

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  
年度財務報告中文簡譯本

2019年12月31日

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

# 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

	截至 12 月 31 日止之年度				
	2019	2018	2017	2016	2015
Primary 股					
<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	\$14.87	\$21.99	\$18.65	\$19.05	\$20.05
來自投資操作之收益 <sup>a</sup> :					
淨投資收益 <sup>b</sup>	0.64	0.42	0.45	0.45	0.45
淨實現及未實現利得(損失)	1.06	(3.66)	3.81	(0.20)	(0.98)
來自投資操作之收益總額	1.70	(3.24)	4.26	0.25	(0.53)
扣除配息:					
來自淨投資收益	(1.02)	(0.42)	(0.64)	(0.46)	(0.47)
來自淨實現利得	(0.01)	(3.46)	(0.28)	(0.19)	—
配息總額	(1.03)	(3.88)	(0.92)	(0.65)	(0.47)
期末淨資產價值	<b>\$15.54</b>	<b>\$14.87</b>	<b>\$21.99</b>	<b>\$18.65</b>	<b>\$19.05</b>
總報酬	11.57%	(14.87)%	22.92%	1.30%	(2.67)%
<b>對應平均淨資產比率</b>					
費用 <sup>c</sup>	0.82%	0.80% <sup>d</sup>	0.78%	0.78%	0.78%
淨投資收益	4.13%	1.98%	2.13%	2.44%	2.16%
<b>補充資料</b>					
期末淨資產(000's)	\$1,695,980	\$2,785,308	\$4,412,494	\$4,539,205	\$5,077,937
投資組合資金週轉率	36.83% <sup>e</sup>	25.60% <sup>e</sup>	16.39% <sup>e</sup>	14.88%	16.16%

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間點，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所實現的金額不統一。

b. 以每日平均流通在外股數為基礎。

c. 關係企業支付或減免款項的利益四捨五入到小於 0.01%。

d. 費用四捨五入到小於 0.01%。

e. 不包括由於非現金贖回而交付的有價證券的價值。請詳見附註 11。

# 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

2019年12月31日

資產：

證券投資：

成本 - 非關係企業上市公司	\$1,289,888,528
成本 - 非控制關係企業上市公司(附註 3d)	47,789,147
價值 - 非關係企業上市公司	\$1,635,512,491
價值 - 非控制關係企業上市公司(附註 3d)	47,789,147

應收款項：

證券投資銷售款	3,937,741
股本銷售款	553,776
股利	12,803,993
歐盟稅款回收	7,131,032

其他資產

355

資產合計

1,707,728,535

負債：

應付款項：

證券投資申購款	7,696,393
股本贖回款	1,864,688
管理費用	1,133,015
股務代理機構費用	53,747
保管機構費用	97,724
專業人士費用	67,380
預提費用及其他負債	135,095

負債合計

11,048,042

淨資產價值

\$1,696,680,493

淨資產包含：

實收資本	\$1,341,529,849
可分配收入總額(虧損)	355,150,644
淨資產價值	\$1,696,680,493

Primary 股

淨資產價值	\$1,695,980,452
流通在外股份	109,129,269
每股淨資產價值	\$15.54

# 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 2019 年 12 月 31 日止之年度

投資收益：

股利（扣除外國稅額）\*：

非關係企業上市公司	\$117,552,798
非控制關係企業上市公司(附註 3d)	498,910

利息（扣除外國稅額）：

非關係企業上市公司	109,340
-----------	---------

來自借出證券的收益：

非控制關係企業上市公司(附註 3d)	32,420
--------------------	--------

投資收益總額	<u>118,193,468</u>
--------	--------------------

費用：

管理費用(附註 3a)	18,255,262
-------------	------------

股務代理機構費用(附註 3c)

Primary 股	602,112
Service 股	882

次股務代理機構費用 - Service 股(附註 3c)	6,828
------------------------------	-------

保管機構費用(附註 4)	269,134
--------------	---------

股東報告書費用	34,826
---------	--------

註冊與申報費用	71,264
---------	--------

專業人士費用	149,435
--------	---------

董事酬金與費用	220,069
---------	---------

其他	57,116
----	--------

總費用	<u>19,666,928</u>
-----	-------------------

由關係企業減免/支付的費用(附註 3d 及 3e)	<u>(103,207)</u>
---------------------------	------------------

淨費用	<u>19,563,721</u>
-----	-------------------

淨投資收益	<u>98,629,747</u>
-------	-------------------

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	110,471,369
-----------	-------------

外幣交易	<u>(1,965,691)</u>
------	--------------------

淨實現利得(損失)	<u>108,505,678</u>
-----------	--------------------

淨未實現溢價(折價)在：

投資

非關係企業上市公司	43,255,279
-----------	------------

以外幣計價之其他資產與負債換算	<u>(463,514)</u>
-----------------	------------------

淨未實現溢價(折價)	<u>42,791,765</u>
------------	-------------------

淨實現與未實現利得(損失)	<u>151,297,443</u>
---------------	--------------------

淨資產在投資操作上的淨增加(減少)	<u>\$249,927,190</u>
-------------------	----------------------

*股利外國稅額扣繳	\$ 9,256,684
-----------	--------------

#扣除外國稅額	\$ 6,337
---------	----------

*包含包括非現金贖回之利得(附註 11)。	\$ 5,298,021
-----------------------	--------------

# 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

	截至 12 月 31 日止之年度	
	2019	2018
淨資產增加(減少)：		
投資操作：		
淨投資收益	\$ 98,629,747	\$ 76,660,603
淨實現利得(損失)	108,505,678	565,956,288
淨未實現溢價(折價)	42,791,765	(1,199,625,353)
淨資產在投資操作上的淨增加(減少)	249,927,190	(557,008,462)
對股東配息		
Primary 股	(110,720,036)	(637,173,060)
Service 股	(37,634)	(1,520,248)
對股東的配息總額	(110,757,670)	(638,693,308)
股本交易(附註2)		
Primary 股	(1,228,181,281)	(435,086,569)
Service 股	(4,991,010)	(5,186,724)
股本交易總額	(1,233,172,291)	(440,273,293)
淨資產的增加(減少)	(1,094,002,771)	(1,635,975,063)
淨資產：		
年度期初	2,790,683,264	4,426,658,327
年度期末	\$ 1,696,680,493	\$ 2,790,683,264

# 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

### 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）及其後的增修條文註冊成立的開放式投資公司，其中包含四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。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。

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。在紐約證券交易所(NYSE)開放交易的平常工作日，本基金在紐約證券交易所關閉時（通常東部時間下午四點）計算每股淨資產價值(NAV)。在本基金董事會所核准的政策及程序下，本基金的行政經理公司負責監控及評價的範圍包括：主導具有交叉功能之評價委員會（the Valuation an Committee (VC)）。VC 提供由董事會每年所核准基金評價政策及程序的管理及監督。除其他事項外，這些程序允許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的收盤價估值，以較早收盤者為準。其價格將以國外證券依紐約證券交易所估值當日的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。定期存款以成本估算價值，其接近公平價值。

當財務工具缺乏可以信賴或是無法獲得市場價格時，本基金採用特定程序來決定其公平價值。在這些程序下，VC 定期召開會議來檢視這些財務工具並考量一些因素，包括：當須採公平價值時以重要的非明顯信息評價。VC 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、帳面價值及其他投資主要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

# 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)

於此類投資評價固有的不確定性，其公平價值與交易市場的價格可能會有顯著的差異。VC 使用不同的方法使這些評價法符合標準，包括：主要採納的信息及假設、交易回溯測試或處置分析的一項定期檢視，以及任何市場相關活動的多項檢視。

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收盤。此外，某些外國市場的交易並不會發生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紐約交易所收盤最近的價格間，可能會產生差異。為了最小化這些潛在的差異，VC 會利用一系列的國家特定市場工具（例如一籃子的美國存託憑證、期貨契約與指數股票型基金）來監控外國股市收盤後的價格變動。價格的變動將以各個特定市場工具設定的觸發點來協助衡量是否有可能對本基金所持有之外國證券價值的可信度造成影響的事件發生。若此類事件發生，證券將以公平價值程序來定價，包括使用獨立定價服務。

當申報期間的最後一日為非營業日時，某些外國市場是在那些非營業日時營業，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。本基金可能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。

本基金並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中的淨實現與未實現投資利得或損失中。

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。

# 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)

### c. 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獲取額外的收益。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市價（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。擔保品與其他基金被存入聯合現金帳戶並習慣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裡。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。截至 2019 年 12 月 31 日，國際股票系列無證券借貸。

### d. 所得稅及遞延稅

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）。這些追加申請案須遵從歐盟範圍內當地稅務主管機關的各種行政訴訟以及一些相關的司法程序。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。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，將減少外國稅捐金額而使本基金股東得在個人所得稅申報單中作為稅收抵免。

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 2019 年 12 月 31 日，本基金認為沒有所得稅賦義務被要求於財務報表中揭露有關任何開放稅賦年度的不明確稅項（或預計在未來進行納稅申報）。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。



# 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)

### e. 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，不包含股份等級特定費用，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。

### f. 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。

### g. 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某些超越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

在截至 2019 年 12 月 31 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 12 月 31 日止之年度		截至 12 月 31 日止之年度	
	2019		2018	
	股份	金額	股份	金額
<b>Primary 股：</b>				
股份銷售	18,050,479	\$ 283,546,929	15,662,166	\$ 325,319,078
配息轉入再投資之股份發行	6,269,496	96,463,056	36,602,476	566,322,098
股份非現金贖回(附註9)	(2,752,970)	(43,653,289)	(5,016,384)	(93,431,162)
股份贖回	(99,738,674)	(1,564,537,977)	(60,570,466)	(1,233,296,583)
淨增加(減少)	(78,171,669)	\$(1,228,181,281)	(13,322,208)	\$(435,086,569)

# 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

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 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

### a. 管理費用

本基金按基金的平均每日淨資產價值所適用之年率標準支付 TIC 投資管理費用，詳如下表：

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 2019 年 12 月 31 日止之年度，實際投資管理費用率為基金平均每日淨資產價值的 0.764%。

### 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。此費用以年化資產基礎費用 0.02% 的加在交易費用。此外，每個基金股份償付 Investor Services 已發生之非預算款項費用及償還向第三方支付之股東服務費。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 2019 年 12 月 31 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 \$602,502 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

本基金投資於一家或數家關係企業管理投資公司除了執行對管理或政策的控制影響力的目的外。本基金可減免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，但金額不超過每一個關係企業直接或間接所支付的管理費用和行政費用。截至 2019 年 12 月 31 日，本基金持有關係企業管理投資公司如

# 富蘭克林坦伯頓法人機構專用基金-國際股票系列

下:

	期初 價值	申購	銷售	已實現 利得 (虧損)	未實現溢價 (折價)淨變 動	期末 價值	期末 持有股數	投資 收益
<b>非控制關係上 市公司</b>								
Institutional Fiduciary Trust Money Market Portfolio, 1.26%	\$29,986,483	\$1,079,413,687	\$(1,061,611,023)	\$—	\$—	\$47,789,147	47,789,147	配息 \$498,910
Institutional Fiduciary Trust Money Market Portfolio, 1.26%	\$—	\$135,306,425	\$(135,306,425)	\$—	\$—	\$—	—	證券借貸收益 \$32,420
<b>關係企業證券 總額</b>	\$29,986,483	\$1,214,720,112	\$(1,196,917,448)	\$—	\$—	\$47,789,147		\$531,330

## e. 豁免及費用報酬豁免及費用報酬

自2019年11月22日起，TIC事前已自願同意豁免或限制Global Equity Series的費用，因此其費用(不包括已取得的基金費用和支出及某些非常規費用或成本，包括與訴訟、賠償、重組和清算有關的費用或支出)不超過本基金平均淨資產的0.88%，直到2020年11月22日。本基金會計年度結束後不會重新收回已豁免或已支付的總費用。

## 4. 費用抵銷約定

本基金已與保管機構簽訂合約，將未投資的現金部分所獲得的收益用以抵償本基金的部分保管機構費用。截至2019年12月31日止之年度內，降低後的保管機構費用已列示於經營業績表。

## 5. 所得稅

基於所得稅目的，資本虧損得用來抵銷未來的資本利得。

在截至2019年與2018年12月31日止會計年度內已支付的配息之稅賦性質如下表所示：

	2019	2018
所支付之配息：		
來自一般收益	\$109,524,076	\$77,972,193
長期資本利得	1,233,593	560,721,115
	\$110,757,669	\$638,693,308

於2019年12月31日，本基金之投資成本、淨未實現溢價(折價)以及未分配一般收益如下表所示：

投資成本	\$1,354,164,723
未實現溢價	\$397,761,385
未實現折價	(68,624,470)
淨未實現溢價(折價)	\$329,136,915
未分配一般收益	\$616,210
未分配長期資本利得	18,350,738
可分配盈餘	\$18,966,948

## 富蘭克林坦伯頓法人機構專用基金-國際股票系列

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，主要是因為對被動式國外投資公司股份、企業活動、回收外國稅款、沖銷性交易以及股東非現金實現獲利的處理不同而影響分配的特性所致。

本基金利用稅務會計方法將贖回資本金額的一部分作為分配予實現資本利得。

### 6. 投資交易

截至 2019 年 12 月 31 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 \$ 857,235,057 美元及 \$ 2,117,454,989 美元。

### 7. (略)

### 8. 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。歐盟目前政治和金融的不確定性可能會增加市場的波動，以及在歐洲投資證券的經濟風險。此外，個別外國證券的流動性可能低於美國證券。

### 9. (略)

### 10. 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 2020 年 2 月 7 日到期之貸款總額為 20 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」）。全球信用工具其為一項資金來源，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。自 2020 年 2 月 7 日起生效，全體借用人已續訂貸款總額為 20 億美元的全球信用工具，其到期日為 2021 年 2 月 5 日。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分的 0.15%。這些費用已反映於經營業績表的其他費用裡。截至 2019 年 12 月 31 日止之年度內，本基金並未動用全球信用工具貸款。

### 11. 非現金贖回

截至 2019 年 12 月 31 日止之年度內及截至 2018 年 12 月 31 日止之年度內，本基金來自非現金贖回的淨收益已實現分別為 \$ 5,298,021 和 \$ 7,694,963 美元，股東贖回基金股份以獲得基金持有之現金以及證券。因這些收益不被課稅，並且不會分配給其他股東，已從累積淨實現利得中重新分類為實收資本。

### 12. 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（可觀察信息）與基金自行的市場假設（不可觀察信息）。這些信息被用於決定基金投資的價值，並得概述於以下之公平價值的等級：

- 等級 1—用同一證券的現行活躍市場報價
- 等級 2—其他重要的明顯信息（包括對於相類似證券的報價、利率、預付款項速度及信用風險等）

## 富蘭克林坦伯頓法人機構專用基金-國際股票系列

- 等級3—重要的不可觀察信息（包括基金以自行假設決定投資的公平價值）

用以評價證券的信息或方法，並非暗示與投資該證券有關的風險。

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。

以下為截至2019年12月31日止，評估本基金資產之公平價值所包含的輸入等級概要：

資產：	等級1	等級2	等級3	合計
證券投資:a				
股權投資:b	\$1,635,512,491	\$—	\$—	\$1,635,512,491
短期投資	47,789,147	—	—	47,789,147
證券投資總額	<u>\$1,683,301,638</u>	<u>\$—</u>	<u>\$—</u>	<u>\$1,683,301,638</u>

a. 詳細的產業敘述，請參考檢附之投資明細表(請參考英文年報之 Statement of Investments)

b. 包括普通股、特別股及其他股權投資。

### 13. 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。

# 富蘭克林坦伯頓法人機構專用基金-國際股票系列

## 翻譯自獨立公開發行註冊會計師事務所簽證英文報告原文

致富蘭克林坦伯頓法人機構專用基金—外國股票系列的全體董事與股東

### 財務報告意見

我們已查核富蘭克林坦伯頓法人機構專用基金—國際股票系列(以下簡稱「基金」)前附截至 2019 年 12 月 31 日之包括投資明細表在內的資產負債表、截至 2019 年 12 月 31 日之相關經營業績表、截至 2019 年 12 月 31 日之兩年的淨資產變動表(包括相關附註)以及截至 2019 年 12 月 31 日之五年的財務重點(以下簡稱「財務報表」)。我們認為，財務報表在所有重大方面，公允反映了基金於 2019 年 12 月 31 日的財務狀況、年度的經營成果、截至 2019 年 12 月 31 日之兩年的淨資產變動情況，以及截至 2019 年 12 月 31 日之五年各期末的財務重點，並符合美國公認會計準則的規定。

### 意見基礎

這些財務報表的編制是基金管理者的責任。我們的責任是在我們查核的基礎上對這些財務報表表示意見。我們是公開發行會計公司，在公開發行公司會計監督委員會(美國)(PCAOB)註冊，並且被要求必須獨立於基金，符合美國聯邦證券法、美國證券交易委員會和 PCAOB 的適用規則和條例。

我們依據 PCAOB 的標準對這些財務報表進行查核。這些準則要求我們計劃與執行查核工作，以合理確信這些財務報表是否不存在重大誤述，無論是由於錯誤還是欺詐。

我們的查核工作包括評估財務報表重大誤述風險的執程序，無論是由於錯誤或是欺詐，以及執行應對這些風險的程序。這些程序包括在抽查的基礎上檢查支持財務報表金額與相關財務公開的證據。我們的查核工作也包括在評價管理當局在編制財務報表時採用的會計政策和作出的重大會計估計，以及評價財務報表的整體表達。我們相信，我們的查核工作(包括於 2019 年 12 月 31 日與保管銀行、股務代理商及經紀商確認的證券餘額狀況)為所表示的意見提供了合理的基礎。

PricewaterhouseCoopers LLP 會計師事務所

舊金山，加州

2020 年 2 月 25 日

所附財務報表並非意圖顯現其財務立場和營運結果符合美國以外地區接受的一般會計原則之標準。

這些財務報表之查核的標準、程序和實務運作為美國當地接受和應用。

**This version of our report is a translation from the original report, which was prepared in English. In all matters of interpretation of information, views or opinions, the original English language version of our report takes precedence over this translation.**

中文簡譯本之內容與英文年報若有歧異，以英文年報之內容為準。

ANNUAL REPORT

# TEMPLETON INSTITUTIONAL FUNDS

December 31, 2019



FRANKLIN  
TEMPLETON

Foreign Smaller Companies Series

---

Global Equity Series

---

International Equity Series

---

**Internet Delivery of Fund Reports Unless You Request Paper Copies:** Effective January 1, 2021, as permitted by the SEC, paper copies of the Fund's shareholder reports will no longer be sent by mail, unless you specifically request them from the Fund or your financial intermediary. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. If you have not signed up for electronic delivery, we would encourage you to join fellow shareholders who have. You may elect to receive shareholder reports and other communications electronically from the Fund by calling (800) 321-8563 or by contacting your financial intermediary.

You may elect to continue to receive paper copies of all your future shareholder reports free of charge by contacting your financial intermediary or, if you invest directly with a Fund, calling (800) 321-8563 to let the Fund know of your request. Your election to receive reports in paper will apply to all funds held in your account.



# FRANKLIN TEMPLETON

Successful investing begins with ambition. And achievement only comes when you reach for it. That's why we continually strive to deliver better outcomes for investors. No matter what your goals are, our deep, global investment expertise allows us to offer solutions that can help.

During our more than 70 years of experience, we've managed through all kinds of markets—up, down and those in between. We're always preparing for what may come next. It's because of this, combined with our strength as one of the world's largest asset managers that we've earned the trust of millions of investors around the world.

## Contents

---

### Annual Report

Economic and Market Overview .....	2
Foreign Smaller Companies Series .....	3
Global Equity Series .....	10
International Equity Series.....	17
Financial Highlights and Statements of Investments.....	24
Financial Statements .....	39
Notes to Financial Statements .....	45
Report of Independent Registered Public Accounting Firm.....	57
Tax Information .....	58
Board Members and Officers .....	60
Shareholder Information.....	65

Visit [ftinstitutional.com](https://ftinstitutional.com) for fund updates, to access your account, or to find investment insights.

Not FDIC Insured | May Lose Value | No Bank Guarantee

# ANNUAL REPORT

## Economic and Market Overview

Global developed and emerging market stocks, as measured by the MSCI All Country World Index, posted strong returns during the reporting period. Although global economic growth slowed from 2018, interest-rate cuts from many central banks and the easing of trade tensions near period-end contributed to the generally positive environment for equities worldwide. Reflecting investor optimism and slowing but resilient economic growth, stocks advanced in every major region of the globe.

In the U.S., solid economic growth also supported equities, as healthy consumer spending and a strong labor market kept the economy afloat. The unemployment rate fell during the year, reaching 3.5% in September, November and December 2019, the lowest recorded unemployment rate in 50 years.<sup>1</sup> Wages also grew, albeit at a moderate pace, and inflation remained persistently low. In addition, deficit spending by the U.S. government boosted current growth at the expense of long-term debt. Despite the strength in the consumer sector, some parts of the economy struggled, particularly heavy industry. Annual industrial production contracted late in the reporting period, manufacturing output stalled and capital spending declined.

The U.S. Federal Reserve (Fed) provided a substantial boost to equity markets early in the reporting period as it shifted to a more accommodative monetary policy. In January 2019, the Fed signaled the end of its tightening cycle and cut the federal funds rate three times thereafter, lowering it to a range of 1.50%–1.75%. Stocks responded positively to the interest-rate cuts and gained further in December 2019 after the Fed indicated it would likely leave interest rates unchanged in 2020.

Growth slowed overall in the eurozone, particularly in Germany and Italy. Germany, which is heavily reliant on exports, was adversely affected by the trade conflict between the U.S. and China and the resulting slowdown in global trade. In Italy, political uncertainty and budget concerns caused the country's annual gross domestic product (GDP) growth to stall in 2019's first quarter before accelerating in the second quarter. Despite sluggish economic conditions, European developed market equities, as measured by the MSCI Europe Index, posted strong returns overall, as easing trade tensions buoyed investor optimism and an electoral victory by the Conservative Party in the U.K. alleviated uncertainty

surrounding Brexit. Although the European Central Bank left its headline refinancing rate unchanged, it lowered the deposit rate and restarted its bond-buying stimulus program, further supporting stocks.

Economic growth in Asia was relatively solid overall, despite slowdowns in several large emerging market countries, such as China and India. Japan's economy grew amid the Bank of Japan's sizable stimulus program. The trade war between the U.S. and China provided the backdrop for Asian stocks, which rose and fell in sync with investor sentiment regarding a trade deal. A phase one trade agreement between the two countries reached in December 2019 propelled Asian developed and emerging market stocks, which ultimately ended with strong returns over the 12-month period, as measured by the MSCI All Country Asia Index.

Emerging market stocks overall experienced several sharp selloffs and subsequent rebounds throughout the reporting period before ending with gains. In aggregate, economic growth slowed somewhat from 2018 but remained solid, although there was some variation among individual countries. Many central banks in emerging markets cut interest rates throughout the reporting period which, along with resilient GDP growth, provided a supportive environment for equities. Russian stocks posted the highest returns among emerging markets as the threat of further sanctions receded and a solid fiscal environment reassured investors. Overall, global emerging markets, as measured by the MSCI Emerging Markets Index, posted robust returns for the period.

---

*The foregoing information reflects our analysis and opinions as of December 31, 2019. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.*

1. Source: U.S. Bureau of Labor Statistics.  
See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information

# Foreign Smaller Companies Series

This annual report for Foreign Smaller Companies Series (Fund) covers the fiscal year ended December 31, 2019.

## 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.

## Performance Overview

The Fund posted a +22.86% cumulative total return for the 12 months under review. In comparison, the MSCI All Country World Index (ACWI) ex USA Small Cap Index, which measures performance of global developed and emerging market small-cap equities, excluding the U.S., posted a +22.93% 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 6.

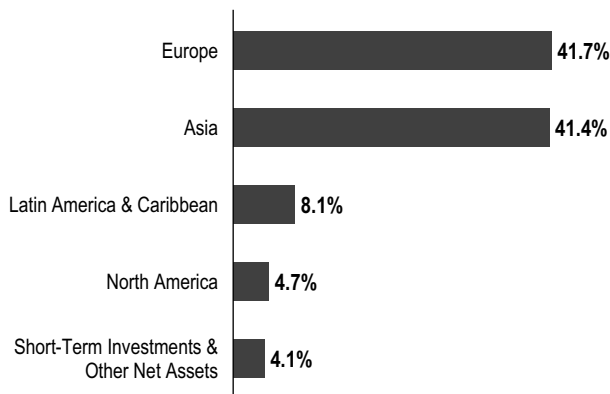
*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [ftinstitutional.com](http://ftinstitutional.com)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

## Investment Strategy

When choosing equity investments, we apply a bottom-up, value-oriented, long-term approach, focusing on the market price of a company's securities relative to our evaluation of the company's long-term earnings, asset value and cash flow potential. This includes an assessment of the potential impacts of material environmental, social and governance factors (ESG) on the long-term risk and return profile of a company. We also consider a company's price/earnings ratio, profit margins and liquidation value.

## Geographic Composition

Based on Total Net Assets as of 12/31/19



## Manager's Discussion

Several holdings performed well during the period under review. Belgium-based Barco is a market leader in cinema projection, wireless meeting-room technology and displays for health care. We believe its upcoming wave of projector upgrades should drive a return to growth in the cinema business, as laser technology offers total cost-of-ownership and image-quality benefits over the old, existing xenon lamp-based projectors. Its ClickShare product is a runaway success, and we believe it has a clear potential for further growth.

Shares of U.K. sandwich retailer Greggs rose amid surprisingly strong sales results as shorter queues and enhanced marketing efforts drove improvements. Looking at the longer term, Greggs is a leading player in the U.K. take-away sandwich and savories market, with growth opportunities from new products and organic store expansion.

The stock of Hong Kong-based Techtronic Industries, a global-leading power tools company, rose after the announcement of strong financial results. We expect Techtronic to continue to gain market share by penetrating entirely new markets and making the business less reliant on growth in the power tools market.

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.

See [www.franklintempletondatasources.com](http://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 Statement of Investments (SOI). The SOI begins on page 25.**

**Portfolio Composition**

12/31/19

<b>Sector/Industry</b>	<b>% of Total Net Assets</b>
Machinery	12.7%
Leisure Products	7.2%
Textiles, Apparel & Luxury Goods	6.7%
Electronic Equipment, Instruments & Components	6.7%
Professional Services	5.7%
Food Products	4.4%
Banks	3.5%
Capital Markets	3.5%
Specialty Retail	3.4%
Diversified Consumer Services	2.4%
Household Durables	2.3%
Metals & Mining	2.3%
Containers & Packaging	2.3%
Electrical Equipment	2.2%
Life Sciences Tools & Services	2.2%
Technology Hardware, Storage & Peripherals	2.1%
Other	26.3%
Short-Term Investments & Other Net Assets	4.1%

In contrast, the Fund had some underperformers during the period under review. China-based Goodbaby International is a leading juvenile-durables manufacturer. We believe Goodbaby International's shares could potentially appreciate and its valuation multiples increase due to the company's greater focus on self-owned brands, a structural uptrend in profit margins and better profitability. Earnings growth, in our view, should be driven by cross-selling of self-owned brands in different regions, product-mix upgrades, cost-saving synergies and new business lines.

China ZhengTong Auto Services Holdings, a car dealer in China focusing on premium brands, was impacted by U.S.-China trade war concerns. The company has achieved a competitive advantage by carefully nurturing strong relationships with key luxury automobile suppliers. The continued expansion of the China's middle and upper classes, in our view, provides a long-term growth driver for ZhengTong.

Japan-based Fuji Oil Holdings, a confectionery and baking ingredient manufacturer and a global player in the oligopolistic cocoa butter alternative industry, was impacted by concerns over a recent acquisition in Brazil. Looking at the longer term, we expect high demand for new products and strong revenue growth aided by international sales. As

**Top 10 Holdings**

12/31/19

<b>Company Sector/Industry, Country</b>	<b>% of Total Net Assets</b>
OneSpaWorld Holdings Ltd. <i>Diversified Consumer Services, Bahamas</i>	2.4%
Technogym SpA <i>Leisure Products, Italy</i>	2.0%
Barco NV <i>Electronic Equipment, Instruments &amp; Components, Belgium</i>	1.9%
Techtronic Industries Co. Ltd. <i>Machinery, Hong Kong</i>	1.9%
Huhtamaki OYJ <i>Containers &amp; Packaging, Finland</i>	1.9%
Rational AG <i>Machinery, Germany</i>	1.9%
Tsumura & Co. <i>Pharmaceuticals, Japan</i>	1.8%
MEITEC Corp. <i>Professional Services, Japan</i>	1.8%
The Thule Group AB <i>Leisure Products, Sweden</i>	1.7%
Stabilus SA <i>Machinery, Germany</i>	1.7%

investments to expand capacity and product lines unfold, we believe profit margins will normalize as well.

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



Harlan B. Hodes, CPA  
Portfolio Manager

---

*The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2019, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.*

## Performance Summary as of December 31, 2019

The performance table and graph do 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 12/31/19<sup>1</sup>

	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>
1-Year	+22.86%	+22.86%
5-Year	+35.75%	+6.30%
10-Year	+109.96%	+7.70%

*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](http://ftinstitutional.com) or call a Franklin Templeton Institutional Services representative at (800) 321-8563.*

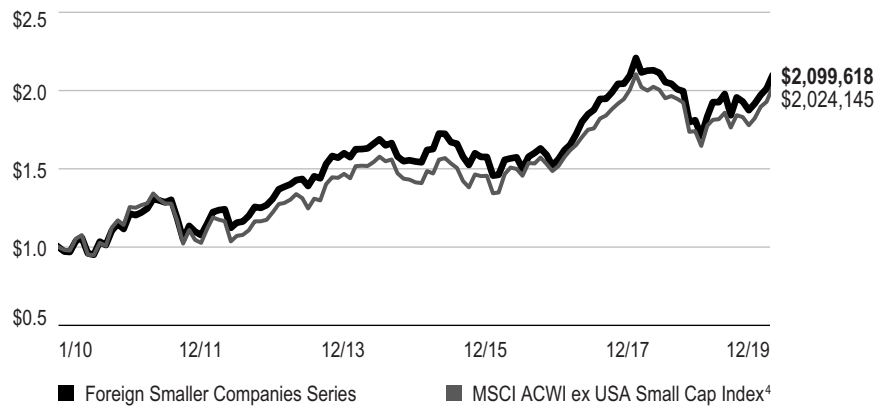
See page 8 for Performance Summary footnotes.

## Total Return Index Comparison for a Hypothetical \$1,000,000 Investment<sup>1</sup>

Total return represents the change in value of an investment over the periods shown. It includes any applicable maximum sales charge, Fund expenses, account fees and reinvested distributions. The unmanaged index includes reinvestment of any income or distributions. It differs from the Fund in composition and does not pay management fees or expenses. One cannot invest directly in an index.

1/1/10–12/31/19

\$ Millions



See page 8 for Performance Summary footnotes.

## Distributions (1/1/19–12/31/19)

Net Investment Income	Long-Term Capital Gain	Total
\$0.3747	\$0.2807	\$0.6554

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

With Fee Waiver	Without Fee Waiver
1.01%	1.02%

All investments involve risks, including possible loss of principal. Smaller, mid-sized and relatively new or unseasoned companies can be particularly sensitive to changing economic conditions, and their prospects for growth are less certain than those of larger, more established companies. Historically, these securities have exhibited greater price volatility than large-company stocks, particularly over the short term. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investments in emerging markets involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size and lesser liquidity. Because the Fund may invest its assets in companies in a specific region, including Europe, it is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Political, social or economic disruptions in the region, even in countries in which the Fund is not invested, may adversely affect the value of securities held by the Fund. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in companies in Europe. The Fund's prospectus also includes a description of the main investment risks.

1. The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/20. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.
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. Source: Morningstar. The MSCI ACWI ex USA Small Cap Index is a free float-adjusted, market capitalization-weighted index designed to measure performance of small-cap equity securities of global developed and emerging markets, excluding the U.S.
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 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.

Beginning Account Value 7/1/19	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
	Ending Account Value 12/31/19	Paid During Period 7/1/19–12/31/19 <sup>1, 2</sup>	Ending Account Value 12/31/19	Paid During Period 7/1/19–12/31/19 <sup>1, 2</sup>	
\$1,000	\$1,073.30	\$5.38	\$1,020.01	\$5.24	1.03%

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 184/365 to reflect the one-half year period.

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

# Global Equity Series

This annual report for Global Equity Series (Fund) covers the fiscal year ended December 31, 2019.

## 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 equity securities of companies located anywhere in the world, including developing markets.

## Performance Overview

The Fund posted a +12.20% cumulative total return for the 12 months under review. For comparison, the Fund's benchmark, the MSCI All Country World Index (ACWI), which measures stock market performance in global developed and emerging markets, posted a +27.30% 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 13.

*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](http://ftinstitutional.com) or call a Franklin Templeton Institutional Services representative at (800) 321-8563.*

## Investment Strategy

We employ a bottom-up, value-oriented, long-term investment strategy. We focus on the market price of a company's securities relative to our evaluation of the company's long-term earnings, asset value and cash flow potential. This includes an assessment of the potential impacts of material environmental, social and governance (ESG) factors on the long-term risk and return profile of a company. We also consider a company's price/earnings ratio, profit margins and liquidation value. We attempt to identify those companies that offer above-average opportunities for capital appreciation in various countries and industries

1. Source: Morningstar.

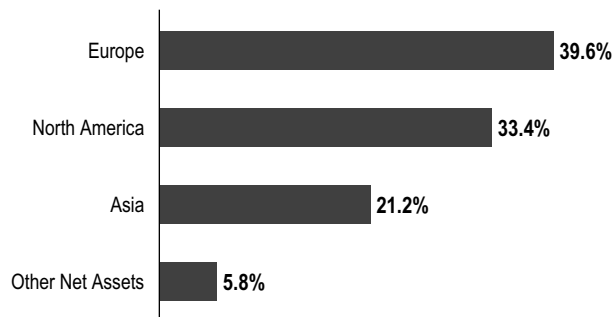
The index is unmanaged and includes reinvestment of any income or distributions. It does not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

2. The IT sector comprises communications equipment; electronic equipment, instruments and components; semiconductors and semiconductor equipment; software; and technology hardware, storage and peripherals in the SOI.

**The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 31.**

## Geographic Composition

Based on Total Net Assets as of 12/31/19



where economic and political factors, including currency movements, are favorable to capital growth.

## Manager's Discussion

The Fund posted double-digit percentage absolute gains but underperformed its benchmark, the MSCI ACWI, in 2019, a year when value stocks posted their worst annual performance relative to growth stocks since the peak of the technology, media and telecommunication bubble two decades ago.

An underweighting and stock selection in the information technology (IT) sector detracted significantly from relative performance.<sup>2</sup> Although our IT holdings overall posted strong absolute gains during the year, an underweight allocation to the market-leading sector pressured performance relative to the benchmark. There were no IT holdings among the Fund's 10 biggest relative detractors, though the sector included one of the Fund's top relative contributors during the year, Netherlands-based semiconductor solutions company NXP Semiconductors. Tellingly, broad sector outperformance during the year was driven almost entirely by multiples expansion, not by fundamentals, which actually deteriorated in 2019. Within the IT sector, we have avoided what we considered to be expensive, momentum-driven stocks, finding opportunities instead among hardware companies with restructuring potential, semiconductor manufacturers excessively pressured by supply concerns

and, occasionally, mature software firms with healthy cash flows and new growth opportunities.

Stock selection in the communication services sector also detracted from relative performance.<sup>3</sup> Chinese telecommunication firms China Telecom and China Mobile both fell to their lowest stock price levels in more than a decade amid concerns about elevated 5G capital expenditures. We continue to believe these stocks offer undemanding valuations, attractive dividend yields and solid competitive positions in a secular growth market. Within the telecommunication services industry more generally, we look for what we view as lowly valued firms with strong balance sheets, declining capital intensity and attractive dividends operating in markets with stable competitive dynamics and regulatory structures.

Stock selection and an overweighting in the energy sector also detracted from relative performance amid oil price volatility during the period.<sup>4</sup> U.K.-based integrated energy producer BP was among the sector's biggest relative detractors; the firm reported higher oil and gas production in 2019 and solid results from its energy trading business, but investors hoping for a dividend increase during the year were disappointed when the firm's chief financial officer indicated that raising the dividend payout would be premature with leverage at current levels. BP has made solid progress selling assets to shore up its balance sheet, and we believe its financial position has the potential to be further strengthened by firmer oil prices and rising production following years of investment.

Turning to contributors, stock selection and an overweighting in the financials sector benefited relative performance.<sup>5</sup> U.S. bank Citigroup and French lender BNP Paribas both finished the period among the Fund's top three relative contributors. Citigroup's share price reached a post-financial crisis high at year-end as the steeper yield curve—with yields on long-term U.S. Treasuries higher than short-term U.S. Treasuries—aided profitability and improving conditions abroad buoyed sentiment at the global bank. We believe Citigroup remains one of the cheapest major U.S. banks and one of the few with material scope to benefit from ongoing self-help measures. BNP Paribas benefited from solid results at its fixed income unit and more benign European economic conditions. In our view, BNP Paribas is a diverse, high-quality European bank with an excellent track record of managing

## Portfolio Composition

12/31/19

Sector/Industry	% of Total Net Assets
Banks	13.4%
Pharmaceuticals	11.3%
Oil, Gas & Consumable Fuels	10.3%
Diversified Telecommunication Services	8.0%
Food & Staples Retailing	4.9%
Metals & Mining	4.6%
Multi-Utilities	4.1%
Wireless Telecommunication Services	3.2%
Semiconductors & Semiconductor Equipment	3.2%
Health Care Providers & Services	3.1%
Industrial Conglomerates	2.8%
Real Estate Management & Development	2.7%
Media	2.4%
Technology Hardware, Storage & Peripherals	2.3%
Aerospace & Defense	2.2%
Other	15.7%
Other Net Assets	5.8%

credit risk and maintaining profitability in various economic conditions.

From a regional standpoint, key detractors from performance compared to the benchmark index included stock selection and an overweighting in Asia, pressured by relative weakness in Japan and China. In Europe, relative weakness in Germany, the U.K. and Italy more than offset relative strength in France and the Netherlands, while in North America, stock selection and an underweighting in the U.S. dampened relative performance.

As investors, we can neither predict the future nor time the markets. However, we can observe the market direction and take prudent steps to prepare our portfolios for probable outcomes. Trends that appear extended, expensive and unsustainable are ones we will always seek to avoid, despite the challenges avoiding these trends has caused during this unusually prolonged market cycle. In today's environment, this means acknowledging the inconsistencies and problems facing the global financial system and constructing

3. The communication services sector comprises diversified telecommunication services, interactive media and services, media and wireless telecommunication services in the SOI.

4. The energy sector comprises oil, gas and consumable fuels in the SOI.

5. The financials sector comprises banks and diversified financial services in the SOI. See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

**Top 10 Holdings**

12/31/19

<b>Company Sector/Industry, Country</b>	<b>% of Total Net Assets</b>
Deutsche Telekom AG <i>Diversified Telecommunication Services, Germany</i>	3.2%
Verizon Communications Inc. <i>Diversified Telecommunication Services, U.S.</i>	2.9%
Wells Fargo & Co. <i>Banks, U.S.</i>	2.6%
The Kroger Co. <i>Food &amp; Staples Retailing, U.S.</i>	2.4%
Allergan PLC <i>Pharmaceuticals, U.S.</i>	2.3%
Samsung Electronics Co. Ltd. <i>Technology Hardware, Storage &amp; Peripherals, South Korea</i>	2.3%
Citigroup Inc. <i>Banks, U.S.</i>	2.3%
Standard Chartered PLC <i>Banks, U.K.</i>	2.3%
Vodafone Group PLC <i>Wireless Telecommunication Services, U.K.</i>	2.2%
BAE Systems PLC <i>Aerospace &amp; Defense, U.K.</i>	2.2%

*The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2019, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.*

high-quality, high-conviction portfolios to manage growing risks and capitalize on evolving opportunities.

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



Antonio T. Docal, CFA  
Lead Portfolio Manager

Peter A. Nori, CFA  
Portfolio Manager

Matthew R. Nagle, CFA  
Portfolio Manager

## Performance Summary as of December 31, 2019

The performance table and graph do 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 12/31/19<sup>1</sup>

	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>
1-Year	+12.20%	+12.20%
5-Year	+17.23%	+3.23%
10-Year	+88.15%	+6.52%

*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](http://ftinstitutional.com) or call a Franklin Templeton Institutional Services representative at (800) 321-8563.*

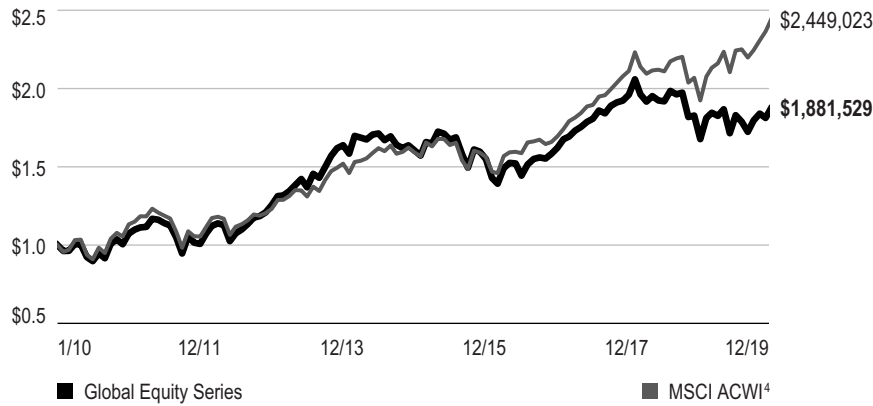
See page 15 for Performance Summary footnotes.

## Total Return Index Comparison for a Hypothetical \$1,000,000 Investment<sup>1</sup>

Total return represents the change in value of an investment over the periods shown. It includes any applicable maximum sales charge, Fund expenses, account fees and reinvested distributions. The unmanaged index includes reinvestment of any income or distributions. It differs from the Fund in composition and does not pay management fees or expenses. One cannot invest directly in an index.

1/1/10–12/31/19

\$ Millions



See page 15 for Performance Summary footnotes.

## Distributions (1/1/19–12/31/19)

Net Investment Income	Short-Term Capital Gain	Long-Term Capital Gain	Total
\$0.0279	\$0.0071	\$0.2865	\$0.3215

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

	With Fee Waiver	Without Fee Waiver
	0.85%	0.85%

All investments involve risks, including possible loss of principal. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments; investments in emerging markets involve heightened risks related to the same factors. Because the Fund may invest its assets in companies in a specific region, including Europe, it is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Political, social or economic disruptions in the region, even in countries in which the Fund is not invested, may adversely affect the value of securities held by the Fund. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in companies in Europe. In addition, smaller-company stocks have historically experienced more price volatility than larger-company stocks, especially over the short term. The Fund's prospectus also includes a description of the main investment risks.

1. The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/20. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.
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. Source: Morningstar. The MSCI ACWI is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance of global developed and emerging markets.
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 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.

Beginning Account Value 7/1/19	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
	Ending Account Value 12/31/19	Paid During Period 7/1/19–12/31/19 <sup>1, 2</sup>	Ending Account Value 12/31/19	Paid During Period 7/1/19–12/31/19 <sup>1, 2</sup>	
\$1,000	\$1,028.20	\$4.75	\$1,020.52	\$4.74	0.93%

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 184/365 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 annual report for International Equity Series (Fund) covers the fiscal year ended December 31, 2019.

## 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 +11.57% cumulative total return for the 12 months under review. For comparison, the Fund's benchmark, the MSCI All Country World Index (ACWI) ex USA Index, which measures stock market performance in global developed and emerging markets excluding the U.S., posted a +22.13% total return for the period under review.<sup>1</sup> The Fund's other benchmark, the MSCI Europe, Australasia, Far East Index (EAFE), which measures stock market performance in global developed markets excluding the U.S. and Canada, posted a +22.66% 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 20.

*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](http://ftinstitutional.com) or call a Franklin Templeton Institutional Services representative at (800) 321-8563.*

## Investment Strategy

We employ a bottom-up, value-oriented, long-term investment strategy. We focus on the market price of a company's securities relative to our evaluation of the company's long-term earnings, asset value and cash flow potential. This includes an assessment of the potential

1. Source: Morningstar.

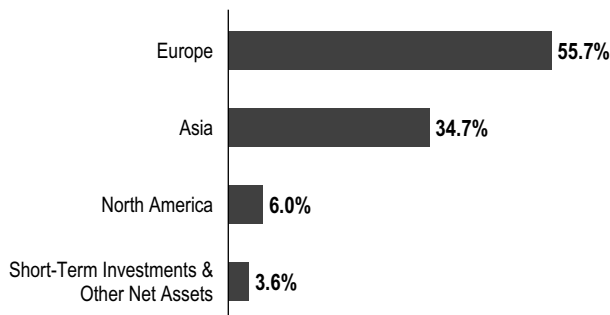
The index is unmanaged and includes reinvestment of any income or distributions. It does not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

2. The communication services sector comprises diversified telecommunication services, interactive media and services, media and wireless telecommunication services in the SOI.

**The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 36.**

## Geographic Composition

Based on Total Net Assets as of 12/31/19



impacts of material environmental, social and governance (ESG) factors on the long-term risk and return profile of a company. We also consider a company's price/earnings ratio, profit margins and liquidation value. We attempt to identify those companies that offer above-average opportunities for capital appreciation in various countries and industries where economic and political factors, including currency movements, are favorable to capital growth.

## Manager's Discussion

The Fund posted double-digit percentage absolute gains but underperformed its benchmark, the MSCI ACWI ex USA Index, in 2019, a year when value stocks delivered their worst annual performance relative to growth stocks since the peak of the technology, media and telecommunication bubble two decades ago.

Stock selection and an overweighting resulted in communication services being the most significant sector detractor from relative performance during the year.<sup>2</sup> Luxembourg-based satellite operator SES was among the sector's biggest relative detractors, as its shares declined due to a regulatory ruling that many investors believe will impact an upcoming spectrum auction. We remain constructive on the stock given its strong balance sheet, healthy dividend yield and our expectation of renewed growth in SES's core business. Elsewhere in the sector, Chinese telecommunication firms China Telecom and China Mobile both fell to their lowest stock price levels in more than

a decade amid concerns about elevated 5G capital expenditures. We continue to believe these stocks offer undemanding valuations, attractive dividend yields and solid competitive positions in a secular growth market.

Stock selection in the health care sector, as well as stock selection and an overweighting in the energy sector, also detracted from relative performance.<sup>3</sup> In the health care sector, shares of Israeli generic drugmaker Teva Pharmaceutical Industries (not held at period-end) declined amid a series of legal and regulatory setbacks that, in our assessment, impaired the balance of risks, leading us to sell the stock. Global pharmaceuticals stocks more broadly have experienced solid earnings revisions and improving pipeline prospects, but concerns about U.S. health care reform are overshadowing fundamentals. History suggests that companies capable of innovating to provide products that address unmet medical needs will continue to thrive and profit. In the energy sector, Italian integrated energy firm ENI declined amid volatile oil prices as investors overlooked strong production growth and focused instead on tepid earnings results and one-off issues. In our view, ENI stands out among major oil companies given its successful exploration and organic growth efforts, underleveraged balance sheet, commitment to shareholder return and strong track record of strategic execution.

Turning to contributors, stock selection in the materials sector benefited relative performance.<sup>4</sup> Shares of Canadian mining firm Wheaton Precious Metals rallied as the price of gold broke out of a six-year trading range. We continue to like Wheaton Precious Metals' attractive, capital-light streaming model, which provides financing for (primarily) base metals miners in return for a claim on their precious metals byproduct. More generally, we have maintained a modest precious metals allocation as a portfolio hedge and diversifier, in anticipation of an eventual move higher in gold prices given record-high debt levels, historically low interest rates, escalating geopolitical turmoil and renewed central bank buying.

Stock selection in the utilities sector also contributed to relative performance.<sup>5</sup> French water, waste and energy utility Veolia Environnement was the sector's top relative contributor, as its shares rose during the year as cost savings came in ahead of schedule and underlying businesses showed good organic growth trends. Restructuring progress

## Portfolio Composition

12/31/19

Sector/Industry	% of Total Net Assets
Banks	14.8%
Oil, Gas & Consumable Fuels	10.9%
Pharmaceuticals	10.7%
Metals & Mining	6.8%
Diversified Telecommunication Services	6.1%
Multi-Utilities	5.2%
Real Estate Management & Development	4.9%
Wireless Telecommunication Services	4.4%
Semiconductors & Semiconductor Equipment	3.8%
Food & Staples Retailing	3.2%
Industrial Conglomerates	3.2%
Technology Hardware, Storage & Peripherals	3.1%
Beverages	2.8%
Chemicals	2.8%
Health Care Providers & Services	2.6%
Aerospace & Defense	2.5%
Other	8.6%
Short-Term Investments & Other Net Assets	3.6%

has been obscured in recent years by macro- and industry-related challenges, and we were encouraged in 2019 to see those headwinds fade and investors begin to recognize Veolia's solid progress and prospects for long-term value creation.

From a regional standpoint, key detractors from performance compared to the index included stock selection in Asia, pressured by relative weakness in China and Japan. In Europe, relative weakness in Germany and the U.K. more than offset relative strength in France and the Netherlands.

As investors, we can neither predict the future nor time the markets. However, we can observe the market direction and take prudent steps to prepare our portfolios for probable outcomes. Trends that appear extended, expensive and unsustainable are ones we will always seek to avoid, despite the challenges avoiding these trends has caused during this unusually prolonged market cycle. In today's environment, this means acknowledging the inconsistencies and problems facing the global financial system and constructing

3. The health care sector comprises health care providers and services and pharmaceuticals in the SOI. The energy sector comprises energy equipment and services and oil, gas and consumable fuels in the SOI.

4. The materials sector comprises chemicals and metals and mining in the SOI.

5. The utilities sector comprises multi-utilities in the SOI.

See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

high-quality, high-conviction portfolios to manage growing risks and capitalize on evolving opportunities.

### Top 10 Holdings

12/31/19

Company Sector/Industry, Country	% of Total Net Assets
Deutsche Telekom AG <i>Diversified Telecommunication Services, Germany</i>	3.3%
Samsung Electronics Co. Ltd. <i>Technology Hardware, Storage &amp; Peripherals, South Korea</i>	3.0%
Standard Chartered PLC <i>Banks, U.K.</i>	3.0%
Vodafone Group PLC <i>Wireless Telecommunication Services, U.K.</i>	2.9%
BNP Paribas SA <i>Banks, France</i>	2.9%
E.ON SE <i>Multi-Utilities, Germany</i>	2.7%
Takeda Pharmaceutical Co. Ltd. <i>Pharmaceuticals, Japan</i>	2.7%
Barrick Gold Corp. <i>Metals &amp; Mining, Canada</i>	2.6%
Wheaton Precious Metals Corp. <i>Metals &amp; Mining, Canada</i>	2.6%
Sanofi <i>Pharmaceuticals, France</i>	2.5%

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



Antonio T. Docal, CFA  
Lead Portfolio Manager

Peter A. Nori, CFA  
Matthew R. Nagle, CFA

Portfolio Management Team

*The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 2019, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.*

## Performance Summary as of December 31, 2019

The performance table and graphs do 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 12/31/19<sup>1</sup>

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>
<b>Primary</b>		
1-Year	+11.57%	+11.57%
5-Year	+15.10%	+2.85%
10-Year	+44.52%	+3.75%
<b>Service</b>		
1-Year	+11.34%	+11.34%
5-Year	+14.17%	+2.69%
10-Year	+42.33%	+3.59%

*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](http://ftinstitutional.com) or call a Franklin Templeton Institutional Services representative at (800) 321-8563.*

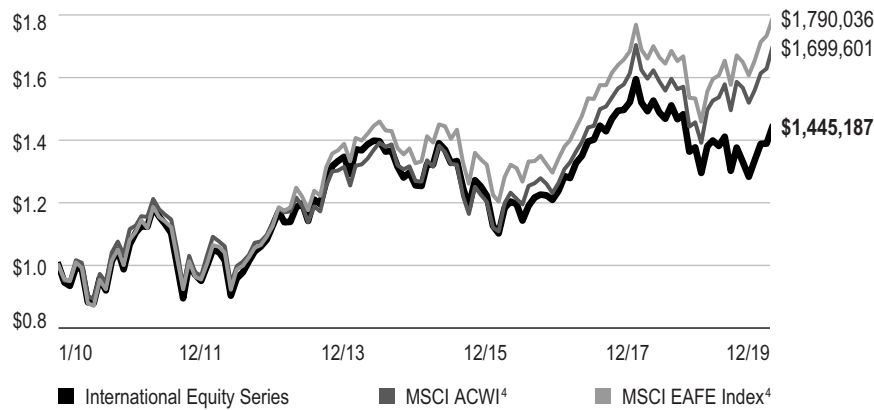
See page 22 for Performance Summary footnotes.

## Total Return Index Comparison for a Hypothetical \$1,000,000 Investment<sup>1</sup>

Total return represents the change in value of an investment over the periods shown. It includes any applicable maximum sales charge, Fund expenses, account fees and reinvested distributions. The unmanaged indexes include reinvestment of any income or distributions. They differ from the Fund in composition and do not pay management fees or expenses. One cannot invest directly in an index.

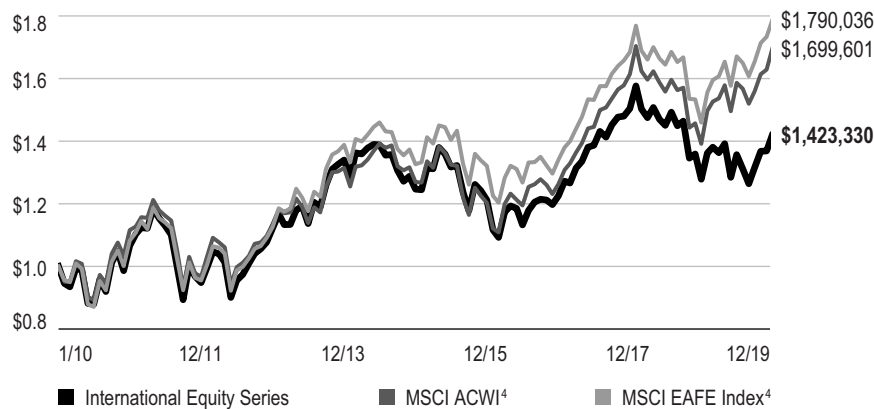
### Primary Shares (1/1/10–12/31/19)

#### \$ Millions



### Service Shares (1/1/10–12/31/19)

#### \$ Millions



See page 22 for Performance Summary footnotes.

## Distributions (1/1/19–12/31/19)

Share Class	Net Investment Income	Long-Term Capital Gain	Total
Primary	\$1.0222	\$0.0118	\$1.0340
Service	\$0.8506	\$0.0118	\$0.8624

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

Share Class	With Fee Waiver	Without Fee Waiver
Primary	0.81%	0.81%
Service	0.96%	0.96%

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

All investments involve risks, including possible loss of principal. Foreign investing involves special risks, including currency fluctuations, economic instability and political developments. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with these markets' small or midcap size and lesser liquidity. Because the Fund may invest in companies in a specific region, including Europe, it is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Political, social or economic disruptions in the region, even in countries in which the Fund is not invested, may adversely affect the value of securities held by the Fund. Current political uncertainty surrounding the European Union (EU) and the financial instability of some countries in the EU may increase market volatility and the economic risk of investing in companies in Europe. Value securities may not increase in price as anticipated or may decline further in value. The Fund's prospectus also includes a description of the main investment risks.

1. The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 4/30/20. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.
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. Source: Morningstar. The MSCI ACWI ex USA Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance of global developed and emerging markets, excluding the U.S. The MSCI EAFE Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance of global developed markets excluding the U.S. and Canada.
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" 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 7/1/19	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 12/31/19	Expenses Paid During Period 7/1/19–12/31/19 <sup>1, 2</sup>	Ending Account Value 12/31/19	Expenses Paid During Period 7/1/19–12/31/19 <sup>1, 2</sup>	
Primary Shares	\$1,000	\$1,050.00	\$4.19	\$1,021.12	\$4.13	0.81%
Service Shares	\$1,000	\$1,048.90	\$4.96	\$1,020.37	\$4.89	0.96%

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 184/365 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

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$17.96	\$25.08	\$19.93	\$20.90	\$20.80
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.30	0.37	0.30	0.29	0.28
Net realized and unrealized gains (losses) . . . . .	3.79	(4.97)	6.49	(0.48)	0.12
Total from investment operations . . . . .	4.09	(4.60)	6.79	(0.19)	0.40
Less distributions from:					
Net investment income . . . . .	(0.37)	(0.21)	(0.68)	(0.41)	(0.28)
Net realized gains . . . . .	(0.28)	(2.31)	(0.96)	(0.37)	(0.02)
Total distributions . . . . .	(0.65)	(2.52)	(1.64)	(0.78)	(0.30)
Net asset value, end of year . . . . .	\$21.40	\$17.96	\$25.08	\$19.93	\$20.90
Total return . . . . .	22.86%	(18.48)%	34.18%	(0.85)%	1.88%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.02%	1.01%	0.99%	0.99%	0.98%
Expenses net of waiver and payments by affiliates . . . . .	1.02% <sup>c</sup>	1.00% <sup>d</sup>	0.98% <sup>d</sup>	0.98% <sup>d</sup>	0.98% <sup>c,d</sup>
Net investment income . . . . .	1.48%	1.54%	1.28%	1.44%	1.28%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$782,971	\$739,576	\$1,040,180	\$931,879	\$1,260,407
Portfolio turnover rate . . . . .	39.48%	34.10%	25.97%	21.36%	29.11%

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

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



## Statement of Investments, December 31, 2019

## Foreign Smaller Companies Series

	Industry	Shares/ Warrants	Value
<b>Common Stocks and Other Equity Interests 94.9%</b>			
<b>Argentina 0.9%</b>			
<sup>a</sup> Livent Corp. . . . .	Chemicals	799,000	\$ 6,831,450
<b>Bahamas 2.4%</b>			
<sup>a</sup> OneSpaWorld Holdings Ltd. . . . .	Diversified Consumer Services	1,063,020	17,901,257
<sup>a</sup> OneSpaWorld Holdings Ltd., wts., 3/19/24 . . . . .	Diversified Consumer Services	210,345	1,228,415
			<u>19,129,672</u>
<b>Belgium 3.0%</b>			
Barco NV . . . . .	Electronic Equipment, Instruments & Components	62,168	15,268,308
Ontex Group NV . . . . .	Personal Products	379,020	7,969,725
			<u>23,238,033</u>
<b>Bermuda 0.7%</b>			
Axis Capital Holdings Ltd. . . . .	Insurance	91,830	5,458,375
<b>Brazil 3.1%</b>			
Camil Alimentos SA . . . . .	Food Products	4,459,500	9,996,292
Grendene SA . . . . .	Textiles, Apparel & Luxury Goods	2,315,500	7,074,099
M. Dias Branco SA. . . . .	Food Products	791,300	7,510,410
			<u>24,580,801</u>
<b>Canada 4.7%</b>			
Canaccord Genuity Group Inc. . . . .	Capital Markets	1,422,338	5,301,183
<sup>a,b</sup> Canada Goose Holdings Inc. . . . .	Textiles, Apparel & Luxury Goods	102,500	3,710,554
Canadian Western Bank . . . . .	Banks	416,415	10,225,993
Computer Modelling Group Ltd. . . . .	Energy Equipment & Services	1,561,904	9,886,686
The North West Co. Inc. . . . .	Food & Staples Retailing	299,400	6,301,095
Russel Metals Inc. . . . .	Trading Companies & Distributors	90,700	1,548,451
			<u>36,973,962</u>
<b>China 3.8%</b>			
China ZhengTong Auto Services Holdings Ltd. . . . .	Specialty Retail	8,364,000	2,983,961
<sup>a</sup> Goodbaby International Holdings Ltd. . . . .	Household Durables	15,014,600	3,333,452
Greatview Aseptic Packaging Co. Ltd. . . . .	Containers & Packaging	6,739,200	3,087,528
Hollysys Automation Technologies Ltd. . . . .	Electronic Equipment, Instruments & Components	416,700	6,838,047
Shanghai Haohai Biological Technology Co. Ltd., H . . . . .	Biotechnology	639,500	3,857,205
Xtep International Holdings Ltd. . . . .	Textiles, Apparel & Luxury Goods	18,246,715	9,694,365
			<u>29,794,558</u>
<b>Denmark 0.4%</b>			
Matas AS . . . . .	Specialty Retail	396,909	3,282,160
<b>Finland 2.3%</b>			
Huhtamaki OYJ . . . . .	Containers & Packaging	320,140	14,856,289
<sup>a</sup> Outotec OYJ . . . . .	Machinery	511,999	3,306,136
			<u>18,162,425</u>

**Foreign Smaller Companies Series** (continued)

	Industry	Shares/ Warrants	Value
<b>Common Stocks and Other Equity Interests</b> (continued)			
<b>France 1.8%</b>			
Beneteau SA . . . . .	Leisure Products	398,336	\$ 4,837,912
Maisons du Monde SA . . . . .	Specialty Retail	181,372	2,638,093
Nexans SA . . . . .	Electrical Equipment	127,836	6,234,799
			13,710,804
<b>Germany 7.4%</b>			
Gerresheimer AG . . . . .	Life Sciences Tools & Services	158,042	12,229,298
Grand City Properties SA . . . . .	Real Estate Management & Development	336,361	8,064,794
Jenoptik AG . . . . .	Electronic Equipment, Instruments & Components	270,261	7,722,586
Rational AG . . . . .	Machinery	18,176	14,614,952
Stabilus SA . . . . .	Machinery	197,604	13,440,222
<sup>a</sup> zooplus AG . . . . .	Internet & Direct Marketing Retail	16,495	1,579,756
			57,651,608
<b>Hong Kong 4.0%</b>			
Johnson Electric Holdings Ltd. . . . .	Electrical Equipment	1,647,241	3,745,891
Techtronic Industries Co. Ltd. . . . .	Machinery	1,846,000	15,055,029
Value Partners Group Ltd. . . . .	Capital Markets	8,652,000	5,329,569
VTech Holdings Ltd. . . . .	Communications Equipment	727,100	7,184,875
			31,315,364
<b>India 0.9%</b>			
DCB Bank Ltd. . . . .	Banks	1,551,914	3,738,687
Welspun India Ltd. . . . .	Textiles, Apparel & Luxury Goods	5,185,935	3,488,542
			7,227,229
<b>Indonesia 0.7%</b>			
<sup>a</sup> PT XL Axiata Tbk. . . . .	Wireless Telecommunication Services	23,013,700	5,221,909
<b>Italy 4.6%</b>			
Interpump Group SpA . . . . .	Machinery	387,449	12,270,412
<sup>a</sup> Sanlorenzo SpA/Ameglia . . . . .	N/A	446,150	7,992,350
Technogym SpA . . . . .	Leisure Products	1,223,719	15,905,417
			36,168,179
<b>Japan 23.7%</b>			
Anicom Holdings Inc. . . . .	Insurance	276,500	9,375,684
Asahi Co. Ltd. . . . .	Specialty Retail	280,700	3,649,681
Asics Corp. . . . .	Textiles, Apparel & Luxury Goods	707,700	11,825,932
Bunka Shutter Co. Ltd. . . . .	Building Products	524,700	4,654,344
Daibiru Corp. . . . .	Real Estate Management & Development	653,400	7,894,311
Dowa Holdings Co. Ltd. . . . .	Metals & Mining	204,400	7,664,412
en-japan Inc. . . . .	Professional Services	184,900	8,124,201
Fuji Oil Holdings Inc. . . . .	Food Products	432,800	11,692,669
Hoshino Resorts REIT Inc. . . . .	Equity Real Estate Investment Trusts (REITs)	1,064	5,492,560
Idec Corp. . . . .	Electrical Equipment	358,300	7,457,783
IDOM Inc. . . . .	Specialty Retail	1,226,600	7,088,151
Kobayashi Pharmaceutical Co. Ltd. . . . .	Personal Products	78,200	6,670,476
MEITEC Corp. . . . .	Professional Services	242,900	13,745,894

**Foreign Smaller Companies Series** (continued)

	Industry	Shares/ Warrants	Value
<b>Common Stocks and Other Equity Interests</b> (continued)			
<b>Japan</b> (continued)			
Morita Holdings Corp. . . . .	Machinery	235,200	\$ 3,947,594
Nichiha Corp. . . . .	Building Products	401,100	9,906,164
Nihon Parkerizing Co. Ltd. . . . .	Chemicals	354,300	3,833,971
Nissei Asb Machine Co., Ltd. . . . .	Machinery	184,700	8,098,417
Qol Co. Ltd. . . . .	Food & Staples Retailing	498,500	7,018,220
Square Enix Holdings Co. Ltd. . . . .	Entertainment	142,000	7,095,100
Tadano Ltd. . . . .	Machinery	588,700	5,422,486
Taiyo Holdings Co. Ltd. . . . .	Chemicals	80,400	3,295,901
TechnoPro Holdings Inc. . . . .	Professional Services	150,600	10,601,242
Tsumura & Co. . . . .	Pharmaceuticals	485,400	14,337,557
Zojirushi Corp. . . . .	Household Durables	372,100	7,046,532
			<u>185,939,282</u>
<b>Netherlands 5.2%</b>			
Aalberts NV . . . . .	Machinery	108,789	4,881,277
Accell Group NV . . . . .	Leisure Products	191,044	5,527,554
Arcadis NV . . . . .	Construction & Engineering	372,877	8,689,425
Flow Traders . . . . .	Capital Markets	191,508	4,626,074
Intertrust NV . . . . .	Professional Services	614,910	11,936,817
PostNL NV . . . . .	Air Freight & Logistics	2,231,735	5,035,592
			<u>40,696,739</u>
<b>Poland 0.2%</b>			
CCC SA . . . . .	Textiles, Apparel & Luxury Goods	55,433	1,607,558
<b>South Korea 1.7%</b>			
BNK Financial Group Inc. . . . .	Banks	881,335	5,840,039
DGB Financial Group Inc. . . . .	Banks	1,178,502	7,258,656
			<u>13,098,695</u>
<b>Spain 0.8%</b>			
Construcciones y Auxiliar de Ferrocarriles SA . . . . .	Machinery	142,779	6,564,900
<b>Sweden 5.2%</b>			
Cloetta AB, B. . . . .	Food Products	1,652,152	5,591,725
Dometic Group AB. . . . .	Auto Components	1,061,706	10,691,648
Granges AB . . . . .	Metals & Mining	979,944	10,352,700
Tethys Oil AB. . . . .	Oil, Gas & Consumable Fuels	47,329	426,487
<sup>c</sup> The Thule Group AB, Reg S . . . . .	Leisure Products	584,999	13,491,041
			<u>40,553,601</u>
<b>Switzerland 3.9%</b>			
Bucher Industries AG . . . . .	Machinery	36,178	12,704,268
Landis+Gyr Group AG . . . . .	Electronic Equipment, Instruments & Components	59,815	6,224,741
Logitech International SA . . . . .	Technology Hardware, Storage & Peripherals	148,400	6,998,544
Tecan Group AG . . . . .	Life Sciences Tools & Services	15,629	4,393,208
			<u>30,320,761</u>

**Foreign Smaller Companies Series** (continued)

	Industry	Shares/ Warrants	Value
<b>Common Stocks and Other Equity Interests</b> (continued)			
<b>Taiwan 6.6%</b>			
Chicony Electronics Co. Ltd. . . . . .	Technology Hardware, Storage & Peripherals	3,185,037	\$ 9,477,058
Giant Manufacturing Co. Ltd. . . . . .	Leisure Products	1,431,482	10,193,764
King Yuan Electronics Co. Ltd. . . . . .	Semiconductors & Semiconductor Equipment	9,333,000	11,716,564
Merida Industry Co. Ltd. . . . . .	Leisure Products	1,233,000	7,275,735
Quang Viet Enterprise Co. Ltd. . . . . .	Textiles, Apparel & Luxury Goods	675,200	3,431,193
Tripod Technology Corp. . . . . .	Electronic Equipment, Instruments & Components	2,240,000	9,398,549
			<u>51,492,863</u>
<b>United Kingdom 6.9%</b>			
Bellway PLC . . . . .	Household Durables	81,185	4,093,495
Card Factory PLC . . . . .	Specialty Retail	1,486,090	2,911,045
Coats Group PLC. . . . .	Textiles, Apparel & Luxury Goods	4,091,689	4,042,751
Greggs PLC . . . . .	Hotels, Restaurants & Leisure	387,838	11,804,183
Man Group PLC. . . . .	Capital Markets	5,575,804	11,668,100
Oxford Instruments PLC . . . . .	Electronic Equipment, Instruments & Components	307,711	6,276,237
SIG PLC . . . . .	Trading Companies & Distributors	3,560,497	5,800,311
Vistry Group PLC. . . . .	Household Durables	203,793	3,665,427
<sup>a</sup> Watches of Switzerland Group PLC . . . . .	Specialty Retail	677,818	3,375,487
			<u>53,637,036</u>
			<u>742,657,964</u>
<b>Total Common Stocks and Other Equity Interests (Cost \$542,638,223)</b>			
<b>Preferred Stocks (Cost \$2,711,024) 1.0%</b>			
<b>Brazil 1.0%</b>			
<sup>a</sup> Alpargatas SA, pfd. . . . .	Textiles, Apparel & Luxury Goods	976,800	8,068,108
			<u>8,068,108</u>
<b>Total Investments before Short Term Investments (Cost \$545,349,247)</b>			
			<u>750,726,072</u>
		<b>Principal Amount</b>	
<b>Short Term Investments 4.8%</b>			
<b>U.S. Government and Agency Securities (Cost \$35,897,750) 4.6%</b>			
<b>United States 4.6%</b>			
<sup>d</sup> FHLB, 1/02/20 . . . . .		\$35,900,000	35,900,000

**Foreign Smaller Companies Series** (continued)

	Shares	Value
<b>Short Term Investments</b> (continued)		
<b><sup>e</sup>Investments from Cash Collateral Received for Loaned Securities 0.2%</b>		
<b>Money Market Funds (Cost \$1,722,366) 0.2%</b>		
<b>United States 0.2%</b>		
<sup>f,g</sup> Institutional Fiduciary Trust Money Market Portfolio, 1.26% . . .	1,722,366	\$ 1,722,366
<b>Total Investments (Cost \$582,969,363)</b>		
<b>100.7%</b> . . . . .		788,348,438
<b>Other Assets, less Liabilities (0.7)%</b> . . . . .		(5,377,798)
<b>Net Assets 100.0%</b> . . . . .		<u>\$782,970,640</u>

See Abbreviations on page 56.

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

<sup>b</sup>A portion or all of the security is on loan at December 31, 2019. See Note 1(c).

<sup>c</sup>Security was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States. Such a security 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 December 31, 2019, the value of this security was \$13,491,041, representing 1.7% 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(c) 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

### Global Equity Series

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$ 7.56	\$10.59	\$ 8.95	\$ 8.73	\$ 9.64
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.22	0.16	0.16	0.16	0.14
Net realized and unrealized gains (losses) . . . . .	0.68	(1.71)	1.71	0.25	(0.43)
Total from investment operations . . . . .	0.90	(1.55)	1.87	0.41	(0.29)
Less distributions from:					
Net investment income . . . . .	(0.03)	(0.16)	(0.19)	(0.15)	(0.16)
Net realized gains . . . . .	(0.29)	(1.32)	(0.04)	(0.04)	(0.46)
Total distributions . . . . .	(0.32)	(1.48)	(0.23)	(0.19)	(0.62)
Net asset value, end of year . . . . .	\$ 8.14	\$ 7.56	\$10.59	\$ 8.95	\$ 8.73
Total return . . . . .	12.20%	(14.49)%	20.88%	4.67%	(3.43)%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.91%	0.85%	0.82%	0.84%	0.81%
Expenses net of waiver and payments by affiliates . . . . .	0.89%	0.85% <sup>c</sup>	0.82% <sup>c,d</sup>	0.84% <sup>c</sup>	0.81% <sup>c,d</sup>
Net investment income . . . . .	2.69%	1.54%	1.65%	1.82%	1.47%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$11,808	\$243,400	\$327,015	\$280,709	\$282,830
Portfolio turnover rate . . . . .	45.16%	34.14%	25.27%	27.91%	36.88%

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

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

## Statement of Investments, December 31, 2019

## Global Equity Series

	Industry	Shares	Value
<b>Common Stocks 94.2%</b>			
<b>Canada 4.4%</b>			
Barrick Gold Corp. . . . .	Metals & Mining	11,000	\$ 204,490
Husky Energy Inc. . . . .	Oil, Gas & Consumable Fuels	10,400	83,450
Wheaton Precious Metals Corp. . . . .	Metals & Mining	7,800	232,090
			<u>520,030</u>
<b>China 3.2%</b>			
<sup>a</sup> Baidu Inc., ADR. . . . .	Interactive Media & Services	1,060	133,984
China Mobile Ltd. . . . .	Wireless Telecommunication Services	14,500	121,883
China Telecom Corp. Ltd., H . . . . .	Diversified Telecommunication Services	300,000	123,584
			<u>379,451</u>
<b>Denmark 0.3%</b>			
A.P. Moeller-Maersk AS, B. . . . .	Marine	23	33,165
<b>France 8.5%</b>			
BNP Paribas SA . . . . .	Banks	2,989	177,087
Cie Generale des Etablissements Michelin SCA . . . . .	Auto Components	760	92,986
Compagnie de Saint-Gobain . . . . .	Building Products	2,751	112,607
Sanofi. . . . .	Pharmaceuticals	1,553	156,083
Total SA . . . . .	Oil, Gas & Consumable Fuels	3,838	211,763
Veolia Environnement SA . . . . .	Multi-Utilities	9,566	254,356
			<u>1,004,882</u>
<b>Germany 8.8%</b>			
Bayer AG . . . . .	Pharmaceuticals	1,988	162,326
Deutsche Telekom AG . . . . .	Diversified Telecommunication Services	22,768	372,018
E.ON SE. . . . .	Multi-Utilities	20,568	219,681
Fresenius Medical Care AG & Co. KGaA. . . . .	Health Care Providers & Services	1,775	131,298
Siemens AG, ADR . . . . .	Industrial Conglomerates	2,437	158,332
			<u>1,043,655</u>
<b>Hong Kong 2.4%</b>			
CK Asset Holdings Ltd. . . . .	Real Estate Management & Development	5,600	40,425
CK Hutchison Holdings Ltd. . . . .	Industrial Conglomerates	19,040	181,547
Sun Hung Kai Properties Ltd. . . . .	Real Estate Management & Development	4,000	61,240
Swire Pacific Ltd., A . . . . .	Real Estate Management & Development	600	5,575
			<u>288,787</u>
<b>Ireland 0.6%</b>			
Bank of Ireland Group PLC . . . . .	Banks	12,404	67,911
<b>Italy 2.7%</b>			
Eni SpA . . . . .	Oil, Gas & Consumable Fuels	11,598	180,089
Tenaris SA . . . . .	Energy Equipment & Services	11,975	134,965
			<u>315,054</u>
<b>Japan 9.7%</b>			
Kirin Holdings Co. Ltd. . . . .	Beverages	8,300	182,535
Kyocera Corp. . . . .	Electronic Equipment, Instruments & Components	400	27,532
Matsumotokiyoshi Holdings Co. Ltd. . . . .	Food & Staples Retailing	3,000	116,908
Mitsui Fudosan Co. Ltd. . . . .	Real Estate Management & Development	8,400	206,532

**Global Equity Series** (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Japan</b> (continued)			
Seven & i Holdings Co. Ltd. . . . . .	Food & Staples Retailing	4,800	\$ 176,806
Sumitomo Metal Mining Co. Ltd. . . . . .	Metals & Mining	3,200	104,355
Sumitomo Mitsui Financial Group Inc. . . . . .	Banks	4,400	163,489
Takeda Pharmaceutical Co. Ltd. . . . . .	Pharmaceuticals	4,291	171,048
			1,149,205
<b>Luxembourg 0.7%</b>			
SES SA, IDR. . . . .	Media	5,593	78,403
<b>Netherlands 3.3%</b>			
ING Groep NV . . . . .	Banks	14,103	169,039
NXP Semiconductors NV . . . . .	Semiconductors & Semiconductor Equipment	1,700	216,342
			385,381
<b>Norway 1.3%</b>			
Yara International ASA . . . . .	Chemicals	3,740	155,701
<b>Singapore 0.9%</b>			
Singapore Telecommunications Ltd. . . . .	Diversified Telecommunication Services	42,304	105,980
<b>South Korea 3.7%</b>			
Hana Financial Group Inc. . . . .	Banks	1,829	58,383
KB Financial Group Inc. . . . .	Banks	2,389	98,475
Samsung Electronics Co. Ltd. . . . .	Technology Hardware, Storage & Peripherals	5,684	274,368
			431,226
<b>Switzerland 2.8%</b>			
Novartis AG. . . . .	Pharmaceuticals	868	82,436
Roche Holding AG . . . . .	Pharmaceuticals	760	246,618
			329,054
<b>Taiwan 1.3%</b>			
Taiwan Semiconductor Manufacturing Co. Ltd., ADR . . . . .	Semiconductors & Semiconductor Equipment	2,740	159,194
<b>United Kingdom 10.6%</b>			
BAE Systems PLC . . . . .	Aerospace & Defense	34,173	255,631
BP PLC. . . . .	Oil, Gas & Consumable Fuels	37,311	233,048
Johnson Matthey PLC. . . . .	Chemicals	600	23,808
Royal Dutch Shell PLC, B . . . . .	Oil, Gas & Consumable Fuels	7,282	215,992
Standard Chartered PLC. . . . .	Banks	28,165	265,748
Vodafone Group PLC . . . . .	Wireless Telecommunication Services	134,725	261,873
			1,256,100
<b>United States 29.0%</b>			
Allergan PLC . . . . .	Pharmaceuticals	1,440	275,284
Apache Corp. . . . .	Oil, Gas & Consumable Fuels	3,150	80,608
<sup>a</sup> Berkshire Hathaway Inc., B . . . . .	Diversified Financial Services	800	181,200
Citigroup Inc. . . . .	Banks	3,420	273,224
Comcast Corp., A. . . . .	Media	4,440	199,667
<sup>a</sup> CommScope Holding Co. Inc. . . . .	Communications Equipment	6,500	92,235
<sup>a</sup> Crown Holdings Inc. . . . .	Containers & Packaging	1,600	116,064
Exxon Mobil Corp. . . . .	Oil, Gas & Consumable Fuels	3,000	209,340
Gilead Sciences Inc. . . . .	Biotechnology	1,910	124,112



**Global Equity Series** (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>United States</b> (continued)			
Johnson & Johnson . . . . .	Pharmaceuticals	1,700	\$ 247,979
Kellogg Co. . . . .	Food Products	1,900	131,404
The Kroger Co. . . . .	Food & Staples Retailing	9,800	284,102
<sup>a</sup> Laboratory Corp. of America Holdings . . . . .	Health Care Providers & Services	1,400	236,838
Oracle Corp. . . . .	Software	3,910	207,152
United Parcel Service Inc., B . . . . .	Air Freight & Logistics	900	105,354
Verizon Communications Inc. . . . .	Diversified Telecommunication Services	5,600	343,840
Wells Fargo & Co. . . . .	Banks	5,800	312,040
			<u>3,420,443</u>
<b>Total Common Stocks (Cost \$9,072,349)</b> . . . . .			11,123,622
<b>Other Assets, less Liabilities 5.8%</b> . . . . .			<u>684,045</u>
<b>Net Assets 100.0%</b> . . . . .			<u>\$11,807,667</u>

See Abbreviations on page 56.

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

## Financial Highlights

### International Equity Series

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Primary Shares</b>					
<b>Per share operating performance</b> (for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$14.87	\$21.99	\$18.65	\$19.05	\$20.05
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.64	0.42	0.45	0.45	0.45
Net realized and unrealized gains (losses) . . . . .	1.06	(3.66)	3.81	(0.20)	(0.98)
Total from investment operations . . . . .	1.70	(3.24)	4.26	0.25	(0.53)
Less distributions from:					
Net investment income . . . . .	(1.02)	(0.42)	(0.64)	(0.46)	(0.47)
Net realized gains . . . . .	(0.01)	(3.46)	(0.28)	(0.19)	—
Total distributions . . . . .	(1.03)	(3.88)	(0.92)	(0.65)	(0.47)
Net asset value, end of year . . . . .	\$15.54	\$14.87	\$21.99	\$18.65	\$19.05
Total return . . . . .	11.57%	(14.87)%	22.92%	1.30%	(2.67)%
<b>Ratios to average net assets</b>					
Expenses <sup>c</sup> . . . . .	0.82%	0.80% <sup>d</sup>	0.78%	0.78%	0.78%
Net investment income . . . . .	4.13%	1.98%	2.13%	2.44%	2.16%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$1,695,980	\$2,785,308	\$4,412,494	\$4,539,205	\$5,077,937
Portfolio turnover rate . . . . .	36.83% <sup>e</sup>	25.60% <sup>e</sup>	16.39% <sup>e</sup>	14.88%	16.16%

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

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

<sup>e</sup>Excludes the value of portfolio securities delivered as a result of a redemption in-kind. See Note 11.

**International Equity Series** (continued)

	Year Ended December 31,				
	2019	2018	2017	2016	2015
<b>Service Shares</b>					
<b>Per share operating performance</b> (for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$14.97	\$22.07	\$18.72	\$19.11	\$20.11
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.98	0.38	0.39	0.42	0.36
Net realized and unrealized gains (losses) . . . . .	0.70	(3.66)	3.85	(0.20)	(0.92)
Total from investment operations . . . . .	1.68	(3.28)	4.24	0.22	(0.56)
Less distributions from:					
Net investment income . . . . .	(0.85)	(0.36)	(0.61)	(0.42)	(0.44)
Net realized gains . . . . .	(0.01)	(3.46)	(0.28)	(0.19)	—
Total distributions . . . . .	(0.86)	(3.82)	(0.89)	(0.61)	(0.44)
Net asset value, end of year . . . . .	\$15.79	\$14.97	\$22.07	\$18.72	\$19.11
Total return . . . . .	11.34%	(15.01)%	22.73%	1.15%	(2.80)%
<b>Ratios to average net assets</b>					
Expenses <sup>c</sup> . . . . .	0.97%	0.95% <sup>d</sup>	0.93%	0.93%	0.93%
Net investment income . . . . .	3.98%	1.83%	1.98%	2.29%	2.01%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$700	\$5,375	\$14,164	\$8,624	\$12,525
Portfolio turnover rate . . . . .	36.83% <sup>e</sup>	25.60% <sup>e</sup>	16.39% <sup>e</sup>	14.88%	16.16%

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

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

<sup>e</sup>Excludes the value of portfolio securities delivered as a result of a redemption in-kind. See Note 11.

## Statement of Investments, December 31, 2019

## International Equity Series

	Industry	Shares	Value
<b>Common Stocks 96.4%</b>			
<b>Canada 6.0%</b>			
Barrick Gold Corp. . . . .	Metals & Mining	2,377,200	\$ 44,192,148
Husky Energy Inc. . . . .	Oil, Gas & Consumable Fuels	1,619,363	12,993,811
Wheaton Precious Metals Corp. . . . .	Metals & Mining	1,475,981	43,917,993
			<u>101,103,952</u>
<b>China 4.7%</b>			
<sup>a</sup> Baidu Inc., ADR . . . . .	Interactive Media & Services	130,188	16,455,763
China Mobile Ltd. . . . .	Wireless Telecommunication Services	3,091,264	25,984,343
China Telecom Corp. Ltd., H. . . . .	Diversified Telecommunication Services	57,067,581	23,508,712
Sinopharm Group Co. Ltd., H . . . . .	Health Care Providers & Services	3,665,976	13,384,625
			<u>79,333,443</u>
<b>Denmark 0.9%</b>			
A.P. Moeller-Maersk AS, B . . . . .	Marine	10,698	15,425,979
<b>France 14.3%</b>			
BNP Paribas SA . . . . .	Banks	817,965	48,461,321
Cie Generale des Etablissements Michelin SCA . . . . .	Auto Components	228,973	28,014,891
Compagnie de Saint-Gobain. . . . .	Building Products	550,517	22,534,271
Credit Agricole SA. . . . .	Banks	1,383,320	20,050,866
Sanofi . . . . .	Pharmaceuticals	430,266	43,243,605
Total SA . . . . .	Oil, Gas & Consumable Fuels	705,140	38,906,340
Veolia Environnement SA. . . . .	Multi-Utilities	1,581,722	42,057,323
			<u>243,268,617</u>
<b>Germany 11.9%</b>			
Bayer AG . . . . .	Pharmaceuticals	340,102	27,770,272
Deutsche Telekom AG . . . . .	Diversified Telecommunication Services	3,441,160	56,226,925
E.ON SE . . . . .	Multi-Utilities	4,272,591	45,634,219
Fresenius Medical Care AG & Co. KGaA . . . . .	Health Care Providers & Services	403,551	29,851,008
Merck KGaA . . . . .	Pharmaceuticals	96,019	11,344,142
Siemens AG . . . . .	Industrial Conglomerates	236,164	30,865,167
			<u>201,691,733</u>
<b>Hong Kong 3.9%</b>			
CK Asset Holdings Ltd. . . . .	Real Estate Management & Development	4,382,294	31,634,310
CK Hutchison Holdings Ltd. . . . .	Industrial Conglomerates	2,489,794	23,740,320
Sun Hung Kai Properties Ltd. . . . .	Real Estate Management & Development	429,600	6,577,170
Swire Pacific Ltd., A. . . . .	Real Estate Management & Development	543,300	5,047,922
			<u>66,999,722</u>
<b>Ireland 1.2%</b>			
Bank of Ireland Group PLC . . . . .	Banks	3,650,275	19,984,960
<b>Italy 2.6%</b>			
Eni SpA . . . . .	Oil, Gas & Consumable Fuels	2,347,233	36,446,888
Tenaris SA . . . . .	Energy Equipment & Services	724,606	8,166,724
			<u>44,613,612</u>

**International Equity Series** (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Japan 17.2%</b>			
Astellas Pharma Inc. . . . .	Pharmaceuticals	391,900	\$ 6,743,529
Isuzu Motors Ltd. . . . .	Automobiles	1,768,800	21,142,592
Kirin Holdings Co. Ltd. . . . .	Beverages	1,490,300	32,774,944
Kyocera Corp. . . . .	Electronic Equipment, Instruments & Components	161,700	11,129,662
Matsumotokiyoshi Holdings Co. Ltd. . . . .	Food & Staples Retailing	572,900	22,325,572
Mitsui Fudosan Co. Ltd. . . . .	Real Estate Management & Development	1,683,590	41,394,548
Seven & i Holdings Co. Ltd. . . . .	Food & Staples Retailing	883,200	32,532,317
Sumitomo Metal Mining Co. Ltd. . . . .	Metals & Mining	845,600	27,575,858
Sumitomo Mitsui Financial Group Inc. . . . .	Banks	954,600	35,469,747
Suntory Beverage & Food Ltd. . . . .	Beverages	364,879	15,259,950
Takeda Pharmaceutical Co. Ltd. . . . .	Pharmaceuticals	1,128,828	44,997,312
			<u>291,346,031</u>
<b>Luxembourg 1.3%</b>			
SES SA, IDR . . . . .	Media	1,582,162	22,178,945
<b>Netherlands 3.8%</b>			
ING Groep NV . . . . .	Banks	2,812,146	33,706,544
NXP Semiconductors NV . . . . .	Semiconductors & Semiconductor Equipment	244,796	31,152,739
			<u>64,859,283</u>
<b>Norway 2.5%</b>			
Equinor ASA. . . . .	Oil, Gas & Consumable Fuels	877,753	17,550,060
Yara International ASA. . . . .	Chemicals	600,987	25,019,820
			<u>42,569,880</u>
<b>Singapore 1.4%</b>			
Singapore Telecommunications Ltd. . . . .	Diversified Telecommunication Services	9,381,676	23,503,009
<b>South Korea 5.5%</b>			
Hana Financial Group Inc. . . . .	Banks	547,041	17,461,927
KB Financial Group Inc. . . . .	Banks	583,936	24,069,888
Samsung Electronics Co. Ltd. . . . .	Technology Hardware, Storage & Peripherals	1,072,201	51,755,479
			<u>93,287,294</u>
<b>Switzerland 2.8%</b>			
Novartis AG . . . . .	Pharmaceuticals	176,242	16,738,118
Roche Holding AG. . . . .	Pharmaceuticals	93,094	30,208,769
			<u>46,946,887</u>
<b>Taiwan 2.0%</b>			
Taiwan Semiconductor Manufacturing Co. Ltd. . . . .	Semiconductors & Semiconductor Equipment	3,073,492	34,011,763
<b>United Kingdom 14.4%</b>			
BAE Systems PLC. . . . .	Aerospace & Defense	5,586,221	41,787,690
BP PLC . . . . .	Oil, Gas & Consumable Fuels	6,915,243	43,193,342
Johnson Matthey PLC . . . . .	Chemicals	562,543	22,322,000
Royal Dutch Shell PLC, B. . . . .	Oil, Gas & Consumable Fuels	1,226,200	36,370,388
Standard Chartered PLC . . . . .	Banks	5,467,594	51,588,836

**International Equity Series** (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>United Kingdom</b> (continued)			
Vodafone Group PLC . . . . .	Wireless Telecommunication Services	25,273,210	\$ 49,125,125
			<u>244,387,381</u>
<b>Total Common Stocks</b> <b>(Cost \$1,289,888,528)</b> . . . . .			<u>1,635,512,491</u>
 <b>Short Term Investments (Cost \$47,789,147) 2.8%</b>			
<b>Money Market Funds 2.8%</b>			
<b>United States 2.8%</b>			
<sup>b,c</sup> Institutional Fiduciary Trust Money Market Portfolio, 1.26% . . . . .		47,789,147	<u>47,789,147</u>
<b>Total Investments (Cost \$1,337,677,675)</b> <b>99.2%</b> . . . . .			1,683,301,638
<b>Other Assets, less Liabilities 0.8%</b> . . . . .			<u>13,378,855</u>
<b>Net Assets 100.0%</b> . . . . .			<u>\$1,696,680,493</u>

See Abbreviations on page 56.

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

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

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

## Statements of Assets and Liabilities

December 31, 2019

	Foreign Smaller Companies Series	Global Equity Series
<b>Assets:</b>		
Investments in securities:		
Cost - Unaffiliated issuers . . . . .	\$581,246,997	\$ 9,072,349
Cost - Non-controlled affiliates (Note 3d) . . . . .	1,722,366	—
Value - Unaffiliated issuers <sup>†</sup> . . . . .	\$786,626,072	\$11,123,622
Value - Non-controlled affiliates (Note 3d) . . . . .	1,722,366	—
Cash . . . . .	10,753	221,937
Foreign currency, at value (cost \$13,225 and \$—, respectively) . . . . .	13,351	—
Receivables:		
Investment securities sold . . . . .	16,301,104	—
Capital shares sold . . . . .	208,205	—
Dividends . . . . .	2,355,111	449,037
European Union tax reclaims . . . . .	856,312	48,600
Affiliates . . . . .	—	24,382
Other assets . . . . .	100	30
<b>Total assets . . . . .</b>	<b>808,093,374</b>	<b>11,867,608</b>
<b>Liabilities:</b>		
Payables:		
Investment securities purchased . . . . .	113,442	—
Capital shares redeemed . . . . .	22,487,085	529
Management fees . . . . .	640,054	—
Transfer agent fees . . . . .	17,688	359
Custodian fees . . . . .	54,662	3,402
Professional fees . . . . .	59,728	49,548
Payable upon return of securities loaned . . . . .	1,722,366	—
Accrued expenses and other liabilities . . . . .	27,709	6,103
<b>Total liabilities . . . . .</b>	<b>25,122,734</b>	<b>59,941</b>
<b>Net assets, at value . . . . .</b>	<b>\$782,970,640</b>	<b>\$11,807,667</b>
Net assets consist of:		
Paid-in capital . . . . .	\$593,263,744	\$ 5,383,711
Total distributable earnings (losses) . . . . .	189,706,896	6,423,956
<b>Net assets, at value . . . . .</b>	<b>\$782,970,640</b>	<b>\$11,807,667</b>
Shares outstanding . . . . .	36,587,719	1,451,264
<b>Net asset value per share . . . . .</b>	<b>\$21.40</b>	<b>\$8.14</b>

\*Includes securities loaned . . . . . \$ 1,673,840 \$ —

## Statements of Assets and Liabilities (continued)

December 31, 2019

	<b>International Equity Series</b>
<b>Assets:</b>	
Investments in securities:	
Cost - Unaffiliated issuers . . . . .	\$1,289,888,528
Cost - Non-controlled affiliates (Note 3d) . . . . .	47,789,147
Value - Unaffiliated issuers . . . . .	\$1,635,512,491
Value - Non-controlled affiliates (Note 3d) . . . . .	47,789,147
Receivables:	
Investment securities sold . . . . .	3,937,741
Capital shares sold . . . . .	553,776
Dividends . . . . .	12,803,993
European Union tax reclaims . . . . .	7,131,032
Other assets . . . . .	355
<b>Total assets</b> . . . . .	<b>1,707,728,535</b>
<b>Liabilities:</b>	
Payables:	
Investment securities purchased . . . . .	7,696,393
Capital shares redeemed . . . . .	1,864,688
Management fees . . . . .	1,133,015
Transfer agent fees . . . . .	53,747
Custodian fees . . . . .	97,724
Professional fees . . . . .	67,380
Accrued expenses and other liabilities . . . . .	135,095
<b>Total liabilities</b> . . . . .	<b>11,048,042</b>
<b>Net assets, at value</b> . . . . .	<b>\$1,696,680,493</b>
Net assets consist of:	
Paid-in capital . . . . .	\$1,341,529,849
Total distributable earnings (losses) . . . . .	355,150,644
<b>Net assets, at value</b> . . . . .	<b>\$1,696,680,493</b>
<b>Primary Shares:</b>	
Net assets, at value . . . . .	\$1,695,980,452
Shares outstanding . . . . .	109,129,269
Net asset value per share . . . . .	\$15.54
<b>Service Shares:</b>	
Net assets, at value . . . . .	\$ 700,041
Shares outstanding . . . . .	44,327
Net asset value per share . . . . .	\$15.79



## Statements of Operations

for the year ended December 31, 2019

	Foreign Smaller Companies Series	Global Equity Series
Investment income:		
Dividends: (net of foreign taxes)*		
Unaffiliated issuers . . . . .	\$ 18,580,945	\$ 6,579,935
Interest: (net of foreign taxes)~		
Unaffiliated issuers . . . . .	751,297	112,673
Income from securities loaned:		
Unaffiliated issuers (net of fees and rebates) . . . . .	351,449	—
Non-controlled affiliates (Note 3d) . . . . .	237,044	816
Other income (Note 1d) . . . . .	134,739	—
Total investment income . . . . .	20,055,474	6,693,424
Expenses:		
Management fees (Note 3a) . . . . .	7,602,298	1,459,312
Transfer agent fees (Note 3c) . . . . .	214,438	39,860
Custodian fees (Note 4) . . . . .	114,247	46,234
Reports to shareholders . . . . .	32,280	7,480
Registration and filing fees . . . . .	38,892	26,741
Professional fees . . . . .	100,954	86,200
Trustees' fees and expenses . . . . .	66,406	18,121
Other . . . . .	33,010	11,245
Total expenses . . . . .	8,202,525	1,695,193
Expenses waived/paid by affiliates (Note 3d and 3e) . . . . .	(42,724)	(35,892)
Net expenses . . . . .	8,159,801	1,659,301
Net investment income . . . . .	11,895,673	5,034,123
Realized and unrealized gains (losses):		
Net realized gain (loss) from:		
Investments:#		
Unaffiliated issuers . . . . .	2,984,277	3,554,923
Foreign currency transactions . . . . .	135,790	(110,532)
Net realized gain (loss) . . . . .	3,120,067	3,444,391
Net change in unrealized appreciation (depreciation) on:		
Investments:		
Unaffiliated issuers . . . . .	149,743,394	12,337,368
Translation of other assets and liabilities denominated in foreign currencies . . . . .	(89,126)	331
Net change in unrealized appreciation (depreciation) . . . . .	149,654,268	12,337,699
Net realized and unrealized gain (loss) . . . . .	152,774,335	15,782,090
Net increase (decrease) in net assets resulting from operations . . . . .	\$164,670,008	\$20,816,213

*Foreign taxes withheld on dividends . . . . .	\$ 2,026,598	\$ 555,797
~Foreign taxes withheld on interest . . . . .	\$ —	\$ 4,869
#Net of foreign taxes . . . . .	\$ —	\$ 6

## Statements of Operations (continued)

for the year ended December 31, 2019

	<b>International Equity Series</b>
Investment income:	
Dividends: (net of foreign taxes)*	
Unaffiliated issuers . . . . .	\$117,552,798
Non-controlled affiliates (Note 3d) . . . . .	498,910
Interest: (net of foreign taxes)	
Unaffiliated issuers . . . . .	109,340
Income from securities loaned:	
Non-controlled affiliates (Note 3d) . . . . .	32,420
Total investment income . . . . .	<u>118,193,468</u>
Expenses:	
Management fees (Note 3a) . . . . .	18,255,262
Transfer agent fees: (Note 3c)	
Primary Shares . . . . .	602,112
Service Shares . . . . .	882
Sub-transfer agent fees - Service Shares (Note 3c) . . . . .	6,828
Custodian fees (Note 4) . . . . .	269,134
Reports to shareholders . . . . .	34,826
Registration and filing fees . . . . .	71,264
Professional fees . . . . .	149,435
Trustees' fees and expenses . . . . .	220,069
Other . . . . .	57,116
Total expenses . . . . .	19,666,928
Expenses waived/paid by affiliates (Note 3d and 3e) . . . . .	(103,207)
Net expenses . . . . .	<u>19,563,721</u>
Net investment income . . . . .	<u>98,629,747</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:#,+	
Unaffiliated issuers . . . . .	110,471,369
Foreign currency transactions . . . . .	(1,965,691)
Net realized gain (loss) . . . . .	<u>108,505,678</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers . . . . .	43,255,279
Translation of other assets and liabilities denominated in foreign currencies . . . . .	(463,514)
Net change in unrealized appreciation (depreciation) . . . . .	<u>42,791,765</u>
Net realized and unrealized gain (loss) . . . . .	<u>151,297,443</u>
Net increase (decrease) in net assets resulting from operations . . . . .	<u>\$249,927,190</u>

\*Foreign taxes withheld on dividends . . . . . \$ 9,256,684

#Net of foreign taxes . . . . . \$ 6,337

+Includes gains from a redemption in-kind (Note 11) . . . . . \$ 5,298,021

## Statements of Changes in Net Assets

	Foreign Smaller Companies Series		Global Equity Series	
	Year Ended December 31,		Year Ended December 31,	
	2019	2018	2019	2018
Increase (decrease) in net assets:				
Operations:				
Net investment income . . . . .	\$ 11,895,673	\$ 14,872,890	\$ 5,034,123	\$ 4,628,352
Net realized gain (loss) . . . . .	3,120,067	76,115,950	3,444,391	42,517,869
Net change in unrealized appreciation (depreciation) . . . . .	149,654,268	(270,897,599)	12,337,699	(89,416,723)
Net increase (decrease) in net assets resulting from operations . . . . .	164,670,008	(179,908,759)	20,816,213	(42,270,502)
Distributions to shareholders . . . . .	(24,074,759)	(96,356,359)	(5,710,195)	(40,339,519)
Capital share transactions (Note 2) . . . . .	(97,200,893)	(24,338,362)	(246,698,371)	(1,005,433)
Net increase (decrease) in net assets . . . . .	43,394,356	(300,603,480)	(231,592,353)	(83,615,454)
Net assets:				
Beginning of year . . . . .	739,576,284	1,040,179,764	243,400,020	327,015,474
End of year . . . . .	\$782,970,640	\$ 739,576,284	\$ 11,807,667	\$243,400,020

Statements of Changes in Net Assets (continued)

	<b>International Equity Series</b>	
	<b>Year Ended December 31,</b>	
	<b>2019</b>	<b>2018</b>
Increase (decrease) in net assets:		
Operations:		
Net investment income . . . . .	\$ 98,629,747	\$ 76,660,603
Net realized gain (loss) . . . . .	108,505,678	565,956,288
Net change in unrealized appreciation (depreciation) . . . . .	42,791,765	(1,199,625,353)
Net increase (decrease) in net assets resulting from operations . . . . .	249,927,190	(557,008,462)
Distributions to shareholders:		
Primary Shares . . . . .	(110,720,036)	(637,173,060)
Service Shares . . . . .	(37,634)	(1,520,248)
Total distributions to shareholders . . . . .	(110,757,670)	(638,693,308)
Capital share transactions: (Note 2)		
Primary Shares . . . . .	(1,228,181,281)	(435,086,569)
Service Shares . . . . .	(4,991,010)	(5,186,724)
Total capital share transactions . . . . .	(1,233,172,291)	(440,273,293)
Net increase (decrease) in net assets . . . . .	(1,094,002,771)	(1,635,975,063)
Net assets:		
Beginning of year . . . . .	2,790,683,264	4,426,658,327
End of year . . . . .	\$ 1,696,680,493	\$ 2,790,683,264

# Notes to Financial Statements

## 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 three separate funds (Funds) and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). International Equity Series offers Primary 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 Funds' administrator has responsibility for oversight of valuation, 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 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, book values, 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. Occasionally, events occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. 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, the VC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of

## 1. Organization and Significant Accounting

### Policies (continued)

#### a. Financial Instrument Valuation (continued)

American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Funds. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

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 significant 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. Securities Lending

Certain or all Funds participate in an agency based securities lending program to earn additional income. The Fund receives cash collateral 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. The collateral 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. The Fund 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 Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower. At December 31, 2019, Global Equity Series and International Equity Series had no securities on loan.

#### d. 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). These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the European Union, as well as a number of related judicial proceedings. 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. 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 amounts of foreign taxes Fund shareholders can use as tax credits in their individual income tax returns.

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 December 31, 2019, 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.

**e. 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.

**f. 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.

**g. 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

## 1. Organization and Significant Accounting

### Policies (continued)

#### g. Guarantees and Indemnifications (continued)

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 December 31, 2019, there were an unlimited number of shares authorized (without par value). Transactions in the Funds' shares were as follows:

	Foreign Smaller Companies Series		Global Equity Series	
	Shares	Amount	Shares	Amount
Year ended December 31, 2019				
Shares sold . . . . .	8,611,598	\$ 170,364,115	376,208	\$ 3,083,790
Shares issued in reinvestment of distributions . . . . .	1,009,567	21,290,168	747,408	5,710,195
Shares redeemed . . . . .	(14,221,258)	(288,855,176)	(31,877,795)	(255,492,356)
Net increase (decrease) . . . . .	(4,600,093)	\$ (97,200,893)	(30,754,179)	\$(246,698,371)
Year ended December 31, 2018				
Shares sold . . . . .	6,842,715	\$ 162,910,674	85,559	\$ 876,948
Shares issued in reinvestment of distributions . . . . .	4,713,629	87,292,455	5,328,643	40,339,518
Shares redeemed . . . . .	(11,846,909)	(274,541,491)	(4,091,307)	(42,221,899)
Net increase (decrease) . . . . .	(290,565)	\$ (24,338,362)	1,322,895	\$ (1,005,433)

	International Equity Series	
	Shares	Amount
<b>Primary Shares:</b>		
Year ended December 31, 2019		
Shares sold . . . . .	18,050,479	\$ 283,546,929
Shares issued in reinvestment of distributions . . . . .	6,269,496	96,463,056
Shares redeemed in-kind (Note 11) . . . . .	(2,752,970)	(43,653,289)
Shares redeemed . . . . .	(99,738,674)	(1,564,537,977)
Net increase (decrease) . . . . .	(78,171,669)	\$(1,228,181,281)
Year ended December 31, 2018		
Shares sold . . . . .	15,662,166	\$ 325,319,078
Shares issued in reinvestment of distributions . . . . .	36,602,476	566,322,098
Shares redeemed in-kind (Note 11) . . . . .	(5,016,384)	(93,431,162)
Shares redeemed . . . . .	(60,570,466)	(1,233,296,583)
Net increase (decrease) . . . . .	(13,322,208)	\$ (435,086,569)



	International Equity Series	
	Shares	Amount
<b>Service Shares:</b>		
Year ended December 31, 2019		
Shares sold . . . . .	282,815	\$ 4,436,390
Shares issued in reinvestment of distributions . . . . .	2,411	37,634
Shares redeemed . . . . .	(599,915)	(9,465,034)
Net increase (decrease) . . . . .	(314,689)	\$ (4,991,010)
Year ended December 31, 2018		
Shares sold . . . . .	139,737	\$ 2,896,584
Shares issued in reinvestment of distributions . . . . .	93,866	1,508,078
Shares redeemed . . . . .	(516,313)	(9,591,386)
Net increase (decrease) . . . . .	(282,710)	\$ (5,186,724)

### 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 Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

#### a. Management Fees

Foreign Smaller Companies Series pays an investment management fee 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

### 3. Transactions with Affiliates (continued)

#### a. Management Fees (continued)

Global Equity Series pays an investment management fee to TIC based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.780%	Up to and including \$200 million
0.765%	Over \$200 million, up to and including \$700 million
0.730%	Over \$700 million, up to and including \$1 billion
0.715%	Over \$1 billion, up to and including \$1.2 billion
0.690%	Over \$1.2 billion, up to and including \$5 billion
0.675%	Over \$5 billion, up to and including \$10 billion
0.655%	Over \$10 billion, up to and including \$15 billion
0.635%	Over \$15 billion, up to and including \$20 billion
0.615%	Over \$20 billion, up to and including \$25 billion
0.605%	Over \$25 billion, up to and including \$30 billion
0.595%	Over \$30 billion, up to and including \$35 billion
0.585%	Over \$35 billion, up to and including \$40 billion
0.575%	Over \$40 billion, up to and including \$45 billion
0.565%	In excess of \$45 billion

International Equity Series pays an investment management fee 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 year ended December 31, 2019, each Fund's gross effective investment management fee rate based on average daily net assets was as follows:

Foreign Smaller Companies Series	Global Equity Series	International Equity Series
0.950%	0.780%	0.764%

#### 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. The fees are 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 year ended December 31, 2019, 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	Global Equity Series	International Equity Series
Transfer agent fees . . . . .	\$213,621	\$39,860	\$602,502

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.

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

Certain or all Funds invest in one or more affiliated management investment companies for purposes other than 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 year ended December 31, 2019, investments in affiliated management investment companies were as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
<b>Foreign Smaller Companies Series</b>								
<b>Non-Controlled Affiliates</b>								
								Income from securities loaned
Institutional Fiduciary Trust Money Market Portfolio, 1.26% . . . . .	\$19,099,595	\$ 76,344,564	\$ (93,721,793)	\$ —	\$ —	\$ 1,722,366	1,722,366	\$237,044
<b>Global Equity Series</b>								
<b>Non-Controlled Affiliates</b>								
								Income from securities loaned
Institutional Fiduciary Trust Money Market Portfolio, 1.26% . . . . .	\$ —	\$ 3,702,403	\$ (3,702,403)	\$ —	\$ —	\$ —	—	\$ 816
<b>International Equity Series</b>								
<b>Non-Controlled Affiliates</b>								
								Dividends
Institutional Fiduciary Trust Money Market Portfolio, 1.26% . . . . .	\$29,986,483	\$1,079,413,687	\$(1,061,611,023)	\$ —	\$ —	\$47,789,147	47,789,147	\$498,910

### 3. Transactions with Affiliates (continued)

#### d. Investments in Affiliated Management Investment Companies (continued)

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
<b>International Equity Series (continued)</b>								
<b>Non-Controlled Affiliates (continued)</b>								
								Income from securities loaned
Institutional Fiduciary Trust Money								
Market Portfolio, 1.26% . . . . .	\$ —	\$ 135,306,425	\$ (135,306,425)	\$ —	\$ —	\$ —	—	\$ 32,420
<b>Total Affiliated Securities . . . . .</b>	<b>\$29,986,483</b>	<b>\$1,214,720,112</b>	<b>\$(1,196,917,448)</b>	<b>\$ —</b>	<b>\$ —</b>	<b>\$47,789,147</b>		<b>\$531,330</b>

#### e. Waiver and Expense Reimbursements

Effective November 22, 2019, TIC has contractually agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by Global Equity Series so that the expenses (excluding acquired fund fees and expenses, and certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) of the Fund do not exceed 0.88%, based on the average net assets of the Fund until November 22, 2020. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

#### f. Interfund Transactions

Certain or all Funds engaged in purchases and sales of investments with funds or other accounts that have common investment managers (or affiliated investment managers), directors, trustees or officers. These purchases and sales for the year ended December 31, 2019, were as follows:

	Foreign Smaller Companies Series
Purchases . . . . .	\$6,611,935
Sales. . . . .	\$ —

### 4. Expense Offset Arrangement

The Funds have entered into an arrangement with their custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Funds' custodian expenses. During the year ended December 31, 2019, there were no credits earned.

### 5. Income Taxes

For tax purposes, the Funds may elect to defer any portion of a post-October capital loss or late-year ordinary loss to the first day of the following fiscal year. At December 31, 2019, Foreign Smaller Companies Series had post-October capital losses of \$11,045,868.

The tax character of distributions during the years ended December 31, 2019 and 2018, were as follows:

	Foreign Smaller Companies Series		Global Equity Series	
	2019	2018	2019	2018
Distributions paid from:				
Ordinary income . . . . .	\$ 13,764,473	\$ 7,955,394	\$ 621,639	\$ 8,061,699
Long term capital gain . . . . .	10,310,286	88,400,965	5,088,556	32,277,820
	<u>\$ 24,074,759</u>	<u>\$ 96,356,359</u>	<u>\$ 5,710,195</u>	<u>\$ 40,339,519</u>
	International Equity Series			
	2019	2018		
Distributions paid from:				
Ordinary income . . . . .	\$ 109,524,076	\$ 77,972,193		
Long term capital gain . . . . .	1,233,593	560,721,115		
	<u>\$ 110,757,669</u>	<u>\$ 638,693,308</u>		

At December 31, 2019, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

	Foreign Smaller Companies Series	Global Equity Series	International Equity Series
Cost of investments . . . . .	\$588,557,812	\$9,111,005	\$1,354,164,723
Unrealized appreciation . . . . .	\$237,930,770	\$2,229,372	\$ 397,761,385
Unrealized depreciation . . . . .	(38,140,144)	(216,755)	(68,624,470)
Net unrealized appreciation (depreciation) . . . . .	<u>\$199,790,626</u>	<u>\$2,012,617</u>	<u>\$ 329,136,915</u>
Distributable earnings:			
Undistributed ordinary income . . . . .	\$ 86,918	\$4,365,042	\$ 616,210
Undistributed long term capital gains . . . . .	—	—	18,350,738
Total distributable earnings . . . . .	<u>\$ 86,918</u>	<u>\$4,365,042</u>	<u>\$ 18,966,948</u>

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

The Funds utilized a tax accounting practice to treat a portion of the proceeds from capital shares redeemed as a distribution from net investment income and realized capital gains.

## 6. Investment Transactions

Purchases and sales of investments (excluding short term securities and in-kind transactions) for the year ended December 31, 2019, were as follows:

	Foreign Smaller Companies Series	Global Equity Series	International Equity Series
Purchases . . . . .	\$300,218,987	\$ 78,024,125	\$ 857,235,057
Sales. . . . .	\$406,510,164	\$317,909,201	\$2,117,454,989

At December 31, 2019, in connection with securities lending transactions, certain or all Funds loaned investments and received cash collateral as follows:

	Foreign Smaller Companies Series
<b>Securities lending transactions<sup>a</sup>:</b>	
Equity investments <sup>b</sup> . . . . .	\$1,722,366

<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.

## 7. Shareholder Concentrations

Global Equity Series has a concentration of shareholders holding a significant percentage of shares outstanding. Investment activities of these shareholders could have a material impact on the Fund. At December 31, 2019, there was one unaffiliated shareholder holding 91.3% of the Fund's outstanding shares.

Effective January 15, 2020, Global Equity Series processed a significant shareholder redemption, valued at \$10,835,612. Following this redemption, the Fund processed a significant subscription for Franklin Resources Inc., an affiliate of the Fund, who then owned 85.3% of the Fund's outstanding shares. Investment activities of this shareholder could have a material impact on the Fund

## 8. 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. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in securities in Europe. In addition, certain foreign securities may not be as liquid as U.S. securities.

## 9. Upcoming Liquidation

On February 25, 2020, the Board for Global Equity Series approved a proposal to liquidate the Fund. The Fund is scheduled to liquidate on or about April 24, 2020.

## 10. 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 billion (Global Credit Facility) which matured on February 7, 2020. 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. Effective February 7, 2020, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 5, 2021, for a total of \$2 billion.

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 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 year ended December 31, 2019, the Funds did not use the Global Credit Facility.

## 11. Redemption In-Kind

During the years ended December 31, 2019, and December 31, 2018, International Equity Series realized \$5,298,021 and \$7,694,963, respectively, of net gains resulting from redemptions in-kind in which a shareholder redeemed fund shares for cash and securities held by the Fund. Because such gains are not taxable to the Fund and are not distributed to remaining shareholders, they are reclassified from accumulated net realized gains to paid-in capital.

## 12. 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 December 31, 2019, in valuing the Funds' assets 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: <sup>a</sup>				
Equity Investments <sup>b</sup> . . . . .	\$ 750,726,072	\$ —	\$ —	\$ 750,726,072
Short Term Investments . . . . .	1,722,366	35,900,000	—	37,622,366
Total Investments in Securities . . . . .	\$ 752,448,438	\$ 35,900,000	\$ —	\$ 788,348,438

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

	Level 1	Level 2	Level 3	Total
<b>Global Equity Series</b>				
<b>Assets:</b>				
Investments in Securities: <sup>a</sup>				
Equity Investments . . . . .	\$ 11,123,622	\$ —	\$ —	\$ 11,123,622
<b>International Equity Series</b>				
<b>Assets:</b>				
Investments in Securities: <sup>a</sup>				
Equity Investments . . . . .	\$ 1,635,512,491	\$ —	\$ —	\$ 1,635,512,491
Short Term Investments . . . . .	47,789,147	—	—	47,789,147
Total Investments in Securities . . . . .	\$ 1,683,301,638	\$ —	\$ —	\$ 1,683,301,638

<sup>a</sup>For detailed categories, see the accompanying Statement of Investments.

<sup>b</sup>Includes common and preferred stocks, as well as other equity interests.

**13. 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 other than those already disclosed in the financial statements.

**Abbreviations**

**Selected Portfolio**

- ADR** American Depositary Receipt
- FHLB** Federal Home Loan Bank
- IDR** International Depositary Receipt



## Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Templeton Institutional Funds and Shareholders of Foreign Smaller Companies Series, Global Equity Series and International Equity Series

### ***Opinions on the Financial Statements***

We have audited the accompanying statements of assets and liabilities, including the statements of investments, of Foreign Smaller Companies Series, Global Equity Series and International Equity Series (the "Funds") as of December 31, 2019, the related statements of operations for the year ended December 31, 2019, the statements of changes in net assets for each of the two years in the period ended December 31, 2019, including the related notes, and the financial highlights for each of the five years in the period ended December 31, 2019 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Funds as of December 31, 2019, the results of each of their operations for the year then ended, the changes in each of their net assets for each of the two years in the period ended December 31, 2019 and each of the financial highlights for each of the five years in the period ended December 31, 2019 in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on the Funds' financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Funds in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2019 by correspondence with the custodian, transfer agent and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinions.

### ***Subsequent Events***

As discussed in Note 9 to the Financial Statements, on February 25, 2020, the Board of Trustees of the Templeton Institutional Funds approved a proposal to liquidate the Global Equity Series.

PricewaterhouseCoopers LLP

San Francisco, California

February 25, 2020

We have served as the auditor of one or more investment companies in the Franklin Templeton Group of Funds since 1948.

## Tax Information (unaudited)

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Funds hereby report the maximum amount allowable but no less than the following amounts as long term capital gain dividends for the fiscal year ended December 31, 2019:

<b>Foreign Smaller Companies Series</b>	<b>Global Equity Series</b>	<b>International Equity Series</b>
\$12,480,214	\$7,083,029	\$43,746,790

Under Section 871(k)(2)(C) of the Internal Revenue Code, the Funds hereby report the maximum amount allowable but no less than the following amounts as short term capital gain dividends for purposes of the tax imposed under Section 871(a)(1)(A) of the Internal Revenue Code for the fiscal year ended December 31, 2019:

<b>Foreign Smaller Companies Series</b>	<b>Global Equity Series</b>	<b>International Equity Series</b>
\$ —	\$125,496	\$ —

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Funds hereby report the following percentage amounts of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2019:

<b>Foreign Smaller Companies Series</b>	<b>Global Equity Series</b>	<b>International Equity Series</b>
0.00%	100.00%	0.00%

Under Section 854(b)(1)(B) of the Internal Revenue Code, the Funds hereby report the maximum amount allowable but no less than the following amounts as qualified dividends for purposes of the maximum rate under Section 1(h)(11) of the Internal Revenue Code for the fiscal year ended December 31, 2019:

<b>Foreign Smaller Companies Series</b>	<b>Global Equity Series</b>	<b>International Equity Series</b>
\$12,407,918	\$6,333,068	\$77,886,112

Distributions, including qualified dividend income, paid during calendar year 2019 will be reported to shareholders on Form 1099-DIV by mid-February 2020. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their individual income tax returns.

At December 31, 2019, more than 50% of the Funds' total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Funds on these investments. As shown in the table below, the Funds hereby report to shareholders the foreign source income and foreign taxes paid, pursuant to Section 853 of the Internal Revenue Code. This written statement will allow shareholders of record on December 19, 2019, to treat their proportionate share of foreign taxes paid by the Funds as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

The following table provides a detailed analysis of foreign tax paid, foreign source income, and foreign source qualified dividends as reported by the Funds to shareholders of record.

<b>Class</b>	<b>Foreign Tax Paid Per Share</b>	<b>Foreign Source Income Per Share</b>	<b>Foreign Source Qualified Dividends Per Share</b>
<b>Foreign Smaller Companies Series</b>			
Fund Shares . . . . .	\$0.0489	\$0.3685	\$0.2405
<b>Global Equity Series</b>			
Fund Shares . . . . .	\$0.3911	\$3.0528	\$2.5954

Class	Foreign Tax Paid Per Share	Foreign Source Income Per Share	Foreign Source Qualified Dividends Per Share
<b>International Equity Series</b>			
Primary Shares . . . . .	\$0.0885	\$1.0280	\$0.6314
Service Shares . . . . .	\$0.0885	\$0.8575	\$0.5267

Foreign Tax Paid Per Share is the amount per share available to you, as a tax credit (assuming you held your shares in the Fund for a minimum of 16 days during the 31-day period beginning 15 days before the ex-dividend date of the Fund's distribution to which the foreign taxes relate), or, as a tax deduction.

Foreign Source Income Per Share is the amount per share of income dividends attributable to foreign securities held by the Funds, plus any foreign taxes withheld on these dividends. The amounts reported include foreign source qualified dividends that have not been adjusted for the rate differential applicable to such dividend income.<sup>1</sup>

Foreign Source Qualified Dividends Per Share is the amount per share of foreign source qualified dividends, plus any foreign taxes withheld on these dividends. These amounts represent the portion of the Foreign Source Income reported to you in column 2 that were derived from qualified foreign securities held by the Funds.<sup>1</sup>

At the beginning of each calendar year, shareholders will receive Form 1099-DIV which will include their share of taxes paid and foreign source income distributed during the calendar year 2019. The Foreign Source Income reported on Form 1099-DIV has not been adjusted for the rate differential on foreign source qualified dividend income. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their 2019 individual income tax returns.

<sup>1</sup>Qualified dividends are taxed at reduced long term capital gains tax rates. In determining the amount of foreign tax credit that may be applied against the U.S. tax liability of individuals receiving foreign source qualified dividends, adjustments may be required to the foreign tax credit limitation calculation to reflect the rate differential applicable to such dividend income. The rules however permit certain individuals to elect not to apply the rate differential adjustments for capital gains and/or dividends for any taxable year. Please consult your tax advisor and the instructions to Form 1116 for more information.

## Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of U.S. registered portfolios overseen in the Franklin Templeton fund complex, are shown below. Generally, each board member serves until that person's successor is elected and qualified.

### Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Harris J. Ashton (1932)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 1992	132	Bar-S Foods (meat packing company) (1981-2010).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
<b>Ann Torre Bates (1958)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2008	33	Ares Capital Corporation (specialty finance company) (2010-present), United Natural Foods, Inc. (distributor of natural, organic and specialty foods) (2013-present), Allied Capital Corporation (financial services) (2003-2010), SLM Corporation (Sallie Mae) (1997-2014) and Navient Corporation (loan management, servicing and asset recovery) (2014-2016).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Executive Vice President and Chief Financial Officer, NHP Incorporated (manager of multifamily housing) (1995-1997); and Vice President and Treasurer, US Airways, Inc. (until 1995).				
<b>Mary C. Choksi (1950)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2016	132	Avis Budget Group Inc. (car rental) (2007-present), Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				

## Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Edith E. Holiday (1952)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Lead Independent Trustee	Trustee since 1996 and Lead Independent Trustee since 2007	132	Hess Corporation (exploration of oil and gas) (1993-present), Canadian National Railway (railroad) (2001-present), White Mountains Insurance Group, Ltd. (holding company) (2004-present), Santander Consumer USA Holdings, Inc. (consumer finance) (2016-present), RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director or Trustee of various companies and trusts; and <b>formerly</b> , Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988-1989).				
<b>J. Michael Luttig (1954)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2009	132	Boeing Capital Corporation (aircraft financing) (2006-2010).
<b>Principal Occupation During at Least the Past 5 Years:</b> Private investor; and <b>formerly</b> , Counselor and Senior Advisor to the Chairman, CEO, and Board of Directors, of The Boeing Company (aerospace company), and member of the Executive Council (May 2019-January 1, 2020); Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (2006-2019); and Federal Appeals Court Judge, United States Court of Appeals for the Fourth Circuit (1991-2006).				
<b>David W. Niemiec (1949)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2005	33	Hess Midstream LP (oil and gas midstream infrastructure) (2017-present).
<b>Principal Occupation During at Least the Past 5 Years:</b> Advisor, Saratoga Partners (private equity fund); and <b>formerly</b> , Managing Director, Saratoga Partners (1998-2001) and SBC Warburg Dillon Read (investment banking) (1997-1998); Vice Chairman, Dillon, Read & Co. Inc. (investment banking) (1991-1997); and Chief Financial Officer, Dillon, Read & Co. Inc. (1982-1997).				
<b>Larry D. Thompson (1945)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2005	132	The Southern Company (energy company) (2014-present; previously 2010-2012), Graham Holdings Company (education and media organization) (2011-present) and Cbeyond, Inc. (business communications provider) (2010-2012).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and <b>formerly</b> , Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President – Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).				

## Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Constantine D. Tseretopoulos</b> (1954) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 1990	21	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Physician, Chief of Staff, owner and operator of the Lyford Cay Hospital (1987-present); director of various nonprofit organizations; and <b>formerly</b> , Cardiology Fellow, University of Maryland (1985-1987); and Internal Medicine Resident, Greater Baltimore Medical Center (1982-1985).				
<b>Robert E. Wade</b> (1946) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2007	33	El Oro Ltd (investments) (2003-2019).
<b>Principal Occupation During at Least the Past 5 Years:</b> Attorney at law engaged in private practice as a sole practitioner (1972-2008) and member of various boards.				

## Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>**Gregory E. Johnson</b> (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	144	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Chairman of the Board, Member – Office of the Chairman, Director and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 39 of the investment companies in Franklin Templeton; Vice Chairman, Investment Company Institute; and <b>formerly</b> , President, Franklin Resources, Inc. (1994-2015).				
<b>**Rupert H. Johnson, Jr.</b> (1940) One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board, Trustee and Vice President	Chairman of the Board, Trustee since 2013 and Vice President since 1996	132	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 37 of the investment companies in Franklin Templeton.				
<b>Alan Bartlett</b> (1970) Lyford Cay Nassau, Bahamas	President and Chief Executive Officer – Investment Management	Since December 2019	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> President and Director, Templeton Global Advisors Limited; Chief Investment Officer of Templeton Global Equity Group; officer of five of the investment companies in Franklin Templeton; Chairman of the Board, Goodhart Partners; and <b>formerly</b> , Chief Executive Officer, Goodhart Partners (2009-2019).				

## Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Alison E. Baur (1964)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Deputy General Counsel, Franklin Templeton; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.				
<b>Breda M. Beckerle (1958)</b> 280 Park Avenue New York, NY 10017	Interim Chief Compliance Officer		Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Chief Compliance Officer, Fiduciary Investment Management International, Inc., Franklin Advisers, Inc., Franklin Advisory Services, LLC, Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Steven J. Gray (1955)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Matthew T. Hinkle (1971)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2017	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Vice President, Franklin Templeton Services, LLC; officer of 41 of the investment companies in Franklin Templeton ; and <b>formerly</b> , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017).				
<b>Robert G. Kubilis (1973)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since 2017	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Treasurer, U.S. Fund Administration & Reporting, Franklin Templeton; and officer of 15 of the investment companies in Franklin Templeton.				
<b>Robert Lim (1948)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President –AML Compliance	Since 2016	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Navid J. Tofigh (1972)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Associate General Counsel, Franklin Templeton; and officer of 41 of the investment companies in Franklin Templeton.				

## Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Craig S. Tyle (1960)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.				
<b>Lori A. Weber (1964)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President and Secretary	Vice President since 2011 and Secretary since 2013	Not Applicable	Not Applicable

**Principal Occupation During at Least the Past 5 Years:**  
Senior Associate General Counsel, Franklin Templeton; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 41 of the investment companies in Franklin Templeton.

\*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton fund complex. These portfolios have a common investment manager or affiliated investment managers.

\*\*Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director and major shareholder of Resources.

Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the US Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated each of Ann Torre Bates and David W. Niemiec as an audit committee financial expert. The Board believes that Ms. Bates and Mr. Niemiec qualify as such an expert in view of their extensive business background and experience. Ms. Bates has served as a member of the Fund Audit Committee since 2008. She currently serves as a director of Ares Capital Corporation (2010-present) and United Natural Foods, Inc. (2013-present) and was formerly a director of Navient Corporation from 2014 to 2016, SLM Corporation from 1997 to 2014 and Allied Capital Corporation from 2003 to 2010, Executive Vice President and Chief Financial Officer of NHP Incorporated from 1995 to 1997 and Vice President and Treasurer of US Airways, Inc. until 1995. Mr. Niemiec has served as a member of the Fund Audit Committee since 2005, currently serves as an Advisor to Saratoga Partners and was formerly its Managing Director from 1998 to 2001 and serves as a director of Hess Midstream LP (2017-present). Mr. Niemiec was formerly a director of Emeritus Corporation from 1999 to 2010 and OSI Pharmaceuticals, Inc. from 2006 to 2010, Managing Director of SBC Warburg Dillon Read from 1997 to 1998, and was Vice Chairman from 1991 to 1997 and Chief Financial Officer from 1982 to 1997 of Dillon, Read & Co. Inc. As a result of such background and experience, the Board believes that Ms. Bates and Mr. Niemiec have each acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Ms. Bates and Mr. Niemiec are independent Board members as that term is defined under the applicable US Securities and Exchange Commission Rules and Releases.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) DIAL BEN/342-5236 to request the SAI.



## Shareholder Information

### Proxy Voting Policies and Procedures

The Funds' investment manager has established Proxy Voting Policies and Procedures (Policies) that the Funds use to determine how to vote proxies relating to portfolio securities. Shareholders may view the Funds' 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 Funds' 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 June 30.

### Quarterly Statement of Investments

The Trust files a complete statement 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 each Fund's financial reports every six months as well as an annual updated summary prospectus (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 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.

This page intentionally left blank.

This page intentionally left blank.

This page intentionally left blank.

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.



**Annual Report**  
**Templeton Institutional Funds**

**Investment Manager**  
Templeton Investment  
Counsel, LLC

**Distributor**  
Franklin Templeton Distributors, Inc.

**Shareholder Services**  
(800) 321-8563  
[ftinstitutional.com](http://ftinstitutional.com)