

QUARTERLY PORTFOLIO INSIGHT - Three months to 30 September 2008

Summary of investment objective

The Trust seeks long-term capital appreciation through investment in companies operating in emerging markets or whose stocks are listed on the stock markets of such countries.

Fund characteristics

Fund launch date 12/06/1989
 Benchmark MSCI Emerging Markets Index (in £)
 Lead manager Mark Mobius
 Fund size £1,119.6m

Pricing information (30/09/08)

NAV (Ex-Income) 361.7p
 Share price 313.8p
 Discount to NAV (Ex-Income) 13.3%

Pricing information (YTD 2008)

Highest NAV (Ex Income) 529.9p
 Lowest NAV (Ex Income) 330.8p
 Highest share price 467.0p
 Lowest share price 295.0p

For up-to-date information, please visit
www.temit.co.uk

OVERVIEW

- After an uneventful second quarter, global financial markets experienced one of their most volatile periods in recent times in the third quarter of 2008. The unravelling of the sub-prime mortgages resulted in a severe liquidity crisis which ultimately led to major corporate collapses in the US.
- Contagion from the financial instability in the US, coupled with drying liquidity globally, led investors to flee equity investments worldwide. The benchmark MSCI Emerging Markets Index ended the quarter down 26.9% in US\$ terms.
- Asian markets outperformed their counterparts while a decline in commodity prices and weaker domestic currencies further compounded the troubles faced by **Latin American** markets. In Europe, **Russia** was the worst performing market with the MSCI Russia Index losing 45.3% in US\$ terms as the global financial turmoil and a correction in oil prices led investors to exit the market. **Turkey**, on the other hand, ended the quarter with a marginal loss of 0.7% in US\$ terms due to a strong performance in July. **South Africa** also outperformed its emerging market counterparts with a 16.5% decline in US\$ terms.

INVESTMENT OUTLOOK

Recent times have proven once again that developed markets can no longer be considered to be "safe havens". While banks in the US and Western Europe have experienced liquidity issues, banks in emerging markets have so far escaped relatively unscathed due to their low exposure to sub-prime mortgages. That said emerging markets are not immune to the developments taking place in the US. The lack of liquidity has had a dramatic impact on stock markets globally with emerging markets being no exception. However, with central banks in many markets injecting funds into the markets, we believe that this could provide some support to equity prices. While no one can predict the absolute bottom of a market, we could be near the point of maximum pessimism with market valuations looking increasingly attractive. History has shown us that the best time to buy is when everyone is despondently selling. This enables us to pick up stocks at more appealing prices.

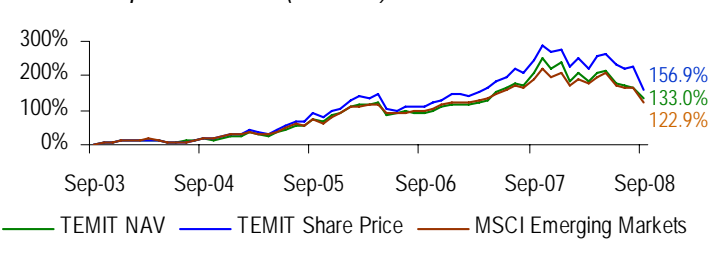
INVESTMENT STYLE

- The Investment Manager and his team use in-depth company research to find securities in any emerging market country or industry sector, regardless of company size, that they believe are undervalued by the market but have the potential to increase in value over time.
- Templeton Emerging Markets Investment Trust, PLC. (TEMIT) is actively managed, aiming to invest in those securities that the Investment Manager believes have the best potential to grow in value over a five year period. Although it is measured against the MSCI Emerging Markets Index for reporting purposes, there is no requirement for the Investment Manager to invest in the same companies or in the same amount as the index. TEMIT's performance or portfolio positioning may therefore be very different to the index.
- TEMIT invests in emerging markets; these markets can experience significant and sudden changes in price and can carry a higher degree of risk than developed markets. An investment in TEMIT should be considered as long-term.

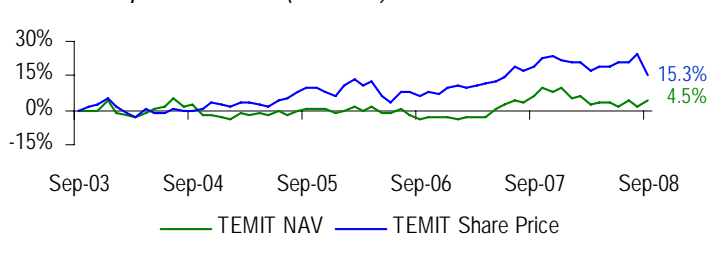
PERFORMANCE

- For the three months to 30 September 2008, TEMIT fell 22.4% compared to the MSCI Emerging Markets Index, which declined 18.3%¹. **Please note that past performance is no guarantee of future performance.**

5 Year Cumulative Performance¹
 as at 30 September 2008 (rebased)



5 Year Relative Performance v MSCI Emerging Markets Index¹
 as at 30 September 2008 (rebased)



Cumulative Performance¹
 30 September 2008

	3 Months	6 Months	Year To Date	1 Year	3 Years	5 Years	Since Launch*
TEMIT (NAV)	-16.3%	-17.3%	-31.2%	-24.6%	32.7%	133.0%	1034.4%
TEMIT (Share Price)	-22.4%	-20.3%	-31.5%	-25.9%	33.6%	156.9%	994.0%
MSCI Emerging Mkts Index	-18.3%	-19.1%	-27.8%	-23.4%	27.5%	122.9%	567.0%

Discrete Annual Performance¹
 To end of September each year

	Sept 07/ Sept 08	Sept 06/ Sept 07	Sept 05/ Sept 06	Sept 04/ Sept 05	Sept 03/ Sept 04
TEMIT (NAV)	-24.6%	61.1%	9.4%	48.0%	18.6%
TEMIT (Share Price)	-25.9%	62.9%	10.7%	66.1%	15.8%
MSCI Emerging Mkts Index	-23.4%	45.4%	14.4%	50.5%	16.2%

*TEMIT was launched on 12/06/89.

PAST PERFORMANCE IS NOT A GUIDE TO FUTURE PERFORMANCE.

1. Please see pages 4-5 for glossary and detailed notes.

PORTFOLIO CHANGES AND POSITIONING

During the quarter, the Trust increased its investments in Hong Kong, India, Taiwan and Indonesia as we continued to search for undervalued stocks trading at attractive valuations. We increased the Trust's exposure to the consumer electronics, semiconductors and diversified banking sectors. Conversely, the Trust undertook selective sales in China, via the Hong Kong-listed "H" shares, South Korea and Brazil, due to the availability of more attractively valued stocks elsewhere in the investment universe.

TEMIT HOLDINGS

Top Ten Equity Issuers²

30 September 2008

Security	Sector	Country	% of total assets
Unibanco-Uniao de Bancos Brasileiros S/A (GDS)	Financials	Brazil	6.6%
Companhia Vale Do Rio Doce Spon. ADR Pfd	Materials	Brazil	6.3%
Petroleo Brasileiro SA - PETROBRAS	Energy	Brazil	6.1%
Banco Bradesco S/A (ADS)	Financials	Brazil	5.6%
Akbank T.A.S.	Financials	Turkey	5.5%
Hyundai Development Co.	Industrials	South Korea	4.6%
PetroChina Co. Ltd.	Energy	China	3.8%
Dairy Farm International Holdings Ltd.	Consumer Staples	Hong Kong	3.1%
SK Energy Co. Ltd.	Energy	Korea	2.9%
Gazprom OAO (ADS)	Energy	Russia	2.7%
			47.2%

Significant purchases²

Tata Consultancy—India's oldest and largest IT consulting and services firm

Buy Reason: one of the most efficient IT consulting firms globally and well positioned to benefit from the increasing outsourcing activities from abroad

Mediatech—is a leading Taiwanese integrated circuit design company

Buy Reason: specialises in wireless communications and digital media solutions

VTech Holdings—one of the world's major manufacturers and distributors of cordless telephones and other telecommunication products

Buy Reason: a steady gainer of market share in cordless phones and electronic learning products

Significant sales

Souza Cruz—Brazil's leading cigarette company

Sell reason: reduce TEMIT's overweight position in the country

Sinopec—a major oil manufacturer and distributor of refined oil products in China

Sell reason: possibly prolonged fuel price control and therefore, further refining losses

SK Holding—the investment branch of SK Group

Sell reason: sold in favour of its subsidiary, SK Energy

Largest contributors and detractors to performance

1 July 2008 – 30 September 2008

Top Ten Security Contributors²

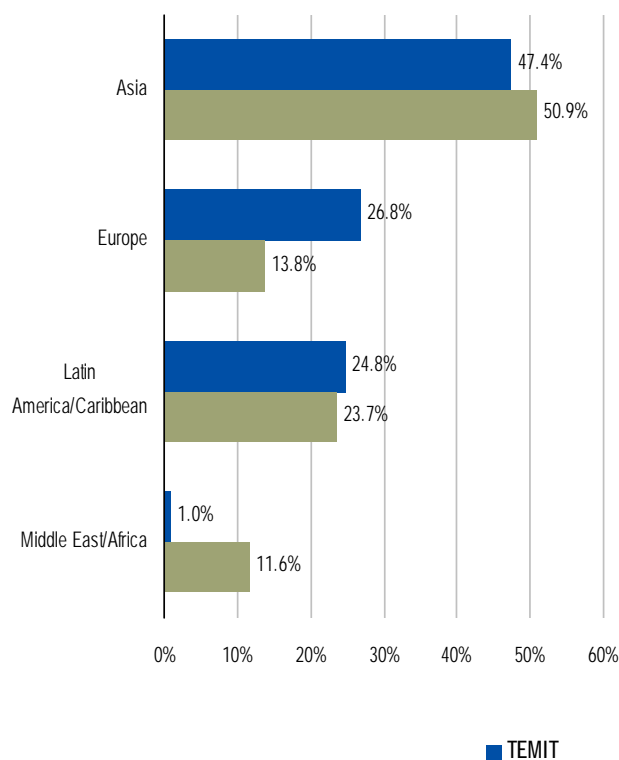
Security	Sector	Country	Contribution
Akbank T.A.S.	Financials	Turkey	1.7%
Turkcell Iletisim Hizmetleri A.S.	Telecommunication Services	Turkey	0.4%
Oil & Natural Gas Corp. Ltd.	Energy	India	0.4%
VTech Holdings Ltd.	Information Technology	Hong Kong	0.3%
Dairy Farm International Holdings Ltd.	Consumer Staples	Hong Kong	0.2%
Bank Central Asia	Financials	Indonesia	0.2%
PKN Orlen S.A.	Energy	Poland	0.1%
Bank Danamon Indonesia	Financials	Indonesia	0.1%
China Petroleum & Chemical Corp.	Energy	China	0.1%
Compal Communications Inc.	Information Technology	Taiwan	0.0%

Top Ten Security Detractors²

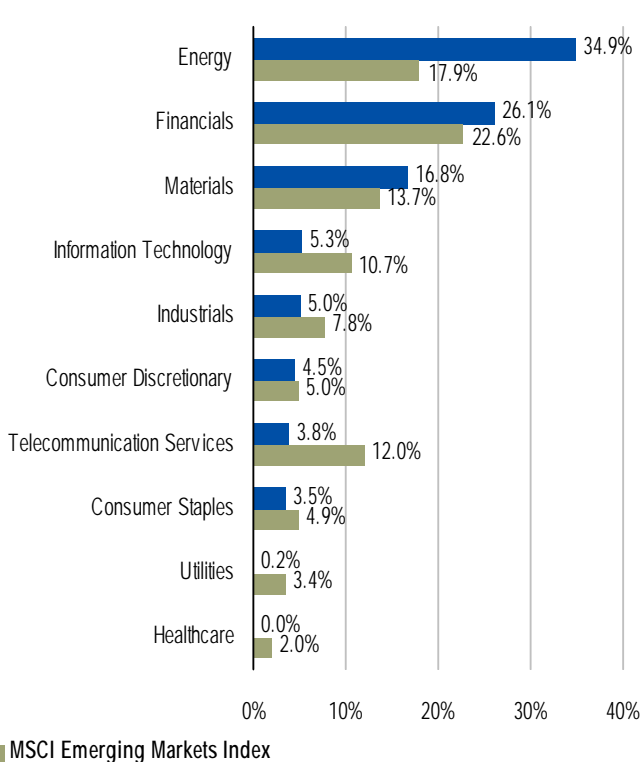
Security	Sector	Country	Contribution
Vale do Rio Doce, Cia	Materials	Brazil	-2.6%
Petroleo Brasileiro SA PETROBRAS	Energy	Brazil	-1.7%
Gazprom OAO	Energy	Russia	-1.3%
Aluminum Corp. of China Ltd.	Materials	China	-1.3%
Norilsk Nickel Mining & Metallurgical Co.	Materials	Russia	-1.1%
Hyundai Development Co.	Industrials	South Korea	-1.0%
Lukoil Holdings	Energy	Russia	-0.9%
OMV AG	Energy	Austria	-0.9%
SK Energy Co. Ltd.	Energy	Korea	-0.8%
Anglo American PLC	Materials	South Africa	-0.7%

GEOGRAPHIC AND SECTOR INFORMATION**Geographic Weightings vs. Benchmark (%)³**

1 July 2008 – 30 September 2008

**Sector Weightings vs. Benchmark (%)³**

1 July 2008 – 30 September 2008

**Largest contributors and detractors to performance⁴**

1 July 2008 – 30 September 2008

Top Country Contributors

Country	Contribution
Turkey	1.8%
Hong Kong	0.3%
Indonesia	0.2%
Poland	0.1%
Mexico	0.0%

Top Country Detractors

Country	Contribution
Brazil	-5.4%
Russia	-3.8%
China	-2.1%
South Korea	-2.1%
Thailand	-1.1%

Top Sector Contributors

Sector	Contribution
Financials	2.9%
Consumer Staples	2.1%
Telecommunication Services	0.3%

Top Sector Detractors

Sector	Contribution
Energy	-7.0%
Materials	-6.7%
Industrials	-1.2%
Consumer Discretionary	-0.8%
Information Technology	-0.2%

STATISTICS

(Please refer to glossary on pages 4-5 for definitions of these items)

Risk Statistics⁵

as at 30 September 2008

	1 Year	3 Years (annualised)		1 Year	3 Years (annualised)		1 Year	3 Years
Annualised Alpha	-4.0	-1.6	R ²	1.0	0.9	Maximum Gain	12.6	116.4
Beta	1.2	1.2	Sharpe Ratio	-0.10	0.2	Maximum Loss	-34.6	-34.6
Annualised Downside Risk	16.9	9.4	Annualised Tracking Error	10.74	8.2	Negative Months	6	13
Information Ratio (Relative)	-0.9	-0.1	Annualised Volatility	34.50	27.3	Positive Months	6	23

Fundamental Portfolio Characteristics⁶

as at 30 September 2008

	Price to Earnings	Price to Book Value	Price to Cash Flow	Dividend Yield	Market Cap (Millions)
Temit (Weighted Average)	8.4x	1.7x	6.0x	4.0%	£24,920*
MSCI Emerging Markets Index (Weighted Average)	10.7x	1.8x	6.8x	3.2%	£37,664

*Market Cap figure for the portfolio covers 90.7% of holdings.



Mark Mobius, Ph.D.,
Executive chairman,
Templeton Asset
Management Ltd.

INVESTMENT MANAGER AND TEAM

Mark Mobius, Ph.D., executive chairman of Templeton Asset Management, LLC, joined Templeton in 1987. Dr Mobius is supported by the Templeton Emerging Markets Team, who assist in the management of emerging markets portfolios.

The Templeton Emerging Markets Team is one of the pioneers of emerging market investment. Established in 1987, the Team has over 20 years of experience and now manages £13.8 billion in emerging markets assets for retail, institutional and professional investors across the globe.

The Templeton Emerging Markets Team is large, experienced, and has a presence on the ground in (or near) 14 of the world's emerging markets. The Team includes 33 dedicated emerging markets portfolio managers, analysts and product specialists.

Together, they speak over 20 different languages and dialects. On average, each of the Team's investment professionals has 11 years of relevant industry experience, and has been with the company for 9 years (all information as at 30/09/08).

The Team's on the ground presence ensures that it is able to gain a better understanding of local issues affecting emerging markets companies around the globe.

INVESTOR SUITABILITY

TEMIT may be appropriate for investors who want to invest in emerging markets and are willing to take some risk for the potential of strong capital growth over the long term.

Emerging market companies can be more volatile than developed markets and an investment in TEMIT could occasionally change in value significantly over the short-term. Shareholders in TEMIT should therefore consider it as a long-term financial commitment.

Please refer to the latest annual report for more details of the risks associated with an investment in TEMIT.

GLOSSARY OF TERMS

Alpha - Alpha measures the difference between a fund's actual returns and its expected performance, given its level of risk (as measured by beta). A positive alpha means that the fund has over performed, a negative alpha means the fund has under performed; for example, an alpha of 1.0 means the fund outperformed the market 1.0%.

Beta - Beta is a measure of a fund's sensitivity to market movements. It measures the relationship between a fund's excess return over an investment in a risk-free investment such as cash (we have used a return of 3.5%) and the excess return of the benchmark index. For TEMIT, this is the Investment Trusts Global Emerging Markets universe. By definition, the beta of the benchmark (in this case, an index) is 1.00. Accordingly, a fund with a 1.10 beta has performed 10% better (after deducting the cash rate) than the index in up markets and 10% worse in down markets, assuming all other factors remain constant. A fund with a high beta will tend to move more than the benchmark, a fund with a low beta will tend to move less.

Contributor - the amount an individual stock, country or sector has added to the performance of the entire portfolio for a given period.

Detractor - the amount an individual stock, country or sector has subtracted from the performance of the entire portfolio for a given period.

Divided Yield - The yield a company pays out to its shareholders in the form of dividends. It is calculated by the dividends paid per share over a year divided by the stock's price. For a vehicle like TEMIT, which invests in a number of companies, this figure represents the weighted average annual dividend paid by all of the companies in which it invests. Because of share types, fees and other considerations, the dividend yield quoted here should not be used as an indication of the income to be received from this portfolio.

Downside Risk - Downside risk is a measurement which only considers negative returns. It is calculated as a downside deviation of returns below the Risk Free Rate (this is the amount a manager could expect to receive by investing in a "risk free" asset, such as with a cash deposit).

Information Ratio - This ratio divides the annualised average return for the fund by the Tracking Error (Relative). The higher the ratio, the better, as it reflects the extent to which a fund has outperformed the benchmark.

Market Cap - the total value of a company's shares. For a vehicle like TEMIT, which invests in a number of companies, this figure represents the weighted average of all the companies in which it invests.

Maximum Gain - The best possible investment period in the period analysed. This includes temporary down periods.

Maximum Loss - The worst possible investment period in the period analysed. This includes temporary up periods.

NAV - Net Asset Value, or the total value of the fund at any one time, including all shares and cash, divided by the number of shares in issue.

Positive & Negative Periods - This shows how many positive/negative months returns that a fund experiences across a period.

Price to Book (P/B) - The price per share of a stock divided by its book value (i.e., net worth) per share. For a portfolio, the ratio is the weighted average price/book ratio of the stocks it holds.

Price to Cash Flow (P/CF) - Supplements price/earnings ratio as a measure of relative value; it represents a weighted average of the price/cash flow ratios for the underlying fund holdings.

Price to Earnings (P/E) - The share price of a stock, divided by its per-share earnings over the past year. For a portfolio, it is the weighted average P/E ratio of the stocks in the portfolio. P/E is a good indicator of market expectations about a company's prospects; the higher the P/E, the greater the expectations for a company's future growth in earnings.

R² - R² or R squared, is an indication of how closely aligned the portfolio and the benchmark index are. R² ranges between 0 and 1, with 0 indicating a lot of difference and 1 indicating a perfect match. A value of 0.7 and upwards generally suggests that a portfolio's performance is very closely linked to the performance of the benchmark index.

Share Price - The cost of a unit of ownership in a company as purchased through the stock exchange.

Sharpe Ratio - Sharpe Ratio judges whether the relationship between a fund's risk and its return is good or bad. The underlying assumption is that a fund manager could invest in a riskless asset (such as cash), therefore the return of the risk free asset is deducted from the annualised average return. This net return is then divided by the total risk (annualised volatility). The higher the ratio the better the return for investors for the risk taken.

GLOSSARY OF TERMS (Continued)

Tracking Error (Relative) - Tracking Error (Relative) measures how much the return of the portfolio deviates from the benchmark index. The lower the tracking error of the portfolio, the more it resembles the benchmark in terms of risk and return characteristics.

Trust - A Trust, or Investment Trust, is a closed ended vehicle investing in a wide variety of underlying investments. Investment Trusts are traded in exactly the same way as any other equity on the London Stock Exchange. The price at which they are traded (share price) depends on the demand for the shares in the investment trust and is often at a variance with the value of their underlying holdings (or NAV).

Volatility - This is a statistical measure of the amount of movement in the price of a share or portfolio over a given period of time. If a fund's share price hardly moves over time, it is said to have a low volatility. Volatility is a simple measure of the consistency of returns.

IMPORTANT INFORMATION

1. Performance is calculated NAV-NAV, GBP net of UK basic rate tax and gross of fees. Source: ©Morningstar as at 30/09/08. Past performance is no guarantee of future performance. Emerging markets can carry a higher degree of risk than developed markets.
2. For the "Top Ten Equity Issuers", please note that top ten equity holdings information is historical and may not reflect current or future composite characteristics. All holdings are subject to change. Holdings of the same issuers have been combined. The information provided is not a recommendation to purchase, sell, or hold any particular security. The securities identified do not represent the Trust's entire holdings and in the aggregate may represent only a small percentage of such holdings. There is no assurance that securities purchased will remain in Temit, or that securities sold will not be repurchased. In addition, it should not be assumed that any securities mentioned were or will prove to be profitable. Stocks mentioned in this report are not a solicitation to purchase those stocks, and are for example purposes only. The portfolio manager for Temit reserves the right to withhold release of information with respect to holdings that would otherwise be included in a top 10 holdings list. "Top Ten Security Contributors" and "Top Ten Security Detractors" are holdings based on the last 3 months period. These securities do not represent all the securities purchased, sold or recommended, and the reader should not assume that investment in the security listed was or will be profitable. Holdings are subject to change, holdings of the same issuer have been combined. The information provided is not a recommendation to purchase, sell or hold any particular security. Source for Top Security Contributors and Detractors: FactSet Research System, Inc. three months as at 30/09/08. Profile data is calculated as a percentage of total. Holdings of the same issuer have been combined.
3. Source for the Trust's "Geographic Weightings" and "Sector Weightings": Franklin Templeton Investments as at 30/09/08. Holdings of the same issuer have been combined. Weightings as percent of equity. Source for the benchmark's "Geographic Weightings" and "Sector Weightings" above: MSCI, as at 30/09/08. The above MSCI Index, the primary benchmark for this Trust, is an equity index calculated by Morgan Stanley Capital International (MSCI). The index measures the total return (gross dividends are reinvested) of equity securities available to foreign (nonlocal) investors in the relevant geographic region as reflected in the name of the index or as defined by MSCI. Securities included in the index are weighted according to their Free Float adjusted market capitalisation (Price*Shares outstanding*Foreign Inclusion Factor).
4. Source for "Top Country and Sector Contributors and Detractors". FactSet Research System, Inc. as at 30/08/08. Profile data is calculated as a percentage of total. Holdings of the same issuer have been combined.
5. Source for "Risk Statistics", Financial Express as at 30/09/08. Total return, annualised ratios table (30/09/08). Statistics calculated using a "risk free rate" at 3.5% and the Investment Trusts Global Emerging Markets universe as a benchmark.
6. Source for "Fundamental Portfolio Characteristics", FactSet Research System, Inc. as at 30/09/08. The Price to Earnings, Price to Cash Flow and Price to Book Value calculations shown herein use harmonic means. Values less than 0.01 (i.e. negative value) are excluded and values in excess of 200x are capped at 200x. Yields above 100% are also excluded. For the benchmarks, no limits are applied to these ratios in keeping with the benchmark's calculation methodology. Market capitalisation statistics are indicated in the base currency for the portfolio presenter.

The price of shares in Temit and income from them can go down as well as up and you may not get back the full amount that you invested. **Past performance is no guarantee of future performance.** Currency fluctuations will affect the value of overseas investments. In emerging markets, the risks can be greater than in developed markets.

This document does not constitute or form part of an offer for shares or an invitation to apply for shares. An investment in this Trust entails risks which are described in the Annual Report and Accounts. Please consult your professional adviser before deciding to invest.

Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalisation figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. The dividend yield quoted here should not be used as an indication of the income to be received from this portfolio.

Performance figures are not based on audited financial statements and, unless indicated otherwise, assume reinvestment of interest and dividends. When comparing the performance of Temit with the benchmark index, it is important to note that the securities in which Temit invests may be substantially different than those represented by the benchmark index. Furthermore, an investment in Temit represents an investment in a managed investment company in which certain charges and expenses, including management fees, are applicable. These charges and expenses are not applicable to indices. Lastly, please note that indices are unmanaged and are not available for direct investment. Certain data and other information shown have been supplied by outside sources. While we consider that information to be reliable, we give no assurance that such data and information is accurate or complete.

The indices are provided only to show the investment environment during the specific periods shown. The performance of each index does not include the deduction of expenses and does not represent the performance of any Franklin Templeton fund. The indices include a greater number of securities than those held in the Fund. An index is unmanaged.

All MSCI data is provided "as is." The portfolio described herein is not sponsored or endorsed by MSCI. In no event shall MSCI, its affiliates or any MSCI data provider have any liability of any kind in connection with the MSCI data or the portfolio described herein. Copying or redistributing the MSCI data is strictly prohibited.

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