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INVESTMENTS



Templeton Emerging Markets
Investment Trust PLC



TEMIT Web Conference Transcript, September 2009

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PRESENTERS

Ian Wilkins—UK Sales Director.

Dr Mark Mobius—Executive Chairman, Templeton Asset Management Ltd. Mark directs the analysts based in Templeton's 15 emerging markets offices and manages the emerging markets portfolios.

Allan Lam—Senior Executive Vice President, Templeton Asset Management Ltd. Allan manages portfolios dedicated to global emerging markets, Asia (ex Japan), South Korea and Japan. He also has research responsibilities for companies in the real estate sector as well as in China, Hong Kong and the Philippines.

Dennis Lim—Co-CEO, Templeton Asset Management Ltd. Dennis co-manages a number of Templeton's emerging markets funds. He also has research responsibilities for Southeast Asian markets and the telecommunications sector.

TEMIT WEB CONFERENCE (RECORDED 29 OCTOBER 2009)

Ian Wilkins: Good morning everybody and welcome to the latest Templeton Emerging Market Investment Trust PLC call update. As usual we're joined by Mark Mobius and, along with Mark today, we have two of his senior investment professionals, Allan Lam joining us from Hong Kong, and Dennis Lim joining us from Singapore. So without any further ado, Mark I will hand over to you to run through the slides. Thank you.

Mark Mobius: Okay, thanks everybody. Slide two will give you an agenda for today; we're going to start with an emerging markets overview, then look at the TEMIT portfolio characteristics and performance and then we'll take any questions that you may have.

MARKET OVERVIEW

Mark Mobius: Let me start with the overview on slide four. This gives you a picture of the growth differences between the emerging countries and developed countries, and what I want to emphasise here is that, since 1992—with the exception of 1998, that was after the Asian crisis—the Gross Domestic Product (GDP) growth of emerging countries continues to outpace that of the developed countries, and that is the reason why we are so excited about emerging markets as an investment category. This year, growth in emerging markets will be about 1%, compared to -4% in developed countries. Next year we expect emerging countries to average 4-5%, and developed countries slightly more than 0%; the difference is quite remarkable.

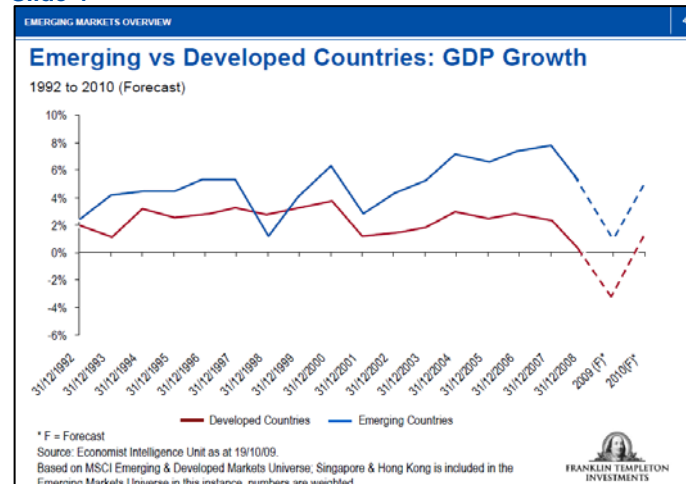
On slide five, you can see the yield spread between emerging market bonds and US treasuries. When that spread comes down, that implies that people are willing to invest more in emerging market bonds at a lower interest rate, relative to US treasuries, and therefore are more bullish on emerging markets and so the emerging market stock index goes up. You can see an inverse correlation between those two indicators; in 2008, we had a very bullish market, when the spread came down and the index went up dramatically, but then, with the sub-prime crisis, the opposite happened. Now we're coming up again with the difference between US treasuries and emerging market bonds narrowing and that implies very good confidence in emerging markets.

Slide number six gives you a summary of the emerging markets since 1988, when we first started in emerging markets. During that period there have been three bear markets—in this case we define a bear market as a market that has declined more than 30%—and those were the:

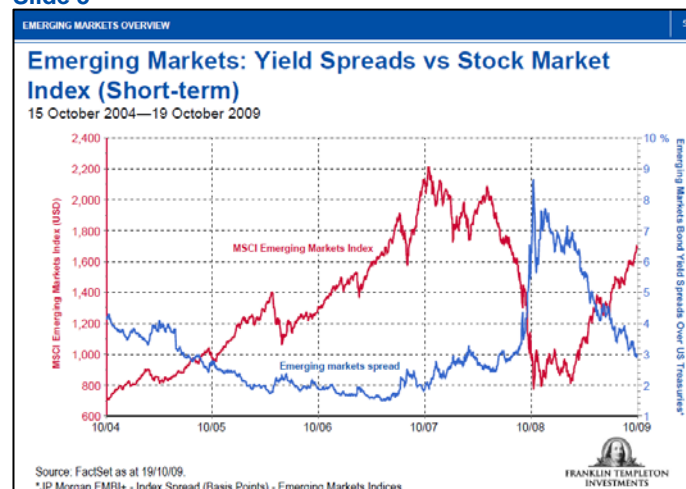
- Asian financial crisis
- Tech bubble (the internet stock bubble)
- Recent subprime crisis

The important point I want to make is that these bear markets were fairly short-lived; they didn't last very long. You can see those three bars are very short and that bull markets last longer. Given that, we always like to be invested, because we really don't know when there's going to be a bear market, and once you're in it, it's too late to jump out and probably not a good thing to do because it's not going to last very long and then you'll be in a situation of chasing the market up. So, we like to be fully invested as much as possible and are generally quite bullish because you're better off being in than being out.

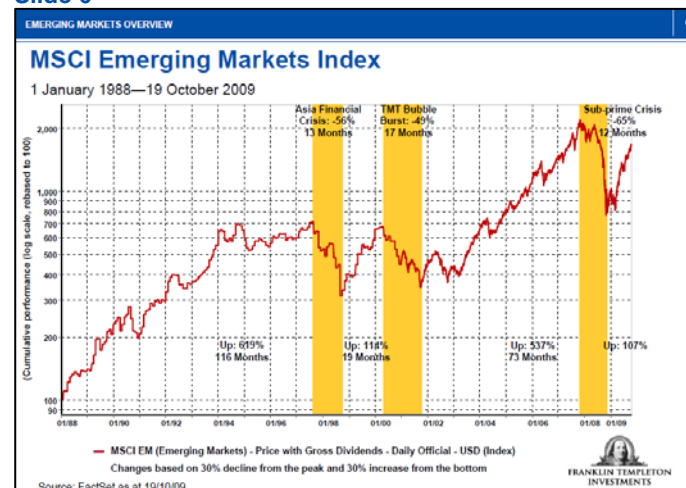
Slide 4



Slide 5



Slide 6



TEMIT PERFORMANCE

Mark Mobius: On slide eight, you can see the performance of TEMIT. For the recent three months, the Net Asset Value (NAV) returns were 27%, the share price was a little less and the index was less again. For one year, the NAV was 35%, the share price was 48%, and the index 33%. You can see the other numbers there, and since launch we have done very well against the index. If you look at the discreet annual performance, you'll see the differences there and the varied situations, depending on what part of the market cycle we were in, but in most cases we've been better than the emerging markets index.

Now, I'll turn it over to Dennis Lim, who'll talk about the country and sector breakdown, and then Allan will end up with top holdings, and then we'll open up for questions.

TEMIT COUNTRY WEIGHTINGS

Dennis Lim: Thanks Mark. Hello everyone. You can see the country breakdowns on slide nine.

- Currently the largest country weighting is Brazil. In the past nine months, the weighting in Brazil has been relatively steady, so very little change and no surprises. Allan will expand on the four largest holdings in TEMIT, which are all Brazilian companies.
- Hong Kong/China is the second largest country, weighting about 18.5%. Again, there has been little change. The weighting over the last nine months has actually fallen a little, mostly due to market price changes.
- India is currently 11.8%. Now this is where we have increased weightings in the past year. It was previously about 8.5%. We have done a bit of purchasing in India; there were some opportunities in a number of sectors, predominantly in Information Technology (IT).
- The weighting in Thailand has remained quite steady; 9.5% over the past year. It started the year about 9.8%, so we haven't really made any changes there.
- Korea has come down slightly from about 8.5% to 7%, and if you look at the bar chart on the slide, you can see that this is the market where we have the biggest underweight difference versus the benchmark. We have not been able to find as many bargains in this country as in others.
- In Turkey we have a 6.8% weighting. Again, this is one market where the country weighting has come down. It was 9.5% at the start of the year, so we have done a little bit of trimming here.
- Indonesia is currently at 6.2%. Another market where we have added to in the past nine months, and it's gone from 3.5% to the current 6.2%. We have been adding in a number of stocks including Indonesian banks, and 1-Astra as another example.
- The weighting in Russia is pretty much unchanged; 5.9% at the start of the year and now 6.2%, mainly due to market price changes.
- South Africa is another market where we have a significant underweight, currently at 2.5%. Again, little change, previously just under 2%.
- And then Poland at 1.8%. Again, no change, there has been very little trade in this market; it was 1.7% previously.

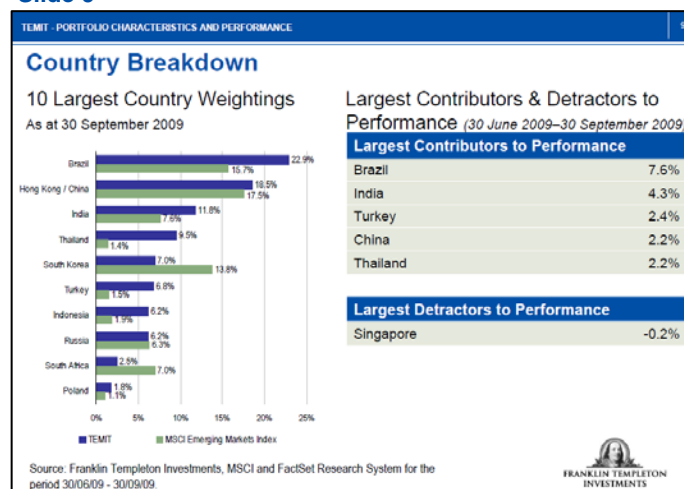
Slide 8

TEMIT PORTFOLIO CHARACTERISTICS AND PERFORMANCE					
TEMIT Performance					
Cumulative Performance (as at 30 September 2009)					
	3 Months	1 Year	5 Years	10 Years	Since launch
TEMIT (NAV)	27.2%	35.4%	185.9%	256.1%	1,435.4%
TEMIT (Share price)	25.5%	48.8%	230.2%	346.4%	1,527.7%
MSCI Emerging Markets Index	24.6%	33.1%	155.4%	211.6%	787.9%

Discrete Annual Performance (as at 30 September each year)					
	Sep 08/ Sep 09	Sep 07/ Sep 08	Sep 06/ Sep 07	Sep 05/ Sep 06	Sep 04/ Sep 05
TEMIT (NAV)	35.4%	-24.7%	61.1%	9.4%	48.0%
TEMIT (Share price)	48.8%	-25.9%	62.9%	10.7%	66.1%
MSCI Emerging Markets Index	33.1%	-23.4%	45.4%	14.4%	50.5%

Source: ©Morningstar Inc., as at 30/09/09. All Rights Reserved. Performance is calculated NAV-NAV, GBP net of UK basic rate tax and gross of fees. **Past performance is no guarantee of future performance.** Emerging markets can carry a higher degree of risk than developed markets.

Slide 9



TEMIT SECTOR WEIGHTINGS

Dennis Lim: In terms of sector breakdown, the largest sector is finance at 27.5%, followed by energy with 21.7% and then materials at 19.7%. If you look at slide ten you see that these three sectors are also the largest contributors to the fund performance.

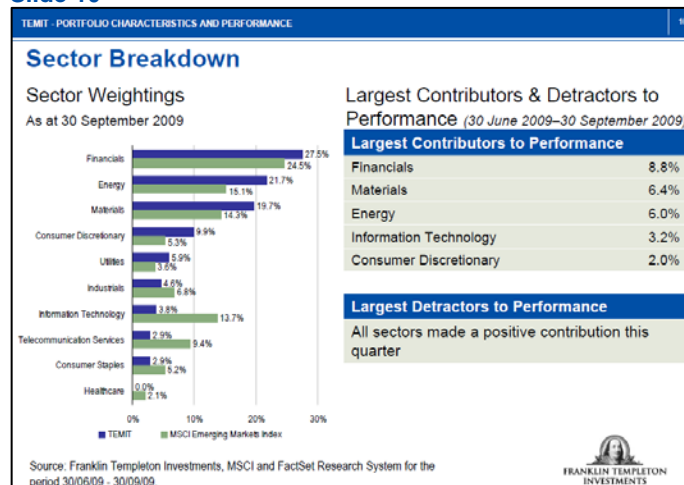
Further down the table, below consumer finance at 9.9% and utilities at 5.9%, I want to highlight the weighting in information technology; 3.8% versus a benchmark weighting of 13.7%. What's remarkable is the contribution performance from this sector, a significant contributor in spite of the weighting. The underweight situation is really due to holdings in Taiwan and Korea, as we are not in many of the tech names there. Let me stop here and hand you over to Allan to talk about the holdings.

TEMIT STOCK HOLDINGS

Allan Lam: Thanks Dennis. On slide eleven, we have the list of the ten largest holdings in the Trust.

- Starting with Itau Unibanco; it is by far the largest bank in Brazil, especially following the merger of Banco Itau and Unibanco. Before the merger, they were ranked number one and number four, but now they are even bigger. Brazil's banking sector continued to be more lucrative than many emerging markets in terms of net interest margins and you may be aware, Brazil used to experience hyper inflation, so this bank in Brazil is already cautious about any possible inflation and credit risks.
- The next largest holding Vale do Rio Doce (CVRD), is one of the world's largest producers of iron ore. They produce other minerals as well. They have benefitted from the high prices of iron ore. The mining sector continued to consolidate globally. I think they're going to have pretty good pricing power going forward.
- Banco Bradesco is the second largest bank in Brazil after Itau Unibanco and in terms of profitability and cost efficiency, they are quite comparable.
- Petrobras is an integrator and producer of crude oil and electro gas. They specialise in offshore exploration and production and are among the most efficient offshore producers around the world and especially in deep sea drilling.
- Akbank is one of the largest banks in Turkey and they have been operating in pretty volatile environments in terms of politics, and in terms of economic outlook, but those factors have improved over the years. Now, they are more comfortable to lend to commercial and individual borrowers instead of just buying treasury bills like what they did in the past.
- Sesa Goa, a smaller counterpart of CVRD is located in India, so they have the convenience of selling their iron ore products to the regional producers in India, China, Korea and Japan as well.
- Hyundai Development Co. is not just a construction company in Korea. They own a pretty large land bank for Korea development, so they have benefitted from the ongoing banking and housing reforms in Korea.
- SK Energy is a major oil refiner in Korea. They operate a pretty extensive level of sub-stations and, in addition, they hold optimum reserves in different parts of the world so their earnings are hedged and don't get hurt when crude oil prices are high.
- PetroChina is the largest oil and gas company in China. They own more than 70% of the country's reserves and given the firm prices of crude oil and natural gas in the region, they have been one of the beneficiaries.

Slide 10



Slide 11



- The last name on the list is Aluminum Corp. of China Ltd. They have been incurring losses in the past one or two quarters and in the third quarter they have made a big difference. Going forward, the country will have to import more aluminum and the country still has very low producer consumption, especially in the areas of consumer portable packaging, so going forward, this company will also be a beneficiary.

On the right hand side of slide 11, we have the major contributors to performance and major detractors for the past three months. Again, I have to point out that emerging markets are intrinsically volatile and the ones that under-perform in this quarter may turn out to be good performers in the following quarter. I think that this is my short presentation. I'll pass back to Mark Mobius and Dennis.

Mark Mobius: Okay, thanks Allan. That's the presentation. Now we'll open it up for any questions you may have.

QUESTIONS AND ANSWERS

Ian Wilkins: I've got some pre-submitted questions here, but before we get into those, I'll just mention for those people who've asked us TEMIT related questions in advance of this call, that obviously we are simply the investment advisor to TEMIT, so we're unable to answer questions on the actual Trust itself. So if we don't address your question, that will be the reason why.

Mark, maybe I could ask the first question. Brazil is the largest holding and we've got several large stock positions there; to what extent has the tax, introduced by the Brazilian government recently, changed your view on either individual stocks or that market generally?

Mark Mobius: Well, it certainly has an impact, because if you're paying up 2% plus your brokerage, it can add up pretty quickly. The good news, with us, is that we're very long term and we don't tend to be trading in and out very much, but in Brazil, we're going to have to be quite cautious to ensure that we don't go into situations that are short term in nature. So, I would say it is somewhat a dampner but it's probably not going to result in a decrease in what we have there already, because staying in does not cost anything in terms of any additional tax.

Ian Wilkins: Thank you very much. The next question we have is, to what extent can domestic consumption compensate for lower exports?

Mark Mobius: Well, in the case of Brazil, domestic consumption is very vibrant and if you look at some of the holdings we have in the portfolio, you'll see that a number of them are very domestically oriented. For example, the banks, are very big consumer banks that would tend to be quite oriented towards the local market, not exports. If you go down the list of the two largest weightings, you'll see that Itau Unibanco, which is the largest bank, is almost 7% of the portfolio. The third largest is also a bank, so for Brazil, the domestic economy is good. The second holding is an export orientated iron ore producer, Vale do Rio Doce. So it's a mixture. I would say that you can't replace the export market with the consumer market, but they work pretty much, equally in the portfolio and probably in the economy.

Ian Wilkins: Thank you. The next question we have is in relation to the basket of emerging market currencies that we own by virtue of stocks that we invest in, versus the sterling-based currency of TEMIT. The question we have is essentially, what type of impact, positive or negative, do currencies have on the Trust's performance?

Mark Mobius: Well, it depends on the company. Whenever we have cash—cash in the local currency that is—whether it be Brazilian real, Mexican peso, or a local currency like the Thai baht, we immediately convert that cash into sterling. So we don't take that currency risk on cash. In the case of different movements of currencies, we always have to look at it from the view point of the company. In other words, some companies, exporters for example, will benefit from a weak domestic currency, and their earnings will probably go up all things being equal on the back of that. Let's say for example, we had bought Vale do Rio Doce, which is a big exporter, in the local currency, in Brazilian real. As soon as the Brazilian real gets weaker, Vale looks better, their spread on their operations gets better, they're more profitable, so they earn more and their stock price goes up, so we make up for any currency change and that's true of every company.

Every company's going to be impacted by the currency in a different way, so that's why you have to really look at it from an individual company point of view. We don't hedge in the sense of buying any derivatives to hedge currency for that reason, because it would get very complicated and very often, the companies themselves are hedging, so you may do something which is just the opposite of the what the company's trying to do, and that would work against you.

Ian Wilkins: Thank you. We have three questions here that we can take together because they essentially are asking the same kind of question in different ways: are emerging markets good value long term? We've got a question in that vein about Price to Earnings

ratios (P/Es) of developing countries versus the P/Es of developed countries going forward, given the differential and growth expectations and a specific question on the outlook for Chinese stocks.

Mark Mobius: Well Allan, maybe you could answer the question on valuations? How emerging market companies have tended to be cheaper than the developed countries, Allan?

Alan Lamb: As of the end of September, if we compare the portfolio to its benchmark the MSCI Emerging Market Index, the portfolio is cheaper. The average P/E ratio is fifteen times as compared to the average P/E ratio for the benchmark of 19 times.

Mark Mobius: Yes, and if you look at the developed markets, it's even higher. Developed markets have a higher P/E, and a higher price to book, so emerging markets still remain—despite the fact that they've outperformed—still remain cheaper and we don't see that changing any time soon because the growth rate, as I mentioned earlier in this presentation, indicates that emerging markets will, in terms of their economic growth, be greater and that means faster growing earnings for the companies. Dennis, maybe you can take the second part of that question?

Dennis Lim: I think that's a very interesting question, because we often get questions on whether any of the Chinese market is priced "for perfection". When we travel around China—and we make these trips at least twice a year—and when we go into the provinces, for example, we see the situation in places like Chong Qing, in Gansu and other places. It's very different from what's happening in the coastal provinces or when you're in Shanghai, for example; it looks very vibrant; it looks also as if it's an expensive place to be. We believe that the interior of the country, the western provinces, will provide the impetus for China to continue growing at a very high rate, well above 5% and even for the next 10, 15, even 20 years. The Chinese government is fully aware of the need to grow the economy, simply because they need to create jobs to keep unemployment low. I think civil unrest in China, if you have been following the numbers, has been rising quite rapidly in the last five years. This is something we have to keep an eye on, so the focus remains on economic growth, job creation, keeping inflation down. Now all this just means one thing, that companies and listed companies in particular, will continue to benefit from this continued growth in China. So to cut a long story short, we believe that earnings growth for these companies will continue to be on an up trend and continue to be strong, so we are looking for opportunities to add on dips.

Ian Wilkins: Before we conclude the call, could we just invite you to make any final comments before we ask the operator to conclude the call?

Mark Mobius: Just to say that we are continuing to search globally for bargains. We just came back from Romania. The next stop will be India, so we're continuing to look around the world for good opportunities.

Ian Wilkins: That's great. Thank you Mark and Allan, Dennis also. Operator, that concludes today's call. Thank you.

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