

ANNUAL REPORT AND SHAREHOLDER LETTER

TEMPLETON GLOBAL SMALLER COMPANIES FUND

August 31, 2020

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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) 632-2301 or by

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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) 632-2301 to let the Fund know of your request. Your election to receive reports in paper will apply to all funds held in your account.

SHAREHOLDER LETTER

Dear Shareholder:

During the 12 months ended August 31, 2020, global economic growth weakened significantly as a result of the

new coronavirus (COVID-19) pandemic and subsequent economic lockdowns imposed by many governments around the world. Global stocks advanced during the period, however, as a result of gains prior to the pandemic combined

with increased investor confidence later in the period as many economies began to reopen. Many central banks took significant actions to bolster economic growth during the period. The U.S. Federal Reserve cut the federal funds

target rate range four times to 0.00%–0.25% and initiated massive quantitative easing measures. The European Central Bank left its key interest rate unchanged but lowered the deposit rate, resumed buying bonds and announced an

emergency asset purchase plan. In this environment, small capitalization stocks in global developed and emerging markets posted slightly negative returns, as measured by the MSCI All Country World Index Small Cap Index.

We are committed to our long-term perspective and disciplined investment approach as we conduct a rigorous, fundamental analysis of securities with a regular emphasis

on investment risk management.

Historically, patient investors have achieved rewarding results by evaluating their goals, diversifying their assets globally and maintaining a disciplined investment program, all hallmarks of the Templeton investment philosophy. We continue to recommend investors consult their financial advisors and review their portfolios to design a long-term

strategy and portfolio allocation that meet their individual needs, goals and risk tolerance.

Templeton Global Smaller Companies Fund's annual report includes more detail about prevailing conditions and a

discussion about investment decisions during the period. Please remember, all securities markets fluctuate, as do mutual fund share prices.

We thank you for investing with Franklin Templeton, welcome your questions and comments, and look forward to serving your investment needs in the years ahead.

Sincerely,

Alan Bartlett
Chief Investment Officer
Templeton Equity Group

This letter reflects our analysis and opinions as of August 31, 2020, unless otherwise indicated. The information is not a complete analysis of every aspect of any market,

state, industry, security or fund. Statements of fact are from sources considered reliable.

Not FDIC Insured May Lose Value No Bank Guarantee

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access your account, or to find helpful financial
planning tools.

ANNUAL REPORT

Templeton Global Smaller Companies Fund

This annual report for Templeton Global Smaller Companies Fund covers the fiscal year ended August 31, 2020.

Your Fund's Goals and Main Investments

The Fund seeks to achieve long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in equity securities of smaller companies located anywhere in the world. For this Fund, smaller

companies are companies with market capitalizations not exceeding the lesser of the highest float-adjusted market capitalization in the Fund's benchmark, the MSCI All Country World Index (ACWI) Small Cap Index, or \$10 billion, at

the time of purchase. The Fund may invest a significant amount of its assets in the securities of companies located in emerging markets, will invest its assets in issuers located in at least three different countries (including the U.S.) and will invest at least 40% of its net assets in foreign securities.

Performance Overview

For the 12 months under review, the Fund's Class A shares posted a +8.08% cumulative total return. In comparison, the MSCI ACWI Small Cap Index, which measures performance of small capitalization companies in global developed

and emerging markets, posted a +8.08% total return.¹ 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 franklintempleton.com or call (800) 342-5236.

Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI All Country World Index, advanced during the 12-month period. Stocks gained for the first four months of the reporting period but fell sharply in early 2020 amid investor fears of a global economic slowdown

Geographic Composition
8/31/20

	% of Total Net Assets
North America	34.5%
Europe	31.5%
Asia	26.6%
Latin America & Caribbean	3.3%
Short-Term Investments & Other Net Assets	4.1%

due to the novel coronavirus (COVID-19) pandemic. Such fears drove many investors to sell equities and buy government bonds, cash and other investments perceived as safe. During the last five months of the period, global equities rebounded due to optimism about easing lockdown restrictions, vaccine development and government stimulus measures. Despite a second wave of infections and reintroduction of restrictions, as well as renewed tensions between the U.S. and China, positive investor sentiment and economic stimulus led global markets higher.

In the U.S., a strong labor market and solid consumer spending drove economic growth through February 2020. However, pandemic-related restrictions caused stiff headwinds for the economy, including mass layoffs that drove the unemployment rate to 14.7% in April.² According to the National Bureau of Economic Research, the longest U.S. economic expansion in history ended in February 2020, and the country slipped into a deep recession. Equities began to rebound in the spring amid declining jobless claims, rising retail sales and optimism about treatments and potential vaccines for COVID-19. Despite surging summer infection rates and dampened economic activity, which caused the second-quarter gross domestic product to decline at a record pace, resilient consumer spending in July and optimism

1. Source: Morningstar.
The index is managed and includes reinvestment of dividends and distributions. It does not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index does not represent the performance of the Fund.
2. U.S. Bureau of Labor Statistics.
See www.franklintempleton.com/data/sources 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 14.

TEMPLETON GLOBAL SMALLER COMPANIES FUND

about an economic rebound led equities higher. However, gains were concentrated in only a few sectors, including consumer staples, health care and information technology.

The U.S. Federal Reserve (Fed) lowered the federal funds target rate twice in late 2019 to a range of 1.50%–1.75% and implemented two emergency rate cuts in March 2020, decreasing the rate to a range of 0.00%–0.25%. The Fed also enacted sweeping quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with unlimited amounts of bond purchasing. At the end of the period, the Fed announced a shift in inflation policy that near-term interest rates will potentially remain low, even amid low unemployment and rising inflation.

In the eurozone, forecasts of a significant contraction in 2020 mounted as the magnitude of the pandemic's economic disruption became apparent. Nevertheless, European developed market equities, as measured by the MSCI Europe Index, advanced as some social distancing restrictions were removed and robust fiscal stimulus measures led to a significant rebound from the March 2020 lows.

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index, also advanced. Generally slow yet stable economic growth and easing trade tensions between the U.S. and China benefited the region, until the pandemic and lockdowns in China and other countries derailed economic growth. Sharp market declines were followed by a rebound, as economies reopened, aided by robust stimulus measures and many health care companies' continued development of COVID-19 vaccines and treatments.

Emerging market stocks, as measured by the MSCI Emerging Markets Index, also advanced for the 12-month period despite steep pandemic-related declines, generally weaker currencies and lower energy prices, which hurt emerging market economies reliant on these exports. During the last five months of the reporting period, however, improving economic activity, higher oil prices and U.S. dollar weakness led emerging markets stocks to post strong gains, reversing earlier losses.

Investment Strategy

When choosing equity investments for the Fund, 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 by the investment manager 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 the company's price earnings ratio, profit margins and liquidation value. We may consider selling a security when we believe the security has become overvalued due to either its price appreciation or changes in the company's fundamentals, when we believe that the market capitalization of a security has become too large, or when we believe another security is a more attractive investment opportunity.

Manager's Discussion

Several holdings contributed to absolute performance during the period under review. U.S.-based Freshpet is an innovator in the North American pet food industry, with refrigerated units at the end of pet supply aisles offering fresh, protein-based and processed-free food offerings for cats and dogs. A growing retail presence and quality improvements in its refrigerators over the last several years led to strong operating and share-price performance during the period under review.

Hong Kong-based Techtronic Industries is a leading global power tools company. Shares were up on strong financial results during the period, as the company recovered quickly from COVID-19 related weakness. Looking ahead, we see strengthened prospects in the long term, including further market share gains in the cordless space and penetration into the light-equipment market.

Top 10 Holdings

8/31/20

Company Industry, Country	% of Total Net Assets
Dometic Group AB Auto Components, Sweden	2.1%
Thule Group AB Leisure Products, Sweden	2.0%
Techtronic Industries Co. Ltd.	2.0%
Machinery, Hong Kong Logitech International SA Technology Hardware, Storage & Peripherals, Switzerland	2.0%
Interpump Group SpA	2.0%
Machinery, Italy Huntalaki OYJ Containers & Packaging, Finland	2.0%
Freshpet, Inc. Food Products, United States	1.9%
Coverite Holdings Inc. Packaging, United States	1.9%
Alamo Group, Inc. Machinery, United States	1.9%
Columbia Sportswear Co. Textiles, Apparel & Luxury Goods, United States	1.8%

Logitech International is a Switzerland-based computer peripherals manufacturer. The stock has done well as demand for the company's products—many of which help facilitate remote working—has increased during the pandemic. In May, management announced a dividend increase and substantial share buyback plan, and numerous Wall Street analysts upgraded their price targets. Shares then rallied at the end of the period after the company beat June quarter earnings estimates and upgraded its full-year operating income forecast. In our view, Logitech remains a well-managed company with a strong balance sheet, diverse product portfolio and dynamic growth strategy in a number of interesting product segments.

Turning to detractors, Bahamas-based OneSpaWorld Holdings operates spas on cruise ships. The company has a dominant market share in outsourced maritime health and wellness, is larger than its next biggest competitor by an order of magnitudes, and has been a share gainer over time. The logistics required to staff cruise ship spas on a global basis makes the business very difficult to replicate, an advantage we see strengthening once the cruise industry is able to recover from the global pandemic. Shares declined on coronavirus fears and the subsequent impact on travel-related industries. To bolster its financial flexibility, the company has been repatriating substantially all of its cruise ship staff. The company has also furloughed nearly all of its land-based spa staff in the U.S. and Caribbean, while eliminating all non-essential operating and capital expenditures.

DCB Bank is a leading India-based commercial bank. Its shares declined during the period on a disappointing profit report and we exited the position in favor of more attractive long-term opportunities.

Belgium-based Barco is a market leader in cinema projection, wireless meeting-room technology and displays for health care. Shares declined on a fall in reported profits during the period. We believe its upcoming project or upgrade 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, with clear potential for further growth.

It is important to recognize the effect of currency movements on the Fund's performance. In general, if the value of the U.S. dollar goes up compared with a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer U.S. dollars. This can have a negative effect on Fund performance. Conversely, CFA® is a trademark owned by CFA Institute.

when the U.S. dollar weakens in relation to a foreign currency, an investment traded in that foreign currency will increase in value, which can contribute to Fund performance. For the 12 months ended August 31, 2020, the U.S. dollar declined in value relative to many currencies in which the Fund's investments were traded. As a result, the Fund's performance was positively affected by the portfolio's substantial investment in securities with non-U.S. currency exposure. However, one cannot expect the same result in future periods.

Top 10 Countries

	% of Total Net Assets
United States	31.7%
Japan	13.0%
Taiwan	8.2%
Switzerland	6.8%
Sweden	5.0%
Italy	4.7%
Germany	4.5%
Hong Kong	3.4%
United Kingdom	3.2%
Canada	2.8%

Thank you for your continued participation in Templeton Global Smaller Companies Fund. We look forward to serving your future investment needs.

Harlan B. Hodes
David A. Tuttle, CFA
Portfolio Management Team

The foregoing information reflects our analysis, opinions and portfolio holdings as of August 31, 2020, 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, state, 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.

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Performance Summary as of August 31, 2020

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 8/31/20

Cumulative total return excludes sales charges. Average annual total return includes maximum sales charges. Sales charges will vary depending on the size of the investment and the class of share purchased. The maximum is 5.50% and the minimum is 0%. **Class A:** 5.50% maximum initial sales charge; **Advisor Class:** no sales charges. For other share classes, visit

franklintempleton.com.

Share Class	Cumulative Total Return ¹	Average Annual Total Return ²
³		
A 1-Year	+8.08%	+2.18%
5-Year	+29.44%	+4.12%
10-Year	+85.39%	+5.77%
Advisor		
1-Year	+8.32%	+8.32%
5-Year	+31.03%	+5.55%
10-Year	+90.18%	+6.64%

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 franklintempleton.com or call (800) 342-5236.

See page 8 for PerformanceSummaryfootnotes.

TEMPLETONGLOBAL SMALLER COMPANIES FUND
PERFORMANCE SUMMARY**Total Return Index Comparison for a Hypothetical \$10,000 Investment**

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.

Class A (9/1/10–8/31/20)

Advisor

Class (9/1/10–8/31/20)

See page 8 for Performance Summary footnotes.

TEMPLETON GLOBAL SMALLER COMPANIES FUND
PERFORMANCE SUMMARY

Distributions (9/1/19–8/31/20)

Share Class	Net Investment Income	Long-Term Capital Gain	Total
A	\$0.0874	\$0.1213	\$0.2087
C	\$0.0269	\$0.1213	\$0.1482
R6	\$0.1116	\$0.1213	\$0.2329
Advisor	\$0.1029	\$0.1213	\$0.2242

Total Annual Operating Expenses⁵

Share Class	
A	1.34%
Advisor	1.09%

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. 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. In addition, smaller company stocks have historically exhibited greater price volatility than larger company stocks, particularly over the short term. The markets for particular securities or types of securities are or may become relatively illiquid. Reduced liquidity will have an adverse impact on the security's value and on the Fund's ability to sell these securities when necessary to meet the Fund's liquidity needs or in response to a specific market event. 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. Unexpected events and their aftermaths, such as the spread of deadly diseases; natural, environmental or man-made disasters; financial, political or social disruptions; terrorism and war; and other tragedies or catastrophes, can cause investor fear and panic, which can adversely affect the economies of many companies, sectors, nations, regions and the market in general, in ways that cannot necessarily be foreseen. The Fund's prospectus also includes a description of the main investment risks.

1. Cumulative total return represents the change in value of an investment over the periods indicated.
2. 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.
3. Prior to 9/10/18 these shares were offered at a higher initial sales charge of 5.75%, thus actual returns (with sales charges) would have differed. Average annual total returns (with sales charges) have been restated to reflect the current maximum initial sales charge of 5.50%.
4. Source: Morningstar. The MSCI ACWI 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.
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.franklintempleton.com/data-sources 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; and (2) ongoing Fund costs, including management fees, distribution and service (12b-1) fees, 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 ÷ \$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 x \$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 3/1/20	Actual (actual return after expenses)			Hypothetical (5% annual return before expenses)			Net Annualized Expense Ratio ²
		Ending Account Value 8/31/20	Expenses Paid During Period 3/1/20–8/31/20 ^{1,2}		Ending Account Value 8/31/20	Expenses Paid During Period 3/1/20–8/31/20 ^{1,2}		
A	\$1,000	\$1,097.50	\$71.46		\$1,017.97	\$71.23		2.48%
R6	\$1,000	\$1,083.50	\$5.19		\$1,020.16	\$5.03		0.99%
Advisor	\$1,000	\$1,083.40	\$6.17		\$1,019.22	\$5.98		1.18%

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 184/366 to reflect the one-half year period.
2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

TEMPLETON GLOBAL SMALLER COMPANIES FUND

Financial Highlights

	Year Ended August 31,				
^a	2020	2019	2018	2017	2016
Class A					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$8.66	\$10.39	\$9.92	\$8.63	\$8.32
Income from investment operations ^b :					
Net investment income ^b	0.04	0.08	0.07	0.06	0.04
Net realized and unrealized gains (losses)	0.67	(1.09)	0.86	1.29	0.29
Total from investment operations	0.71	(1.01)	0.93	1.35	0.33
Less distributions from:					
Net investment income	(0.09)	(0.07)	(0.07)	(0.03)	(0.02)
Net realized gains	(0.12)	(0.65)	(0.39)	(0.03)	—
Total distributions	(0.21)	(0.72)	(0.46)	(0.06)	(0.02)
Net asset value, end of year	\$9.16	\$8.66	\$10.39	\$9.92	\$8.63
Total return ^c	8.08%	(8.86)%	9.23%	15.73%	3.95%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.38%	1.33%	1.33%	1.40%	1.42%
Expenses net of waiver and payments by affiliates	1.38% ^d	1.33% ^d	1.33% ^{d,e}	1.39% ^e	1.41%
Net investment income	0.45%	0.87%	0.72%	0.65%	0.47%
Supplemental data					
Net assets, end of year (000's)	\$921,018	\$998,891	\$1,177,880	\$1,049,481	\$1,020,120
Portfolio turnover rate	16.81%	18.87%	32.61%	23.49%	28.73%

^aThe 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.

^bBased on average daily shares outstanding.

^cTotal return does not reflect sales commission or contingent deferred sales charges, if applicable.

^dBenefit of waiver and payments by affiliates rounds to less than 0.01%.

^eBenefit of expense reduction rounds to less than 0.01%.

TEMPLETON GLOBAL SMALLER COMPANIES FUND
FINANCIAL HIGHLIGHTS

	Year Ended August 31,				
a	2020	2019	2018	2017	2016
Class C					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$8.15	\$9.82	\$9.41	\$8.22	\$7.97
Income from investment operations ^a :					
Net investment income (loss) ^b	(0.03)	0.01	(—) ^c	(0.01)	(0.02)
Net realized and unrealized gains (losses)	0.63	(1.03)	0.80	1.23	0.27
Total from investment operations	0.60	(1.02)	0.80	1.22	0.25
Less distributions from:					
Net investment income	(0.03)	—	—	—	—
Net realized gains	(0.12)	(0.65)	(0.39)	(0.03)	—
Total distributions	(0.15)	(0.65)	(0.39)	(0.03)	—
Net asset value, end of year	\$8.60	\$8.15	\$9.82	\$9.41	\$8.22
Total return ^d	7.25%	(9.60)%	8.39%	14.88%	3.14%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	2.13%	2.08%	2.08%	2.15%	2.17%
Expenses net of waiver and payments by affiliates	2.13% ^e	2.08% ^e	2.08% ^{e,f}	2.14% ^f	2.16%
Net investment income (loss)	(0.32)%	0.12%	(0.03)%	(0.10)%	(0.28)%
Supplemental data					
Net assets, end of year (000's)	\$11,509	\$17,373	\$38,345	\$30,579	\$33,802
Portfolio turnover rate	16.81%	18.87%	32.61%	23.49%	28.73%

^aThe 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

redemptions of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^bBased on average daily shares outstanding.

^cAmount rounds to less than \$0.01 per share.

^dTotal return does not reflect sales commission or contingent deferred sales charges, if applicable.

^eBenefit of waiver and payments by affiliates rounds to less than 0.01%.

^fBenefit of expense reduction rounds to less than 0.01%.

TEMPLETON GLOBAL SMALLER COMPANIES FUND
FINANCIAL HIGHLIGHTS

	Year Ended August 31,				
a	2020	2019	2018	2017	2016
Class R6					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$8.69	\$10.44	\$9.97	\$8.68	\$8.37
Income from investment operations ^a :					
Net investment income ^b	0.07	0.11	0.13	0.10	0.08
Net realized and unrealized gains (losses)	0.69	(1.10)	0.84	1.29	0.28
Total from investment operations	0.76	(0.99)	0.97	1.39	0.36
Less distributions from:					
Net investment income	(0.11)	(0.11)	(0.11)	(0.07)	(0.05)
Net realized gains	(0.12)	(0.65)	(0.39)	(0.03)	—
Total distributions	(0.23)	(0.76)	(0.50)	(0.10)	(0.05)
Net asset value, end of year	\$9.22	\$8.69	\$10.44	\$9.97	\$8.68
Total return	8.55%	(8.57)%	9.65%	16.18%	4.42%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.00%	0.97%	0.95%	0.96%	0.95%
Expenses net of waiver and payments by affiliates	0.98%	0.96%	0.94% ^c	0.93% ^c	0.94%
Net investment income	0.84%	1.24%	1.11%	1.11%	0.94%
Supplemental data					
Net assets, end of year (000's)	\$78,551	\$85,377	\$101,384	\$22,318	\$20,690
Portfolio turnover rate	16.81%	18.87%	32.61%	23.49%	28.73%

^aThe 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.

^bBased on averaged daily shares outstanding.

^cBenefit of expense reduction rounds to less than 0.01%.

TEMPLETON GLOBAL SMALLER COMPANIES FUND
FINANCIAL HIGHLIGHTS

a	Year Ended August 31,				
	2020	2019	2018	2017	2016
Advisor Class					
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$8.71	\$10.45	\$9.97	\$8.67	\$8.36
Income from investment operations ^a :					
Net investment income ^b	0.06	0.10	0.09	0.09	0.06
Net realized and unrealized gains (losses)	0.68	(1.09)	0.85	1.30	0.29
Total from investment operations	0.74	(0.99)	0.94	1.39	0.35
Less distributions from:					
Net investment income	(0.10)	(0.10)	(0.07)	(0.06)	(0.04)
Net realized gains	(0.12)	(0.65)	(0.39)	(0.03)	—
Total distributions	(0.22)	(0.75)	(0.46)	(0.09)	(0.04)
Net asset value, end of year	\$9.23	\$8.71	\$10.45	\$9.97	\$8.67
Total return	8.32%	(8.60)%	9.50%	16.02%	4.18%
Ratios to average net assets					
Expenses before waiver and payments by affiliates	1.13%	1.08%	1.08%	1.15%	1.17%
Expenses net of waiver and payments by affiliates	1.13% ^c	1.08% ^c	1.08% ^{c,d}	1.14% ^c	1.16%
Net investment income	0.68%	1.12%	0.97%	0.90%	0.72%
Supplemental data					
Net assets, end of year (000's)	\$47,466	\$57,452	\$81,450	\$108,279	\$50,213
Portfolio turnover rate	16.81%	18.87%	32.61%	23.49%	28.73%

^aThe 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.
^bBased on averaged daily shares outstanding.

^cBenefit of waiver and payments by affiliates rounds to less than 0.01%.

^dBenefit of expense reduction rounds to less than 0.01%.

TEMPLETON GLOBAL SMALLER COMPANIES FUND

Statement of Investments, August 31, 2020

a	a	Industry	Shares	a	Value
Common Stocks 93.6%					
Bahamas 1.0%					
	OneSpaWorld Holdings Ltd.	Diversified Consumer Services	1,478,293		\$10,244,571
Belgium 0.9%					
	Barco NV	Electronic Equipment, Instruments & Components	471,324		9,970,347
Brazil 1.8%					
	^a Camil Alimentos SA.	Food Products	5,983,400		13,933,930
	^a M Dias Branco SA.	Food Products	794,100		5,146,368
					19,080,298
Canada 2.8%					
	Canaccord Genuity Group, Inc.	Capital Markets	1,492,300		8,857,670
	^{a,b} Canada Goose Holdings, Inc.	Textiles, Apparel & Luxury Goods	209,400		5,137,045
	Canadian Western Bank	Banks	378,518		8,052,216
	Fanning International, Inc.	Trading Companies & Distributors	103,700		1,583,334
	North West Co., Inc. (The)	Food & Staples Retailing	271,000		5,922,929
					29,553,194
China 0.8%					
	Haitian International Holdings Ltd.	Machinery	3,678,000		8,898,147
Denmark 0.5%					
	^a Matas A/S	Specialty Retail	482,581		5,361,409
Finland 2.0%					
	Fiskars OY I Abp	Household Durables	26,537		380,597
	^a Huhtamaki OYJ	Containers & Packaging	429,447		20,767,966
					21,148,563
France 1.1%					
	^{a,b} Solutions 30 SE	IT Services	662,771		11,420,568
Germany 4.5%					
	Gerresheimer AG	Life Sciences Tools & Services	139,378		16,440,709
	Grand City Properties SA	Real Estate Management & Development	420,824		10,808,895
	Jenoptik AG	Electronic Equipment, Instruments & Components	368,495		9,844,522
	Rational AG	Machinery	16,473		10,536,275
					47,630,401
Hong Kong 3.4%					
	Johnson Electric Holdings Ltd.	Auto Components	5,036,250		9,935,536
	Techtronic Industries Co. Ltd.	Machinery	1,695,790		21,475,870
	Value Partners Group Ltd.	Capital Markets	10,565,700		4,837,696
					36,249,102
Indonesia 0.1%					
	^{a,c} Sakari Resources Ltd.	Oil, Gas & Consumable Fuels	1,342,000		556,199
Italy 4.7%					
	^a Brunello Cucinelli SpA	Textiles, Apparel & Luxury Goods	243,355		7,698,678
	^a Interpump Group SpA	Auto Components	436,355		4,218,828
	^a Interpump Group SpA	Machinery	592,309		20,676,345
	^{a,d,e} Technogym SpA, 144A, Reg S	Leisure Products	1,872,324		16,829,837
					49,415,688
Japan 13.0%					
	Asics Corp.	Textiles, Apparel & Luxury Goods	1,109,500		15,297,340

TEMPLETON GLOBAL SMALLER COMPANIES FUND
STATEMENT OF INVESTMENTS

a		Industry	Shares	a	Value
Common Stocks (continued)					
Japan (continued)					
Bunka Shutter Co. Ltd.	Building Products	685,600		\$4,870,892	
Dowa Holdings Co. Ltd.	Metals & Mining	172,500		5,355,102	
en-japan, Inc.	Professional Services	201,800		5,825,329	
Ezaki Glico Co. Ltd.	Food Products	131,500		5,590,325	
Idec Corp.	Electrical Equipment	529,700		8,907,998	
IDOM, Inc.	Specialty Retail	1,813,600		9,243,329	
Kobayashi Pharmaceutical Co. Ltd.	Personal Products	56,478		5,036,324	
Matsumotokiyo Holdings Co. Ltd.	Food & Staples Retailing	166,600		5,839,694	
Meitec Corp.	Professional Services	165,300		7,966,566	
Nihon Parkerizing Co. Ltd.	Chemicals	529,300		5,092,216	
Rinnai Corp.	Household Durables	167,500		15,495,949	
Seria Co. Ltd.	Multiline Retail	233,100		10,308,379	
TechnoPro Holdings, Inc.	Professional Services	110,900		5,904,192	
Tsumura & Co.	Pharmaceuticals	644,700		18,309,237	
Zojirushi Corp.	Household Durables	554,000		8,381,964	
				137,424,836	
Netherlands 2.3%					
Aalberts NV	Machinery	148,409		5,585,541	
^a Arcadis NV	Construction & Engineering	431,206		9,893,260	
^{d,e} Flow Traders, 144A, Reg S	Capital Markets	222,759		8,772,004	
				24,250,805	
South Korea 1.1%					
BNK Financial Group, Inc.	Banks	1,524,210		6,507,575	
DGB Financial Group, Inc.	Banks	1,178,608		5,236,617	
				11,744,192	
Spain 0.4%					
^a Construcciones y Auxiliar de Ferrocarriles SA.	Machinery	121,455		4,347,967	
Sweden 5.0%					
BillerudKorsnas AB	Containers & Packaging	315,734		5,320,151	
^a Cloetta AB, B	Food Products	1,638,654		4,584,935	
^{a,d} Dometic Group AB, 144A	Auto Components	1,781,467		21,987,070	
^{d,e} Thule Group AB, 144A, Reg S	Leisure Products	677,257		21,417,992	
				53,310,148	
Switzerland 6.9%					
Bucher Industries AG	Machinery	46,681		17,465,724	
^a Landis+Gyr Group AG.	Electronic Equipment, Instruments & Components	120,862		7,290,062	
^b Logitech International SA	Technology Hardware, Storage & Peripherals	277,170		20,726,773	
^a Siegfried Holding AG.	Life Sciences Tools & Services	17,795		10,088,188	
Tecan Group AG.	Life Sciences Tools & Services	37,284		16,858,287	
				72,429,034	
Taiwan 8.2%					
Catcher Technology Co. Ltd.	Technology Hardware, Storage & Peripherals	1,089,000		7,424,635	
Chicony Electronics Co. Ltd.	Technology Hardware, Storage & Peripherals	5,455,432		16,435,775	
Giant Manufacturing Co. Ltd.	Leisure Products	1,590,311		16,517,917	
King Yuan Electronics Co. Ltd.	Semiconductors & Semiconductor Equipment	11,061,000		11,739,478	
Merida Industry Co. Ltd.	Leisure Products	1,652,000		13,795,323	
Nien Made Enterprise Co. Ltd.	Household Durables	764,000		8,809,994	

TEMPLETON GLOBAL SMALLER COMPANIES FUND
STATEMENT OF INVESTMENTS

a	a	Industry	Shares	a	Value
Common Stocks (continued)					
Taiwan (continued)					
	Tripod Technology Corp.	Electronic Equipment, Instruments & Components	3,011,000		\$11,873,583
					86,596,705
United Kingdom 3.2%					
	Greggs plc	Hotels, Restaurants & Leisure	336,674		6,359,707
	Janus Henderson Group plc	Capital Markets	355,733		7,370,788
	Man Group plc	Capital Markets	6,138,859		10,090,483
	Oxford Instruments plc	Electronic Equipment, Instruments & Components	497,260		10,437,589
					34,258,567
United States 29.9%					
	Alamo Group, Inc.	Machinery	178,410		19,785,669
	^a BrightView Holdings, Inc.	Commercial Services & Supplies	418,000		5,133,040
	Columbia Sportswear Co.	Textiles, Apparel & Luxury Goods	227,350		19,454,339
	^a Crown Holdings, Inc.	Containers & Packaging	255,000		19,596,750
	Deluxe Corp.	Commercial Services & Supplies	182,900		5,194,360
	^a Ferro Corp.	Chemicals	1,109,840		13,839,705
	^a Freshpet, Inc.	Food Products	181,500		20,618,400
	Hillenbrand, Inc.	Machinery	500,410		15,868,001
	Huntington Bancshares, Inc.	Banks	1,466,399		13,798,815
	Hyster-Yale Materials Handling, Inc. . .	Machinery	112,600		4,542,284
	Jones Lang LaSalle, Inc.	Real Estate Management & Development	104,700		10,788,288
	^a Knowles Corp.	Electronic Equipment, Instruments & Components	896,610		13,502,947
	LCI Industries	Auto Components	85,380		9,701,729
	Lear Corp.	Auto Components	46,300		5,274,959
	Levi Strauss & Co., A	Textiles, Apparel & Luxury Goods	868,100		10,694,992
	^a LivanoVA plc.	Health Care Equipment & Supplies	106,700		5,004,230
	^a Livent Corp.	Chemicals	1,413,200		11,983,936
	Patrick Industries, Inc.	Building Products	140,635		7,905,093
	^a PRA Health Sciences, Inc.	Life Sciences Tools & Services	141,900		15,170,529
	Sealed Air Corp.	Containers & Packaging	260,500		10,237,650
	Simpson Manufacturing Co., Inc.	Building Products	35,040		3,445,834
	^a Sonos, Inc.	Household Durables	1,209,200		17,013,444
	^a Texas Capital Bancshares, Inc.	Banks	153,070		4,957,937
	^a TriMas Corp.	Machinery	646,250		16,337,200
	TrustCo Bank Corp.	Thriffs & Mortgage Finance	1,229,300		7,326,628
	United Insurance Holdings Corp.	Insurance	856,490		6,483,629
	US Ecology, Inc.	Commercial Services & Supplies	152,500		5,662,325
	Voya Financial, Inc.	Diversified Financial Services	175,800		9,125,778
	Winnebago Industries, Inc.	Automobiles	147,910		7,984,182
					316,432,673
	Total Common Stocks (Cost \$761,519,073)				990,323,414
Preferred Stocks 0.5%					
Brazil 0.5%					
	^r Alpargatas SA, 0.15%	Textiles, Apparel & Luxury Goods	793,887		5,397,093
	Total Preferred Stocks (Cost \$2,203,566)				5,397,093

TEMPLETON GLOBAL SMALLER COMPANIES FUND
STATEMENT OF INVESTMENTS

	Industry	Warrants	Value
Warrants 0.0%†			
Bahamas 0.0%†			
OneSpaWorld Holdings Ltd., 3/19/24..	Diversified Consumer Services	314,014	\$524,403
Total Warrants (Cost \$-)			524,403
Units			
Private Limited Partnership Funds 1.8%			
United States 1.8%			
AllianceBernstein Holding LP	Capital Markets	676,265	19,266,790
Total Private Limited Partnership Funds (Cost \$8,921,059)			19,266,790
Total Long Term Investments (Cost \$772,643,698)			1,015,511,700
Short Term Investments 5.2%			
		Principal Amount	Value
U.S. Government and Agency Securities 3.9%			
FHLB, 9/01/20		41,000,000	41,000,000
Total U.S. Government and Agency Securities (Cost \$41,000,000)			41,000,000
		Shares	
Investments from Cash Collateral Received for Loaned Securities 1.3%			
Money Market Funds 1.3%			
Institutional Fiduciary Trust - Money Market Portfolio, 0%		13,747,178	13,747,178
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$13,747,178)			13,747,178
Total Short Term Investments (Cost \$54,747,178)			54,747,178
Total Investments (Cost \$827,390,876) 101.1%			\$1,070,258,878
Other Assets, less Liabilities (1.1)%			(11,715,703)
Net Assets 100.0%			\$1,058,543,175

See Abbreviations on page 32.

†The principal amount is stated in U.S. dollars unless otherwise indicated.

†Rounds to less than 0.1% of net assets.

¶Non-income producing.

¶A portion or all of the security is on loan at August 31, 2020. See Note 1(c).

¶Fair valued using significant unobservable inputs. See Note 10 regarding fair value measurements.

¶Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transaction exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. At August 31, 2020, the aggregate value of these securities was \$69,006,903, representing 6.5% of net

assets.

¶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 August 31, 2020, the aggregate value of these securities was \$47,019,833, representing 4.4% of net assets.

¶Variable rate security. The rate shown represents the yield at period end.

¶

¶The security was issued on a discount basis with no stated coupon rate.

¶See Note 1(c) regarding securities on loan.

¶See Note 3(f) regarding investments in affiliated management investment companies.

TEMPLETON GLOBAL SMALLER COMPANIES FUND
STATEMENT OF INVESTMENTS

The rate shown is the annualized seven-day effective yield at period end.

TEMPLETON GLOBAL SMALLER COMPANIES FUND
FINANCIAL STATEMENTS

Statement of Assets and Liabilities

August 31, 2020

	Templeton Global Smaller Companies Fund
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$813,643,698
Cost - Non-controlled affiliates (Note 3f)	13,747,178
Value - Unaffiliated issuers (includes securities loaned \$16,619,799)	\$1,056,511,700
Value - Non-controlled affiliates (Note 3f)	13,747,178
Cash	54,082
Foreign currency, at value (cost \$598,221)	598,359
Receivables:	
Investment securities sold	1,502,979
Capital shares sold	177,233
Dividends	2,179,545
European Union tax reclaims	822,264
Total assets	1,075,593,340
Liabilities:	
Payables:	
Capital shares redeemed	1,382,845
Management fees	777,598
Distribution fees	203,638
Transfer agent fees	467,951
Payable upon return of securities loaned	13,747,178
Accrued expenses and other liabilities	470,955
Total liabilities	17,050,165
Net assets, at value	\$1,058,543,175
Net assets consist of:	
Paid-in capital	\$812,726,595
Total distributable earnings (losses)	245,816,580
Net assets, at value	\$1,058,543,175

TEMPLETON GLOBAL SMALLER COMPANIES FUND
FINANCIAL STATEMENTS

Statement of Assets and Liabilities (continued)

August 31, 2020

	Templeton Global Smaller Companies Fund
Class A:	
Net assets, at value	\$921,017,516
Shares outstanding	100,511,413
Net asset value per share ^a	\$9.16
Maximum offering price per share (net asset value per share + 94.50%)	\$9.69
Class C:	
Net assets, at value	\$11,508,742
Shares outstanding	1,337,568
Net asset value and maximum offering price per share ^a	\$8.60
Class R6:	
Net assets, at value	\$78,550,726
Shares outstanding	8,523,575
Net asset value and maximum offering price per share	\$9.22
Advisor Class:	
Net assets, at value	\$47,466,191
Shares outstanding	5,145,219
Net asset value and maximum offering price per share	\$9.23

^aRedemption price is equal to net asset value less contingent deferred sales charges, if applicable.

TEMPLETON GLOBAL SMALLER COMPANIES FUND
FINANCIAL STATEMENTS

Statement of Operations

for the year ended August 31, 2020

	Templeton Global Smaller Companies Fund
Investment income:	
Dividends: (net of foreign taxes of \$2,032,044)	
Unaffiliated issuers	\$19,168,514
Interest:	
Unaffiliated issuers	469,347
Income from securities loaned:	
Unaffiliated entities (net of fees and rebates)	95,751
Non-controlled affiliates (Note 3f)	45,729
Total investment income	19,779,341
Expenses:	
Management fees (Note 3a)	9,468,334
Distribution fees: (Note 3c)	
Class A	2,346,117
Class C	
Class R6	
Trust Agent fees: (Note 3e)	143,766
Class A	1,650,971
Class C	25,291
Class R6	34,464
Advisor fees: (Note 4)	199,782
Custodian fees	199,782
Reports to shareholders	214,178
Registration and filing fees	98,509
Professional fees	175,213
Trustees' fees and expenses	180,437
Other	86,076
Total expenses	14,645,844
Expenses waived/paid by affiliates (Note 3f and 3g)	(32,413)
Net expenses	14,613,431
Net investment income	5,165,910
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	1,401,546
Foreign currency transactions	(111,440)
Net realized gain (loss)	1,290,106
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	69,203,096
Translation of other assets and liabilities denominated in foreign currencies	196,008
Net change in unrealized appreciation (depreciation)	69,399,104
Net realized and unrealized gain (loss)	70,689,210
Net increase (decrease) in net assets resulting from operations	\$75,855,120

TEMPLETON GLOBAL SMALLER COMPANIES FUND
FINANCIAL STATEMENTS

Statements of Changes in Net Assets

	Templeton Global Smaller Companies Fund	
	Year Ended	Year Ended
	August 31, 2020	August 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$5,165,910	\$11,123,699
Net realized gain (loss)	1,290,106	25,906,566
Net change in unrealized appreciation (depreciation)	69,399,104	(160,957,128)
Net increase (decrease) in net assets resulting from operations	75,855,120	(123,926,863)
Distributions to shareholders:		
Class A	(23,103,289)	(80,865,689)
Class C	(280,630)	(1,516,611)
Class R6	(7,429,975)	(7,346,702)
Advisor Class	(1,196,975)	(5,378,187)
Total distributions to shareholders	(27,000,645)	(95,005,189)
Capital share transactions: (Note 2)		
Class A	(121,241,132)	6,609,552
Class C	(6,403,465)	(15,958,793)
Class R6	(11,124,349)	(343,472)
Advisor Class	(10,634,036)	(11,341,312)
Total capital share transactions	(149,402,982)	(21,034,025)
Net increase (decrease) in net assets	(100,548,507)	(239,966,077)
Beginning of year	1,159,091,682	1,399,057,759
End of year	\$1,058,543,175	\$1,159,091,682

Notes to Financial Statements

1. Organization and Significant Accounting Policies

Templeton Global Smaller Companies Fund (Fund) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). The Fund offers four classes of shares: Class A, Class C, Class R6 and Advisor Class. Class C shares automatically convert to Class A shares after they have been held for 10 years. 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 Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's 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 Fund calculates 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 Fund's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading

the cross-functional Valuation Committee (VC). The Fund 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 Fund's 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 Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Fund primarily employs 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 determine 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 Fund's business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into 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 Fund's portfolio securities as determined at the foreign market close and the latest indications of value at

TEMPLETON GLOBAL SMALLER COMPANIES FUND
NOTES TO FINANCIAL STATEMENTS

1. Organization and Significant Accounting Policies

(continued)

a. Financial Instrument Valuation (continued)

4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Fund's portfolio securities to

the latest indications of fair value at 4 p.m. Eastern time. At August 31, 2020, certain securities may have been fair valued using these procedures, in which case the securities were categorized as Level 2 inputs within the fair value

hierarchy. See the Fair Value Measurements note for more information.

When the last day of the reporting period is a non-business

day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar

day of the reporting period. Any security valuation changes due to an open foreign market are adjusted and reflected by the Fund 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 Fund 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 Fund does 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 Statement 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

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives collateral in the form of cash and/or U.S. Government Agency Securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes

in security values is delivered to the Fund on the next business day. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers,

an affiliate of the Fund, in the Statement of Assets and Liabilities. Additionally, the Fund receives U.S. Government Agency Securities as collateral. 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 Statement of Operations. The Fund

bears the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the 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.

d. Income and Deferred Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The Fund intends to distribute to shareholders substantially all of its

1. Organization and Significant Accounting Policies (continued)

d. Income and Deferred Taxes (continued)
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 Fund 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 it invests. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests. When a capital gain tax is determined to apply, the Fund records 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, the Fund 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 Statement of Operations and any related receivable, if any, is reflected as European Union tax reclaims in the Statement 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 Fund, if any, reduce

the amounts of foreign taxes Fund shareholders can use as tax credits in their individual income tax returns.

The 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 August 31, 2020, the 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 Fund. 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.

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

TEMPLETON GLOBAL SMALLER COMPANIES FUND
NOTES TO FINANCIAL STATEMENTS

2. Shares of Beneficial Interest

At August 31, 2020, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended August 31,			
	2020		2019	
	Shares	Amount	Shares	Amount
Class A Shares:				
Shares sold ^a	6,088,095	\$52,042,147	11,060,807	\$100,067,059
Shares issued in reinvestment of distributions	2,313,315	22,161,559	10,047,309	77,665,701
Shares redeemed	(23,248,452)	(195,444,838)	(19,088,848)	(171,123,208)
Net increase (decrease)	(14,847,042)	\$(121,241,132)	2,019,268	\$6,609,552
Class C Shares:				
Shares sold	236,110	1,815,035	318,809	2,712,250
Shares issued in reinvestment of distributions	30,579	276,433	203,155	1,487,095
Shares redeemed ^a	(1,060,929)	(8,494,933)	(2,295,667)	(20,158,138)
Net increase (decrease)	(794,240)	\$(6,403,465)	(1,773,703)	\$(15,958,793)
Class R6 Shares:				
Shares sold	1,685,316	14,029,055	2,224,700	19,798,345
Shares issued in reinvestment of distributions	177,858	1,708,193	723,280	5,598,191
Shares redeemed	(3,158,936)	(26,862,597)	(2,837,583)	(25,740,008)
Net increase (decrease)	(1,295,764)	\$(11,124,349)	110,397	\$(343,472)
Advisor Class Shares:				
Shares sold	1,190,434	10,385,794	1,152,153	10,518,409
Shares issued in reinvestment of distributions	132,310	1,274,145	601,296	4,666,053
Shares redeemed	(2,774,444)	(22,293,975)	(2,947,376)	(26,525,774)
Net increase (decrease)	(1,451,700)	\$(10,634,036)	(1,193,927)	\$(11,341,312)

^aMay include a portion of Class C shares that were automatically converted to Class A.

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 Fund are also officers and/or directors of the following subsidiaries:

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

TEMPLETON GLOBAL SMALLER COMPANIES FUND
NOTES TO FINANCIAL STATEMENTS

3. Transactions with Affiliates (continued)

a. Management Fees

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

Annualized Fee Rate	Net Assets
0.900%	Up to and including \$200 million
0.885%	Over \$200 million, up to and including \$700 million
0.850%	Over \$700 million, up to and including \$1 billion
0.830%	Over \$1 billion, up to and including \$1.2 billion
0.805%	Over \$1.2 billion, up to and including \$5 billion
0.785%	Over \$5 billion, up to and including \$10 billion
0.765%	Over \$10 billion, up to and including \$15 billion
0.745%	Over \$15 billion, up to and including \$20 billion
0.725%	In excess of \$20 billion

For the year ended August 31, 2020, the gross effective investment management fee rate was 0.873% of the Fund's average daily net assets.

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

b. Administrative Fees

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

c. Distribution Fees

The Board has adopted distribution plans for each share class, with the exception of Class R6 and Advisor Class shares, pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's Class A reimbursement distribution plan, the Fund reimburses Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate. Under the Class A reimbursement distribution plan, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Fund's Class C compensation distribution plan, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

The maximum annual plan rates, based on the average daily net assets, for each class, are as follows:

Class A	0.25%
Class C	1.00%

d. Sales Charges/Underwriting Agreements

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Fund. These charges are deducted from the proceeds of sales of Fund shares prior to investment or from redemption proceeds prior to

redemption, as applicable. Distributors has advised the Fund of the following commission transactions related to the sales and redemptions of the Fund's shares for the year:

TEMPLETON GLOBAL SMALLER COMPANIES FUND
NOTES TO FINANCIAL STATEMENTS

3. Transactions with Affiliates (continued)

d. Sales Charges/Underwriting Agreements (continued)

Sales charges retained net of commissions paid to unaffiliated brokers/dealers	\$55,790
CDSC retained	\$4,852

e. 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, except for Class R6, reimburses shareholder servicing fees paid to third parties. These fees are allocated daily based upon their relative proportion of such classes' aggregate net assets. Class R6 pays Investor Services transfer agent fees specific to that class.

For the year ended August 31, 2020, the Fund paid transfer agent fees of \$1,803,462, of which \$537,701 was retained by Investor Services.

f. Investments in Affiliated Management Investment Companies

The Fund invests 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 Fund are waived on assets invested in the affiliated management investment companies, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended August 31, 2020, the Fund held investments in affiliated management investment companies 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
Templeton Global Smaller Companies Fund								
Non-Controlled Affiliates								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0%	\$9,552,884	\$133,151,859	\$(128,957,565)	\$—	\$—	\$13,747,178	13,747,178	\$45,729
Total Affiliated Securities	\$9,552,884	\$133,151,859	\$(128,957,565)	\$—	\$—	\$13,747,178		\$45,729

g. Waiver and Expense Reimbursements

Investor Services has contractually agreed in advance to waive or limit its fees so that the Class R6 transfer agent fees do not exceed 0.03% based on the average net assets of the class until December 31, 2020.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended August 31, 2020, there were no credits earned.

TEMPLETON GLOBAL SMALLER COMPANIES FUND
NOTES TO FINANCIAL STATEMENTS

5. Income Taxes

The tax character of distributions paid during the years ended August 31, 2020 and 2019, was as follows:

	2020	2019
Distributions paid from:		
Ordinary income	\$11,430,352	\$17,915,363
Long term capital gain	15,570,293	77,089,826
	\$27,000,645	\$95,005,189

At August 31, 2020, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

Cost of investments	\$834,090,733
Unrealized appreciation	\$322,944,405
Unrealized depreciation	(86,776,260)
Net unrealized appreciation (depreciation)	\$236,168,145
Distributable earnings:	
Undistributed ordinary income	\$8,609,108
Undistributed long term capital gains	\$190,753
Total distributable earnings	\$8,799,861

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of EU reclaims, passive foreign investment company shares, pass-through entity income and corporate actions.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended August 31, 2020, aggregated \$173,634,803 and \$337,271,501, respectively.

At August 31, 2020, in connection with securities lending transactions, the Fund loaned equity investments and received \$13,747,178 of cash collateral. The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statement of Assets and Liabilities. The agreements can be terminated at any time.

7. Concentration of Risk

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local, regional and global economic, political and social conditions, which may result in greater market volatility. 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.

8. Novel Coronavirus Pandemic

The global outbreak of the novel coronavirus disease, known as COVID-19, has caused adverse effects on many companies, sectors, nations, regions and the markets in general, and may continue for an unpredictable duration. The effects of this pandemic may materially impact the value and performance of the Fund, its ability to buy and sell fund investments at appropriate valuations and its ability to achieve its investment objectives.

TEMPLETON GLOBAL SMALLER COMPANIES FUND
NOTES TO FINANCIAL STATEMENTS**9. Credit Facility**

The Fund, 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 matures on February 5, 2021. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its 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 Statement of Operations. During the year ended August 31, 2020, the Fund did not use the Global Credit Facility.

10. Fair Value Measurements

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

TEMPLETON GLOBAL SMALLER COMPANIES FUND
NOTES TO FINANCIAL STATEMENTS

10. Fair Value Measurements (continued)

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 August 31, 2020, in valuing the Fund's assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Templeton Global Smaller Companies Fund				
Assets:				
Investments in Securities:				
Common Stocks:				
Bahamas	\$10,244,571	\$—	\$—	\$10,244,571
Belgium	—	9,970,347	—	9,970,347
Brazil	19,080,298	—	—	19,080,298
Canada	29,553,194	—	—	29,553,194
China	—	8,898,147	—	8,898,147
Denmark	5,361,409	—	—	5,361,409
Finland	—	21,148,563	—	21,148,563
France	—	11,420,568	—	11,420,568
Germany	26,976,984	20,653,417	—	47,630,401
Hong Kong	—	36,249,102	—	36,249,102
Indonesia	—	—	556,199	556,199
Italy	7,690,678	41,725,010	—	49,415,688
Japan	—	137,424,836	—	137,424,836
Netherlands	8,772,004	15,478,801	—	24,250,805
South Korea	—	11,744,192	—	11,744,192
Spain	4,347,967	—	—	4,347,967
Sweden	—	53,310,148	—	53,310,148
Switzerland	20,726,773	51,702,261	—	72,429,034
Taiwan	—	86,596,705	—	86,596,705
United Kingdom	7,370,788	26,887,779	—	34,258,567
United States	316,432,673	—	—	316,432,673
Preferred Stocks	5,397,093	—	—	5,397,093
Warrants	524,403	—	—	524,403
Private Limited Partnership Funds	19,266,790	—	—	19,266,790
Short Term Investments	13,747,178	41,000,000	—	54,747,178
Total Investments in Securities	\$495,492,803	\$574,209,876	\$556,199	\$1,070,258,878

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

11. New Accounting Pronouncements

In March 2020, the Financial Accounting Standards Board issued Accounting Standards Update (ASU) No. 2020-04, Reference Rate Reform (Topic 848) – Facilitation of the Effects of Reference Rate Reform on Financial Reporting. The amendments in the ASU provides optional temporary financial reporting relief from the effect of certain types of contract modifications due to the planned discontinuation of the London Interbank Offered Rate and other interbank-offered based reference rates as of the end of 2021. The ASU is effective for certain reference rate-related contract modifications that occur during the period March 12, 2020 through December 31, 2022. Management has reviewed the requirements and believes the adoption of this ASU will not have a material impact on the financial statements.

12. Subsequent Events

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

TEMPLETONGLOBAL SMALLER COMPANIES FUND
NOTES TO FINANCIAL STATEMENTS

Abbreviations

Selected Portfolio

FHLB Federal Home Loan Banks

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Templeton Global Smaller Companies Fund

Opinion on the Financial Statements

We have audited the accompanying statement of assets and liabilities, including the statement of investments, of Templeton Global Smaller Companies Fund (the "Fund") as of August 31, 2020, the related statement of operations for the year ended August 31, 2020, the statements of changes in net assets for each of the two years in the period ended August 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended August 31, 2020 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Fund as of August 31, 2020, the results of its operations for the year then ended, the changes in its net assets for each of the two years in the period ended August 31, 2020 and the financial highlights for each of the five years in the period ended August 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's 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 Fund 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 August 31, 2020 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 opinion.

PricewaterhouseCoopers LLP

San Francisco, California

October 19, 2020

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

TEMPLETON GLOBAL SMALLER COMPANIES FUND

Tax Information (unaudited)

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$15,570,293 as a long term capital gain dividend for the fiscal year ended August 31, 2020.

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Fund hereby reports 23.30% of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended August 31, 2020.

Under Section 854(b)(1)(B) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$11,115,066 as qualified dividends for purposes of the maximum rate under Section 1(h)(11) of the Internal Revenue Code for the fiscal year ended August 31, 2020. Distributions, including qualified dividend income, paid during calendar year 2020 will be reported to shareholders on Form 1099-DIV by mid-February 2021. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their individual income tax returns.

At August 31, 2020, more than 50% of the Fund's total assets were invested in securities of foreign issuers. In most instances, foreign taxes were withheld from income paid to the Fund on these investments. The Fund elects to treat foreign taxes paid as allowed under Section 853 of the Internal Revenue Code. This election will allow shareholders of record as of the 2020 distribution date, to treat their proportionate share of foreign taxes paid by the Fund 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.

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
Harris J. Ashton (1932) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 1992	126	Bar-S Foods (meat packing company) (1981-2010).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , 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).				
Ann Torre Bates (1958) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2008	30	Ares Capital Corporation (specialty finance company) (2010-present), United Natural Foods, Inc. (distributor of natural, organic and specialty foods) (2013-present), formerly , Allied Capital Corporation (financial services) (2003-2010), SLM Corporation (Sallie Mae) (1997-2014) and Navient Corporation (loan management, servicing and asset recovery) (2014-2016).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , 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).				
Mary C. Choksi (1950) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2016	126	Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present); and formerly , Avis Budget Group Inc. (car rental) (2007-May 2020).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , 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).				

TEMPLETON GLOBAL SMALLER COMPANIES FUND

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
Edith E. Holiday (1952) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Lead Independent Trustee	Trustee since 2004 and Lead Independent Trustee since 2007	126	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); Santander Holdings USA (holding company) (2019-present); and formerly, RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1999-2019).
Principal Occupation During at Least the Past 5 Years: Director or Trustee of various companies and trusts; and formerly , 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).				
J. Michael Luttig (1954) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2009	126	Boeing Capital Corporation (aircraft financing) (2006-2010).
Principal Occupation During at Least the Past 5 Years: Private investor; and formerly , 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).				
David W. Niemiec (1949) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2005	30	Hess Midstream LP (oil and gas midstream infrastructure) (2017-present).
Principal Occupation During at Least the Past 5 Years: Advisor, Saratoga Partners (private equity fund); and formerly , 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).				
Larry D. Thompson (1945) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2005	126	Graham Holdings Company (education and media organization) (2011-present); and formerly , The Southern Company (energy company) (2014-May 2020; previously 2010-2012), Cheyond, Inc. (business communications provider) (2010-2012).
Principal Occupation During at Least the Past 5 Years: Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and formerly , Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-September 2020); 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
Constantine D. Tseretopoulos (1954) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923 Principal Occupation During at Least the Past 5 Years: Physician, Chief of Staff, owner and operator of the Lyford Cay Hospital (1987-present); director of various nonprofit organizations; and formerly , Cardiology Fellow, University of Maryland (1985-1987); and Internal Medicine Resident, Greater Baltimore Medical Center (1982-1985).	Trustee	Since 2004	19	None
Robert E. Wade (1946) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923 Principal Occupation During at Least the Past 5 Years: Attorney at law engaged in private practice as a sole practitioner (1972-2008) and member of various boards.	Trustee	Since 2006	30	El Oro Ltd (investments) (2003-2019).

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
**Gregory E. Johnson (1961) One Franklin Parkway San Mateo, CA 94403-1906 Principal Occupation During at Least the Past 5 Years: Executive Chairman, Chairman of the Board and Director, 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 formerly , Chief Executive Officer (2013-2020) and President (1994-2015), Franklin Resources, Inc.	Trustee	Since 2007	137	None
**Rupert H. Johnson, Jr. (1940) One Franklin Parkway San Mateo, CA 94403-1906 Principal Occupation During at Least the Past 5 Years: Director (Vice Chairman), 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.	Chairman of the Board, Trustee and Vice President	Chairman of the Board and Trustee since 2013 and Vice President since 1996	126	None
Alan T. Bartlett (1970) Lyford Cay Nassau, Bahamas Principal Occupation During at Least the Past 5 Years: 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 formerly , Chief Executive Officer, Goodhart Partners (2009-2019).	President and Chief Executive Officer – Investment	Since December 2019	Not Applicable	Not Applicable

TEMPLETON GLOBAL SMALLER COMPANIES FUND

Interested Board Members and Officers (continued)

Alison E. Baur (1964) Vice President Since 2012 Not Applicable Not Applicable
One Franklin Parkway
San Mateo, CA 94403-1906

Principal Occupation During at Least the Past 5 Years:

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.

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
Breda M. Beckerle (1958) 280 Park Avenue New York, NY 10017	Interim Chief Compliance Officer	Since January 2020	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:

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.

Steven J. Gray (1955) Vice President Since 2009 Not Applicable Not Applicable
One Franklin Parkway
San Mateo, CA 94403-1906

Principal Occupation During at Least the Past 5 Years:

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.

Matthew T. Hinkle (1971) Chief Executive Officer – Finance and Administration Since 2017 Not Applicable Not Applicable
One Franklin Parkway
San Mateo, CA 94403-1906

Principal Occupation During at Least the Past 5 Years:

Senior Vice President, Franklin Templeton Services, LLC; officer of 41 of the investment companies in Franklin Templeton; and **formerly**, Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017).

Robert G. Kubilis (1973) Chief Financial Officer, Chief Accounting Officer and Treasurer Since 2017 Not Applicable Not Applicable
300 S.E. 2nd Street
Fort Lauderdale, FL 33301-1923

Principal Occupation During at Least the Past 5 Years:

Treasurer, U.S. Fund Administration & Reporting and officer of 15 of the investment companies in Franklin Templeton.

Robert Lim (1948) Vice President – AML Compliance Since 2016 Not Applicable Not Applicable
One Franklin Parkway
San Mateo, CA 94403-1906

Principal Occupation During at Least the Past 5 Years:

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.

Robert C. Rosselot (1960) Chief Compliance Officer Since 2013 Not Applicable Not Applicable
300 S.E. 2nd Street
Fort Lauderdale, FL 33301-1923

Principal Occupation During at Least the Past 5 Years:

Director, Global Compliance, Franklin Templeton; Senior Vice President, Franklin Templeton Companies, LLC; officer of 41 of the investment companies in Franklin Templeton; and **formerly**, Senior Associate General Counsel, Franklin Templeton (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).

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
Navid J. Tofigh (1972) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:

Associate General Counsel and officer of 41 of the investment companies in Franklin Templeton.

Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

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.

Lori A. Weber (1964) 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
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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 U.S. 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 Partners 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 presents 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 U.S. 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/342-5238 to request the SAI.

TEMPLETON GLOBAL SMALLER COMPANIES FUND

Shareholder Information

Board Approval of Investment Management Agreements

TEMPLETON GLOBAL SMALLER COMPANIES FUND (Fund)

At a meeting held on May 13, 2020 (Meeting), the Board of Trustees (Board) of the Fund, including a majority of the trustees who are not "interested persons" as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved the continuance of the investment management agreement between Templeton Investment Counsel, LLC (TICL) and the Fund and the investment sub-advisory agreement between TICL and Franklin Templeton Investments Corp. (Sub-Adviser), an affiliate of TICL, on behalf of the Fund (each a Management Agreement) for an additional one-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the

continuation of each Management Agreement. TICL and the Sub-Adviser are each referred to herein as a Manager.

In considering the continuation of each Management Agreement, the Board reviewed and considered information provided by each Manager at the Meeting and throughout the year at meetings of the Board and its committees. The Board also reviewed and considered information provided in response to a detailed set of requests for information submitted to each Manager by Independent Trustee counsel on behalf of the Independent Trustees in connection with the annual contract renewal process. In addition, prior to the Meeting, the Independent Trustees held a telephonic contract renewal meeting at which the Independent Trustees conferred amongst themselves and Independent Trustee counsel about contract renewal matters and, in some cases,

requested additional information from each Manager relating to the contract. The Board reviewed and considered all of the factors it deemed relevant in approving the continuance of each Management Agreement, including, but not limited to:

- (i) the nature, extent and quality of the services provided by each Manager; (ii) the investment performance of the Fund; (iii) the costs of the services provided and profits realized by each Manager and its affiliates from the relationship with the Fund; (iv) the extent to which economies of scale are realized as the Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of Fund investors.

In approving the continuance of each Management Agreement, the Board, including a majority of the Independent Trustees, determined that the terms of each

Management Agreement are fair and reasonable and that the continuance of such Management Agreement is in the interests of the Fund and its shareholders. While attention was given to all information furnished, the following

discusses some primary factors relevant to the Board's determination.

Nature, Extent and Quality of Services

The Board reviewed and considered information regarding the nature, extent and quality of investment management services provided by each Manager and its affiliates to the Fund and its shareholders. This information included,

among other things, the qualifications, background and experience of the senior management and investment personnel of each Manager, as well as information on succession planning where appropriate; the structure of

investment personnel compensation; oversight of third-party service providers; investment performance reports and related financial information for the Fund; reports on expenses and shareholder services; legal and compliance

matters; risk controls; pricing and other services provided by each Manager and its affiliates; and management fees charged by each Manager and its affiliates to US funds and other accounts, including management's explanation

of differences among accounts where relevant. The Board also reviewed and considered an annual report on payments made by Franklin Templeton (FT) or the Fund to financial intermediaries, as well as a memorandum relating to third-party servicing arrangements, which included discussion of the changing distribution landscape for the Fund. The Board noted management's continuing efforts and expenditures in establishing effective business continuity plans and developing strategies to address areas of heightened concern in the mutual fund industry, such as cybersecurity and liquidity risk management.

The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the FT family of funds. The Board noted the financial position of Franklin Resources, Inc. (FRI), the

Managers' parent, and its commitment to the mutual fund business as evidenced by its continued introduction of new funds, reassessment of the fund offerings in response to the market environment and project initiatives and capital investments relating to the services provided to the Fund by the FT organization. The Board specifically noted FT's commitment to enhancing services and controlling costs,

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as reflected in its plan to outsource certain administrative functions, and growth opportunities, as evidenced by its upcoming acquisition of the Legg Mason companies. The

Board acknowledged the change in leadership at FRI and the opportunity to hear from Jennifer Johnson, President and Chief Executive Officer of FRI, about goals she has for the company that will benefit the Fund.

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

its shareholders.

Fund Performance

The Board reviewed and considered the performance results of the Fund over various time periods ended February 29, 2020. The Board considered the performance returns for the Fund in comparison to the performance returns of mutual funds deemed comparable to the Fund included in a universe (Performance Universe) selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the mutual funds included in a Performance Universe. The Board also considered the performance returns for the Fund in comparison to the performance returns of a customized peer group (Performance Customized Peer Group) selected

by the Manager. The Board further reviewed and considered the performance reports of the Fund and discussed that occurred with portfolio managers at Board meetings throughout the year. A summary of the Fund's performance

results is below.

The Performance Universe for the Fund included the Fund and all retail and institutional global small-/mid-cap funds. The Performance Customized Peer Group included only funds that are value style and invest only in stocks that have total market cap less than the largest market cap stock in the MSCI All Country World Small Cap Index at the time of

purchase. The Board noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median of its Performance Universe. The Board also noted that the Fund's annualized total return for the

one-, three- and five-year periods was above the median of its Performance Customized Peer Group, and for the 10-year period was equal to the median of its Performance Customized Peer Group. The Board noted the small size of

the Fund's Performance Customized Peer Group and that, therefore, no qualitative information was provided for the Fund.

The Board discussed the Fund's performance with management and management explained that the Performance Universe includes mid-cap funds, which have

outperformed small-cap funds during the one- and three-year periods. Management also explained that the Fund is limited in purchasing securities with market capitalizations that do not exceed the lesser of (i) the highest float-adjusted

market capitalization in the Fund's benchmark, or (2) \$8 billion at the time of purchase, whereas other funds in the Performance Universe can purchase securities with higher market capitalizations.

Management further explained that the Performance Universe is a growth peer group, whereas the Fund has a value-oriented approach to investing. The Board also noted

management's explanation that a more relevant comparison for the Fund's benchmark, the MSCI All Country World Small Cap Index, which the Fund underperformed for the one-, three- and five-year periods primarily due to stock

selection in the health care, industrials, financials and real estate sectors and underweight positions in health care, information technology, real estate and utilities. Management then discussed with the Board the actions that are being

taken in an effort to address the sources of the Fund's underperformance, including steps that have been taken/are being taken to further diversify the Fund's portfolio and enhance the Fund's portfolio risk-reward characteristics

in the current environment. The Board concluded that the Fund's Management Agreements should be continued for an additional one-year period, and the enhancements monitored.

Comparative Fees and Expenses

The Board reviewed and considered information regarding the Fund's actual total expense ratio and its various

components, including, as applicable, management fees; transfer agent expenses; underlying fund expenses; Rule 12b-1 and non-Rule 12b-1 service fees; and other non-management fees. The Board also noted the quarterly

and annual reports it receives on all marketing support payments made by FT to financial intermediaries. The Board considered the actual total expense ratio and, separately, the contractual management fee rate, without the effect

of fee waivers, if any (Management Rate) of the Fund in comparison to the median expense ratio and median Management Rate, respectively, of other mutual funds deemed comparable to and with a similar expense structure

as the Fund selected by Broadridge (Expense Group). Broadridge fee and expense data is based upon information taken from each fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market

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volatility. While recognizing such inherent limitation and the fact that expense ratios and Management Rates generally increase as assets decline and decrease as assets grow,

the Board believed the independent analysis conducted by Broadridge to be an appropriate measure of comparative fees and expenses. The Broadridge Management Rate includes administrative charges, and the actual total expense ratio, for comparative consistency, was shown for Class A shares for the Fund and for each other Fund in the Expense Group. The Board received a description of the methodology used by Broadridge to select the mutual funds included in an Expense Group.

The Expense Group for the Fund included the Fund, one other global small-/mid-cap fund, two global multi-cap

value funds, four global multi-cap core funds, three global mid-cap growth funds, and four global large-cap growth funds. The Board noted that the Management Rate was approximately two and a half basis points above the median

of its Expense Group. The Board also noted that the actual total expense ratio for the Fund was above the median of its Expense Group. The Board discussed with management the composition of the Fund's Expense Group and management

explained that the Expense Group is not directly comparable to the Fund, given the inclusion of multi-cap funds, as opposed to small- and mid-cap only funds. Management further explained that the expenses for global equity funds

that invest in small- and mid-cap companies tend to be higher than the expenses of those multi-cap funds that comprise the Expense Group. The Board noted that the Fund's Sub-Adviser is paid by TICL out of the management

fee TICL receives from the Fund. After consideration of the above, the Board concluded that the Management Rate charged to the Fund is reasonable.

Profitability

The Board reviewed and considered information regarding the profits realized by each Manager and its affiliates in connection with the operation of the Fund. In this respect,

the Board considered the Fund profitability analysis that addresses the overall profitability of FT's US fund business, as well as its profits in providing investment management and other services to each of the individual funds during

the 12-month period ended September 30, 2019, being the most recent fiscal year-end for FRI. The Board noted that although management continually makes refinements to its methodologies used in calculating profitability in response

to organizational and product-related changes, the overall methodology has remained consistent with that used in the Fund's profitability report presentations from prior years.

Additionally, PricewaterhouseCoopers LLP, auditor to FRI and certain FT funds, was engaged to review and assess the allocation methodologies to be used solely by the Fund's

Board with respect to the profitability analysis.

The Board noted management's belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by each Manager and its affiliates may not be fully reflected in the expenses allocated to the Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. As part of this evaluation, the Board considered the initiative currently underway to outsource certain operations, which effort would require considerable

up-front expenditures by the Managers but, over the long run, is expected to result in greater efficiencies. The Board also noted management's expenditures in improving shareholder services provided to the Fund, as well as

the need to implement systems and meet additional regulatory and compliance requirements resulting from recent US Securities and Exchange Commission and other regulatory requirements, notably in the area of cybersecurity

protections.

The Board also considered the extent to which each Manager and its affiliates might derive ancillary benefits from

fund operations, including revenues generated from transfer and systems enhancements necessitated by fund growth, as well as increased leverage with service providers and

counterparties. Based upon its consideration of all these factors, the Board concluded that the level of profits realized by each Manager and its affiliates from providing services to the Fund was not excessive in view of the nature, extent and

quality of services provided to the Fund.

Economies of Scale

The Board reviewed and considered the extent to which each Manager may realize economies of scale, if any, as the Fund grows larger and whether the Fund's management fee structure reflects any economies of scale for the benefit of shareholders. With respect to possible economies of

scale, the Board noted the existence of management fee breakpoints, which operate generally to share any economies of scale with the Fund's shareholders by reducing the Fund's effective management fees as the

Fund grows in size. The Board considered management's view that any analyses of potential economies of scale in managing a particular fund are inherently limited in light of the joint and common costs and investments each Manager

incurs across the FT family of funds as a whole. The Board

concluded that to the extent economies of scale may be realized by TICL and its affiliates, the Fund's management fee structure provided a sharing of benefits with the Fund

and its shareholders as the Fund grows.

Conclusion

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

Liquidity Risk Management Program

Each of the Funds has adopted and implemented a written Liquidity Risk Management Program (the "LRMP") as required by Rule 22e-4 under the Investment Company Act of 1940 (the "Liquidity Rule"). The LRMP is designed to assess and manage each Fund's liquidity risk, which is defined as the risk that the Fund could not meet requests to redeem shares issued by the Fund without significant dilution of remaining investors' interests in the Fund. In accordance with the Liquidity Rule, the LRMP includes

management and procedures that provide for: (1) assessment of each Fund's liquidity risk; (2) classification of each Fund's portfolio holdings into one of four liquidity categories (Highly

Liquid, Moderately Liquid, Less Liquid, and Illiquid); (3) establishing and maintaining a minimum percentage of the Fund's net assets in Highly Liquid investments (called a "Highly Liquid Investment Minimum" or "HLIM"); and (4) prohibiting the Fund's acquisition of illiquid investments that would result in the Fund holding more than 15% of its net assets in Illiquid assets. The LRMP also requires reporting

to the SEC (on a non-public basis) and to the Board if the Fund's holdings of illiquid assets exceed 15% of the Fund's net assets. Funds with HLIMs must have procedures for addressing HLIM shortfalls, including reporting to the Board

and, with respect to HLIM shortfalls lasting more than seven consecutive calendar days, reporting to the Securities and Exchange Commission ("SEC") (on a non-public basis).

The Funds' Board of Trustees approved the appointment of the Director of Liquidity Risk within the Investment Risk Management Group (the "IRMG") as the Administrator of the LRMP. The IRMG maintains the Investment

Liquidity Committee (the "ILC") to provide oversight and administration of policies and procedures governing liquidity risk management for FT products and portfolios. The ILC

includes representatives from Franklin Templeton's Risk, Trading, Global Compliance, Investment Compliance, Investment Operations, Valuation Committee and Product

Management groups.

In assessing and managing each Fund's liquidity risk, the ILC considers, as relevant, a variety of factors, including the Fund's investment strategy and the liquidity of its portfolio investments during both normal and reasonably foreseeable stressed conditions; its short and long-term cash flow projections; and its cash holdings and access to other

financing sources, including the Funds' interfund lending facility and line of credit. Classification of the Funds' portfolio holdings in the four liquidity categories is based on the number of days it is reasonably expected to take to convert

the investment to cash (for Highly Liquid and Moderately Liquid holdings) or sell or dispose of the investment (for Less Liquid and Illiquid investments), in current market conditions without significantly changing the investment's market value.

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

the investment.

At meetings of the Funds' Board of Trustees held in May 2020, the Program Administrator provided a written report to the Board addressing the adequacy and effectiveness of the program during the period December 1, 2018 to December 31, 2019. The Program Administrator report concluded that (i.) the LRMP, as adopted and implemented, remains reasonably designed to assess and manage each Fund's liquidity risk; (ii.) the LRMP, including the Highly Liquid Investment Minimum ("HLIM") where applicable, was implemented and operated effectively to achieve the goal

of assessing and managing each Fund's liquidity risk; and (iii.) each Fund was able to meet requests to redeem and without significant dilution of remaining investors' interests in the Fund. At the same time, the Program Administrator also

presented the Fund Board of Trustees an update on liquidity during the first quarter of 2020 in reaction to the COVID-19 pandemic.

Proxy Voting Policies and Procedures

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund

uses to determine how to vote proxies relating to portfolio

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Policies online at 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, 900 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at

franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Statement of Investments

The Fund 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. 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 householded, 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.

