Number of Shares Held at End of Period	Investment Income
<b>Foreign Smaller Companies Series</b>								
<b>Non-Controlled Affiliates</b>								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 4.699%	\$4,656,168	\$11,564,278	\$(15,936,774)	\$—	\$—	\$283,672	283,672	\$52,925
<b>Total Affiliated Securities . . .</b>	<b>\$4,656,168</b>	<b>\$11,564,278</b>	<b>\$(15,936,774)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$283,672</b>		<b>\$52,925</b>

#### International Equity Series

##### Non-Controlled Affiliates

	Value at Beginning of Period	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Period	Number of Shares Held at End of Period	Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 4.699%	\$7,572,866	\$32,045,191	\$(36,106,509)	\$—	\$—	\$3,511,548	3,511,548	\$77,114
<b>Total Affiliated Securities . . .</b>	<b>\$7,572,866</b>	<b>\$32,045,191</b>	<b>\$(36,106,509)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$3,511,548</b>		<b>\$77,114</b>

#### e. Waiver and Expense Reimbursements

TIC has contractually agreed in advance to limit the investment management fees for International Equity Series to 0.74% of the average daily net assets of the Fund until April 30, 2024. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

### 4. Income Taxes

For tax purposes, capital losses may be carried over to offset future capital gains.

At December 31, 2022, the capital loss carryforwards were as follows:

	<b>Foreign Smaller Companies Series</b>
Capital loss carryforwards not subject to expiration:	
Short term . . . . .	\$13,376,151
Long term . . . . .	17,803,676
<b>Total capital loss carryforwards . . . . .</b>	<b>\$31,179,827</b>

#### 4. Income Taxes (continued)

At June 30, 2023, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

	Foreign Smaller Companies Series	International Equity Series
Cost of investments . . . . .	\$174,323,015	\$143,255,634
Unrealized appreciation. . . . .	\$63,671,085	\$46,307,671
Unrealized depreciation. . . . .	(21,722,909)	(9,530,351)
Net unrealized appreciation (depreciation). . . . .	\$41,948,176	\$36,777,320

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of EU reclaims, passive foreign investment company shares, foreign currency transactions and wash sales.

#### 5. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2023, were as follows:

	Foreign Smaller Companies Series	International Equity Series
Purchases . . . . .	\$52,120,967	\$18,359,418
Sales . . . . .	\$207,808,832	\$48,104,385

At June 30, 2023, in connection with securities lending transactions, certain or all Funds loaned investments and received cash collateral as follows:

	Foreign Smaller Companies Series	International Equity Series
<b>Securities lending transactions<sup>a</sup>:</b>		
Equity investments <sup>b</sup> . . . . .	\$283,672	\$—

<sup>a</sup>The agreements can be terminated at any time.

<sup>b</sup>The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statements of Assets and Liabilities.

#### 6. Other Derivative Information

At June 30, 2023, investments in derivative contracts are reflected in the Statements of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
<b>International Equity Series</b>				
Equity contracts . . . . .				
	Variation margin on futures contracts	\$—	Variation margin on futures contracts	\$22,433 <sup>a</sup>

**6. Other Derivative Information** (continued)

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
<b>International Equity Series (continued)</b>				
Total . . . . .		\$—		\$22,433

\*This amount reflects the cumulative appreciation (depreciation) of futures contracts as reported in the Schedule of Investments. Only the variation margin receivable/payable at period end is separately reported within the Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment.

For the period ended June 30, 2023, the effect of derivative contracts in the Statements of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Period	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Period
<b>International Equity Series</b>				
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Equity Contracts . . . . .				
	Futures contracts	\$144,628	Futures contracts	\$45,268
Total . . . . .		\$144,628		\$45,268

For the period ended June 30, 2023, the average month end notional amount of futures contracts was \$2,081,429.

See Note 1(c) regarding derivative financial instruments.

**7. Concentration of Risk**

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local, regional and global economic, political and social conditions, which may result in greater market volatility. Political and financial uncertainty in many foreign regions may increase market volatility and the economic risk of investing in foreign securities. In addition, certain foreign securities may not be as liquid as U.S. securities.

**8. Credit Facility**

The Funds, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2.675 billion (Global Credit Facility) which matures on February 2, 2024. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Funds shall, in addition to interest charged on any borrowings made by the Funds and other costs incurred by the Funds, pay their share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon their relative share of the aggregate net assets of

## 8. Credit Facility (continued)

all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statements of Operations. During the period ended June 30, 2023, the Funds did not use the Global Credit Facility.

## 9. Fair Value Measurements

The Funds follow a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Funds' own market assumptions (unobservable inputs). These inputs are used in determining the value of the Funds' financial instruments and are summarized in the following fair value hierarchy:

- Level 1 – quoted prices in active markets for identical financial instruments
- Level 2 – other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 – significant unobservable inputs (including the Funds' own assumptions in determining the fair value of financial instruments)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

A summary of inputs used as of June 30, 2023, in valuing the Funds' assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Foreign Smaller Companies Series</b>				
<b>Assets:</b>				
Investments in Securities:				
Common Stocks:				
Austria . . . . .	\$—	\$3,354,408	\$—	\$3,354,408
Bahamas . . . . .	3,401,866	—	—	3,401,866
Belgium . . . . .	—	5,406,027	—	5,406,027
Brazil . . . . .	7,455,294	—	—	7,455,294
Canada . . . . .	7,067,335	—	—	7,067,335
China . . . . .	—	3,478,723	—	3,478,723
Denmark . . . . .	1,411,001	—	—	1,411,001
Finland . . . . .	—	4,052,591	—	4,052,591
Germany . . . . .	—	13,529,797	—	13,529,797
Greece . . . . .	1,181,598	—	—	1,181,598
Hong Kong . . . . .	—	6,571,255	—	6,571,255
India . . . . .	—	1,744,665	—	1,744,665
Israel . . . . .	—	1,711,316	—	1,711,316
Italy . . . . .	2,718,645	18,936,313	—	21,654,958
Japan . . . . .	—	41,093,140	—	41,093,140
Netherlands . . . . .	1,939,057	—	—	1,939,057
Norway . . . . .	—	3,651,767	—	3,651,767
Philippines . . . . .	2,268,588	—	—	2,268,588
Portugal . . . . .	1,344,763	—	—	1,344,763
South Korea . . . . .	—	11,504,551	—	11,504,551
Sweden . . . . .	—	7,634,286	—	7,634,286
Switzerland . . . . .	1,277,575	9,264,276	—	10,541,851
Taiwan . . . . .	—	18,449,005	—	18,449,005
Thailand . . . . .	—	3,490,652	—	3,490,652
United Kingdom . . . . .	9,646,691	10,648,918	—	20,295,609
United States . . . . .	2,522,734	—	—	2,522,734

**9. Fair Value Measurements** (continued)

	Level 1	Level 2	Level 3	Total
<b>Foreign Smaller Companies Series</b> (continued)				
<b>Assets: (continued)</b>				
Investments in Securities:				
Warrants	\$630,682	\$—	\$—	\$630,682
Short Term Investments	283,672	8,600,000	—	8,883,672
Total Investments in Securities	\$43,149,501	\$173,121,690 <sup>a</sup>	\$—	\$216,271,191
<b>International Equity Series</b>				
<b>Assets:</b>				
Investments in Securities:				
Common Stocks:				
Belgium	—	2,621,402	—	2,621,402
Canada	5,459,160	—	—	5,459,160
Chile	—	2,333,614	—	2,333,614
China	2,447,768	—	—	2,447,768
France	—	19,359,855	—	19,359,855
Germany	—	25,250,467	—	25,250,467
Hungary	—	1,876,422	—	1,876,422
Ireland	—	3,945,873	—	3,945,873
Japan	—	35,200,215	—	35,200,215
Netherlands	—	12,305,049	—	12,305,049
Singapore	—	3,073,375	—	3,073,375
South Korea	—	8,245,984	—	8,245,984
Spain	—	3,043,168	—	3,043,168
Switzerland	—	2,775,931	—	2,775,931
Taiwan	—	3,481,237	—	3,481,237
Thailand	—	1,471,850	—	1,471,850
United Kingdom	—	35,528,297	—	35,528,297
United States	3,202,560	4,921,612	—	8,124,172
Escrows and Litigation Trusts	—	—	— <sup>b</sup>	—
Short Term Investments	3,511,548	—	—	3,511,548
Total Investments in Securities	\$14,621,036	\$165,434,351 <sup>c</sup>	\$—	\$180,055,387
<b>Liabilities:</b>				
Other Financial Instruments:				
Futures contracts	\$22,433	\$—	\$—	\$22,433
Total Other Financial Instruments	\$22,433	\$—	\$—	\$22,433

<sup>a</sup>Includes foreign securities valued at \$164,521,690, which were categorized as Level 2 as a result of the application of market level fair value procedures. See the Financial Instrument Valuation note for more information.

<sup>b</sup>Includes financial instruments determined to have no value.

<sup>c</sup>Includes foreign securities valued at \$165,434,351, which were categorized as Level 2 as a result of the application of market level fair value procedures. See the Financial Instrument Valuation note for more information.

A reconciliation in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 assets and/or liabilities at the beginning and/or end of the period.

**10. Subsequent Events**

The Funds have evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

**Abbreviations**

**Selected Portfolio**

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**FHLB** Federal Home Loan Banks

## Shareholder Information

### Board Approval of Investment Management Agreements

#### TEMPLETON INSTITUTIONAL FUNDS

#### Foreign Smaller Companies Series

#### International Equity Series

(each a Fund)

#### March 27, 2023 15(c) Meeting

At a meeting held on March 27, 2023 (March Meeting), the Board of Trustees (Board) of Templeton Institutional Funds (Trust), including a majority of the trustees who are not “interested persons” as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved the continuance of the investment management agreement between Templeton Investment Counsel, LLC (TICL) and the Trust, on behalf of each Fund, and an investment sub-advisory agreement between TICL and Franklin Templeton Investments Corp. (Sub-Adviser), an affiliate of TICL, on behalf of the Foreign Smaller Companies Series (each a Management Agreement), for the period May 1, 2023 through June 30, 2023 (Stub Period). The Independent Trustees noted that each Fund’s annual contract review was historically held at the February Board meeting and that management proposed to move the contract review to the May Board meeting. The Independent Trustees further noted management’s explanation that, to effect this change, the Board needed to consider the renewal of each Fund’s Management Agreement(s) prior to their current April 30, 2023 expiration date. The Independent Trustees also noted that management would ask them to consider the continuation of each Management Agreement again at the May Board meeting for the 12-month period beginning July 1, 2023. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the continuation of each Management Agreement for the Stub Period. Although the Management Agreements for the Funds were considered at the same Board meeting, the Board considered the information provided to it about the Funds together and with respect to each Fund separately as the Board deemed appropriate. TICL and the Sub-Adviser are each referred to herein as a Manager.

In considering the continuation of each Management Agreement, the Board reviewed and considered information provided by each Manager at the March Meeting and throughout the year at meetings of the Board and its committees. The Board also reviewed and considered

information provided in response to a detailed set of requests for information submitted to the Managers by Independent Trustee counsel on behalf of the Independent Trustees in connection with the annual contract renewal process. In addition, prior to the March Meeting, the Independent Trustees held a virtual contract renewal meeting at which the Independent Trustees first conferred amongst themselves and Independent Trustee counsel about contract renewal matters; and then met with management to request additional information that the Independent Trustees reviewed and considered prior to and at the March Meeting. The Board reviewed and considered all of the factors it deemed relevant in approving the continuance of each Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services provided by each Manager; (ii) the investment performance of each Fund; (iii) the costs of the services provided and profits realized by each Manager and its affiliates from the relationship with each Fund; (iv) the extent to which economies of scale are realized as each Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of Fund investors (Factors).

In approving the continuance of each Management Agreement, the Board, including a majority of the Independent Trustees, determined that the terms of the Management Agreements are fair and reasonable and that the continuance of each Management Agreement is in the best interests of the applicable Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board’s determination.

#### **Nature, Extent and Quality of Services**

The Board reviewed and considered information regarding the nature, extent and quality of investment management services provided by each Manager and its affiliates to the Funds and their shareholders. This information included, among other things, the qualifications, background and experience of the senior management and investment personnel of each Manager, as well as information on succession planning where appropriate; the structure of investment personnel compensation; oversight of third-party service providers; investment performance reports and related financial information for each Fund; reports on expenses and shareholder services; legal and compliance matters; risk controls; pricing and other services provided by each Manager and its affiliates; and management fees charged by each Manager and its affiliates to US funds and other accounts, including management’s explanation

of differences among accounts where relevant. The Board also reviewed and considered an annual report on payments made by Franklin Templeton (FT) or the Funds to financial intermediaries, as well as a memorandum relating to third-party servicing arrangements. The Board acknowledged management's continued development of strategies to address areas of heightened concern in the mutual fund industry, including various regulatory initiatives and continuing geopolitical concerns.

The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the FT family of funds. The Board noted the financial position of Franklin Resources, Inc. (FRI), the Managers' parent, and its commitment to the mutual fund business as evidenced by its reassessment of the fund offerings in response to the market environment and project initiatives and capital investments relating to the services provided to the Funds by the FT organization. The Board specifically noted FT's commitment to technological innovation and advancement and investments to promote alternative investing.

Following consideration of such information, the Board was satisfied with the nature, extent and quality of services provided by each Manager and its affiliates to the Funds and their shareholders.

### **Fund Performance**

The Board reviewed and considered the performance results of each Fund over various time periods ended December 31, 2022. The Board considered the performance returns for each Fund in comparison to the performance returns of mutual funds deemed comparable to the Fund included in a universe (Performance Universe) selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the mutual funds included in a Performance Universe. The Board also considered the performance returns for the Foreign Smaller Companies Series in comparison to the performance returns of a customized peer group (Performance Customized Peer Group) selected by TICL. The Board also reviewed and considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of each Fund's performance results is below.

*Foreign Smaller Companies Series* - The Performance Universe for the Fund included the Fund and all retail and institutional international small-/mid-cap growth funds. The Performance Customized Peer Group for the Fund included funds that are value style and have at least 80%

of the portfolio market value invested in non-US securities with a market capitalization of less than \$4 billion. The Board noted that the Fund's annualized total return for the three-, five- and 10-year periods was below the median of its Performance Universe, but for the one-year period was above the median and in the second quintile of its Performance Universe. The Board also noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Customized Peer Group. The Board further noted the small size of the Fund's Performance Customized Peer Group for the 10-year period and that therefore no quintile information was provided for the Fund for this period. The Board discussed the performance of the Fund with management and management explained that the Fund employs a small cap value strategy and invests in securities with market capitalizations that do not exceed \$2 billion, whereas the Fund's Performance Universe falls within Broadridge's growth category and includes funds that invest in securities with higher market capitalizations than the Fund. Management then discussed with the Board the actions being taken in the Templeton Global Equity Group to address the longer-term below median performance, including enhancements to the small cap team and the creation of a new Americas Team. After consideration of the above, the Board concluded that the Fund's performance was satisfactory.

*International Equity Series* - The Performance Universe for the Fund included the Fund and all retail and institutional international large-cap value funds. The Board noted that the Fund's annualized total return for the three-, five- and 10-year periods was below the median of its Performance Universe, but for the one-year period was above the median of its Performance Universe. The Board further noted recent changes in the management structure and research process of the Templeton Global Equity Group, and the Fund's improving performance in the one-year period during which the market environment was more constructive to the value style of the Fund's portfolio management. The Board concluded that the Fund's performance was acceptable.

### **Comparative Fees and Expenses**

The Board reviewed and considered information regarding each Fund's actual total expense ratio and its various components, including, as applicable, management fees; transfer agent expenses; underlying fund expenses; Rule 12b-1 and non-Rule 12b-1 service fees; and other non-management fees. The Board also noted the quarterly and annual reports it receives on all marketing support payments made by FT to financial intermediaries. The Board considered the actual total expense ratio and, separately,



the contractual management fee rate, without the effect of fee waivers, if any (Management Rate) of each Fund in comparison to the median expense ratio and median Management Rate, respectively, of other mutual funds deemed comparable to and with a similar expense structure to the Fund selected by Broadridge (Expense Group). Broadridge fee and expense data is based upon information taken from each fund's most recent annual or semi-annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios and Management Rates generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Broadridge to be an appropriate measure of comparative fees and expenses. The Broadridge Management Rate includes administrative charges, and the actual total expense ratio, for comparative consistency, was shown for: (i) Primary shares for the International Equity Series and for Institutional Class, Class I, Class Y and Class Z for certain other funds in the Expense Group, and (ii) Institutional Class, Class I, Class IS and Class Y shares for certain other funds in the Foreign Smaller Companies Series Expense Group. The Board received a description of the methodology used by Broadridge to select the mutual funds included in an Expense Group.

*Foreign Smaller Companies Series* - The Expense Group for the Fund included the Fund and 13 other international small-/mid-cap growth funds. The Board noted that the Management Rate for the Fund was equal to the median of its Expense Group and the actual total expense ratio for the Fund was below the median and in the first quintile (least expensive) of its Expense Group. In response to discussions with the Independent Trustees, management proposed to change the first breakpoint tier of the Fund's Management Rate schedule from "up to \$1 billion" to "up to \$500 million", effective May 1, 2023. The Board further noted that the Fund's Sub-Adviser is paid by TICL out of the management fee TICL receives from the Fund and that the allocation of the fee between TICL and the Sub-Adviser reflected the services provided by each to the Fund. After consideration of the above, the Board concluded that the Management Rate charged to the Fund and the sub-advisory fee paid to the Sub-Adviser are reasonable.

*International Equity Series* - The Expense Group for the Fund included the Fund and nine other institutional international large-cap value funds. The Board noted that the Management Rate and actual total expense ratio for the Fund were above the medians of its Expense Group by approximately five and three basis points, respectively. The

Board further noted that the Fund's actual total expense ratio reflected a fee waiver from management. In response to discussions with the Independent Trustees, management proposed to change the first breakpoint tier of the Fund's Management Rate schedule from "up to \$1 billion" to "up to \$500 million", effective May 1, 2023. After consideration of the above, the Board concluded that the Management Rate charged to the Fund is reasonable.

### **Profitability**

The Board reviewed and considered information regarding the profits realized by each Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board considered the Fund profitability analysis provided that addresses the overall profitability of FT's US fund business, as well as its profits in providing investment management and other services to each of the individual funds during the 12-month period ended September 30, 2022, being the most recent fiscal year-end for FRI. The Board noted that although management continually makes refinements to its methodologies used in calculating profitability in response to organizational and product-related changes, the overall methodology has remained consistent with that used in the Funds' profitability report presentations from prior years. The Board also noted that PricewaterhouseCoopers LLP, auditor to FRI and certain FT funds, has been engaged to periodically review and assess the allocation methodologies to be used solely by the Funds' Board with respect to the profitability analysis.

The Board noted management's belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by each Manager and its affiliates may not be fully reflected in the expenses allocated to each Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. As part of this evaluation, the Board considered management's outsourcing of certain operations, which effort has required considerable upfront expenditures by each Manager but, over the long run is expected to result in greater efficiencies. The Board also noted management's expenditures in improving shareholder services provided to the Funds, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from recent US Securities and Exchange Commission and other regulatory requirements.

The Board also considered the extent to which each Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services, potential benefits resulting from personnel and systems enhancements necessitated by fund growth,

as well as increased leverage with service providers and counterparties. Based upon its consideration of all these factors, the Board concluded that the level of profits realized by each Manager and its affiliates from providing services to each Fund was not excessive in view of the nature, extent, and quality of services provided to each Fund.

### **Economies of Scale**

The Board reviewed and considered the extent to which each Manager may realize economies of scale, if any, as each Fund grows larger and whether each Fund's management fee structure reflects any economies of scale for the benefit of shareholders. With respect to possible economies of scale, the Board noted the existence of management fee breakpoints, which operate generally to share any economies of scale with a Fund's shareholders by reducing the Fund's effective management fees as the Fund grows in size. The Board considered the Managers' views that any analyses of potential economies of scale in managing a particular fund are inherently limited in light of the joint and common costs and investments the Managers incur across the FT family of funds as a whole. The Board noted that the International Equity Series had experienced a decrease in assets and would not be expected to demonstrate additional economies of scale in the near term, but concluded that to the extent economies of scale may be realized by each Manager and its affiliates, each Fund's management fee structure provided a sharing of benefits with the Fund and its shareholders as the Fund grows.

### **Conclusion**

Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved the continuation of each Management Agreement for the Stub Period.

#### May 24, 2023 15(c) Meeting

At a meeting held on May 24, 2023 (May Meeting), the Board reviewed and approved each Management Agreement for an additional twelve-month period beginning July 1, 2023. The Board noted its review and consideration of the information it received in connection with both the March Meeting and the May Meeting. In particular, the Board reviewed and considered information provided in response to a follow-up set of requests for information submitted to the Managers by Independent Trustee counsel on behalf of the Independent Trustees, which included information on Fund performance for the one-, three- and five-year periods ended March 31, 2023 and the other Factors. The Board noted the recent strong, relative performance of the Foreign Smaller Companies Series and the recent improving

absolute performance of the International Equity Series. The Board determined that the conclusions it made at the March Meeting had not changed. Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described Factors and conclusions, the Board unanimously approved the continuation of the Management Agreements for an additional twelve-month period beginning July 1, 2023.

### **Liquidity Risk Management Program**

Each of the Franklin Templeton and Legg Mason Funds has adopted and implemented a written Liquidity Risk Management Program (the "LRMP") as required by Rule 22e-4 under the Investment Company Act of 1940 (the "Liquidity Rule"). The LRMP is designed to assess and manage each Fund's liquidity risk, which is defined as the risk that the Fund could not meet requests to redeem shares issued by the Fund without significant dilution of remaining investors' interests in the Fund. In accordance with the Liquidity Rule, the LRMP includes policies and procedures that provide for: (1) assessment, management, and review (no less frequently than annually) of each Fund's liquidity risk; (2) classification of each Fund's portfolio holdings into one of four liquidity categories (Highly Liquid, Moderately Liquid, Less Liquid, and Illiquid); (3) for Funds that do not primarily hold assets that are Highly Liquid, establishing and maintaining a minimum percentage of the Fund's net assets in Highly Liquid investments (called a "Highly Liquid Investment Minimum" or "HLIM"); and (4) prohibiting the Fund's acquisition of Illiquid investments that would result in the Fund holding more than 15% of its net assets in Illiquid assets. The LRMP also requires reporting to the Securities and Exchange Commission ("SEC") (on a non-public basis) and to the Board if the Fund's holdings of Illiquid assets exceed 15% of the Fund's net assets. Funds with HLIMs must have procedures for addressing HLIM shortfalls, including reporting to the Board and, with respect to HLIM shortfalls lasting more than seven consecutive calendar days, reporting to the SEC (on a non-public basis).

The Director of Liquidity Risk within the Investment Risk Management Group (the "IRMG") is the appointed Administrator of the LRMP. The IRMG maintains the Investment Liquidity Committee (the "ILC") to provide oversight and administration of policies and procedures governing liquidity risk management for Franklin Templeton and Legg Mason products and portfolios. The ILC includes representatives from Franklin Templeton's Risk, Trading, Global Compliance, Legal, Investment Compliance, Investment Operations, Valuation Committee, Product Management and Global Product Strategy.

In assessing and managing each Fund's liquidity risk, the ILC considers, as relevant, a variety of factors, including the Fund's investment strategy and the liquidity of its portfolio investments during both normal and reasonably foreseeable stressed conditions; its short and long-term cash flow projections; and its cash holdings and access to other funding sources including the Funds' interfund lending facility and line of credit. Classification of the Fund's portfolio holdings in the four liquidity categories is based on the number of days it is reasonably expected to take to convert the investment to cash (for Highly Liquid and Moderately Liquid holdings) or sell or dispose of the investment (for Less Liquid and Illiquid investments), in current market conditions without significantly changing the investment's market value.

Each Fund primarily holds liquid assets that are defined under the Liquidity Rule as "Highly Liquid Investments," and therefore is not required to establish an HLIM. Highly Liquid Investments are defined as cash and any investment reasonably expected to be convertible to cash in current market conditions in three business days or less without the conversion to cash significantly changing the market value of the investment.

At meetings of the Funds' Board of Trustees held in May 2023, the Program Administrator provided a written report to the Board addressing the adequacy and effectiveness of the program for the year ended December 31, 2022. The Program Administrator report concluded that (i.) the LRMP, as adopted and implemented, remains reasonably designed to assess and manage each Fund's liquidity risk; (ii.) the LRMP, including the Highly Liquid Investment Minimum ("HLIM") where applicable, was implemented and operated effectively to achieve the goal of assessing and managing each Fund's liquidity risk; and (iii.) each Fund was able to meet requests for redemption without significant dilution of remaining investors' interests in the Fund.

## Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at [franklintempleton.com](http://franklintempleton.com). Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Trust's

proxy voting records are also made available online at [franklintempleton.com](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission's website at [sec.gov](http://sec.gov) and reflect the most recent 12-month period ended December 31.

## Quarterly Schedule of Investments

The Trust files a complete schedule of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT by visiting the Commission's website at [sec.gov](http://sec.gov). The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

## Householding of Reports and Prospectuses

You will receive, or receive notice of the availability of, each Fund's financial reports every six months. In addition, you will receive an annual updated summary prospectus (detail prospectus available upon request). To reduce Fund expenses, we try to identify related shareholders in a household and send only one copy of the financial reports (to the extent received by mail) and summary prospectus. This process, called "householding," will continue indefinitely unless you instruct us otherwise. If you prefer not to have these documents househanded, please call us at (800) 632-2301. At any time you may view current prospectuses/summary prospectuses and financial reports on our website. If you choose, you may receive these documents through electronic delivery.

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Authorized for distribution only when accompanied or preceded by a summary prospectus and/or prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. A prospectus contains this and other information; please read it carefully before investing.

To help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.



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