

ANNUAL REPORT

# TEMPLETON INSTITUTIONAL FUNDS

December 31, 2020



FRANKLIN  
TEMPLETON

Foreign Smaller Companies Series

---

International Equity Series

---

# Contents

---

## Annual Report

Economic and Market Overview.....	2
Foreign Smaller Companies Series.....	3
International Equity Series.....	10
Financial Highlights and Statements of Investments.....	18
Financial Statements.....	30
Notes to Financial Statements.....	33
Report of Independent Registered Public Accounting Firm.....	46
Tax Information.....	47
Board Members and Officers.....	49
Shareholder Information.....	54

Visit **ftinstitutional.com** for fund updates, to access your account, or to find investment insights.

Not FDIC Insured | May Lose Value | No Bank Guarantee

# ANNUAL REPORT

## Economic and Market Overview

Global developed and emerging market equities, as measured by the MSCI All Country World Index (USD), posted a +16.82% total return for the 12 months ended December 31, 2020.<sup>1</sup> Stocks fell sharply in early 2020 as many investors sold equities amid fears of a global economic slowdown due to the novel coronavirus (COVID-19) pandemic. Global equities began to rebound in late March 2020 amid optimism about easing lockdown restrictions, vaccine and treatment development and economic stimulus measures. Despite declines in September and October due to geopolitical tensions and rising infection rates, markets rebounded in November and December, as positive sentiment about successful trials of COVID-19 vaccines, the beginning of vaccination programs in some countries and apparent resolution of political uncertainty supported markets.

In the U.S., pandemic-related restrictions caused stiff economic headwinds, including mass layoffs that drove the unemployment rate to 14.8% in April 2020.<sup>2</sup> According to the National Bureau of Economic Research, the longest U.S. economic expansion in history ended in February, and the country slipped into a deep recession. Equities began to rebound in the spring amid the government's fiscal and monetary stimulus, declining jobless claims, rising retail sales and optimism about treatments and potential vaccines for COVID-19. Following a record annualized decline in second-quarter gross domestic product (GDP), resilient consumer spending helped drive third-quarter GDP to expand at a record annualized rate, although growth slowed in the fourth quarter. Equities continued to rise during the summer but declined in the fall due to concerns about possible new restrictions amid rising COVID-19 infection rates and uncertainties about additional fiscal stimulus and the U.S. presidential election. Despite signs that the economic recovery was stalling as the unemployment rate remained relatively high (6.7% at period-end) and consumer spending declined, stocks rallied in November and December, buoyed by the outcome of the U.S. presidential election, the start of COVID-19 vaccination programs and the passage of a new U.S. stimulus bill.<sup>2</sup>

In an effort to support the economy, the U.S. Federal Reserve (Fed) lowered the federal funds target rate to a range of 0.00%–0.25% in March 2020. The Fed also enacted quantitative easing measures aimed at ensuring credit flows to borrowers and supporting credit markets with open-

ended bond purchasing. Furthermore, the Fed signaled that interest rates would potentially remain low, even if inflation moderately exceeded its 2% target.

In the eurozone, the economy contracted again in the fourth quarter of 2020, following quarter-on-quarter expansion in the third quarter and contractions in the first and second quarters. After several months of gains due to easing restrictions and robust stimulus measures, European developed market equities, as measured by the MSCI Europe Index (USD), declined in September and October as rising infection rates heightened investor concerns that the nascent economic revival could stall. Nevertheless, successful vaccine development and a Brexit resolution supported European developed market equities, as measured by the MSCI Europe Index (USD), to post a +5.93% total return for the period.<sup>1</sup>

Asian developed and emerging market equities, as measured by the MSCI All Country Asia Index (USD), posted a +21.30% total return for the 12 months under review.<sup>1</sup> Although pandemic-related lockdowns derailed economic growth in early 2020, sharp market declines were followed by rebounds as China's economy, a key driver of the region's economic activity, recovered from the contraction in the first quarter and expanded during the rest of 2020. Asian stocks rose as the region's economies reopened, aided by robust stimulus measures and optimism that economic revitalization would be further spurred by COVID-19 vaccines.

Global emerging market stocks, as measured by the MSCI Emerging Markets Index (USD), posted a +18.69% total return for the period, despite steep pandemic-related declines in early 2020, benefiting from improving economic activity, stabilizing oil prices and U.S. dollar weakness.<sup>1</sup> In spite of higher COVID-19 cases in some countries, emerging market stocks rallied near the end of 2020, bolstered by easing political uncertainty, commencement of COVID-19 vaccinations and rising commodity prices.

---

*The foregoing information reflects our analysis and opinions as of December 31, 2020. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.*

1. Source: Morningstar.

2. Source: U.S. Bureau of Labor Statistics.

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

# Foreign Smaller Companies Series

This annual report for Foreign Smaller Companies Series (Fund) covers the fiscal year ended December 31, 2020.

## Your Fund's Goal and Main Investments

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

## Performance Overview

The Fund posted a +8.95% cumulative total return for the 12 months under review. In comparison, the MSCI All Country World Index (ACWI) ex USA Small Cap Index, which measures performance of global developed and emerging market small-cap equities, excluding the U.S., posted a +14.67% total return.<sup>1</sup> Please note, index performance information is provided for reference and we do not attempt to track the index but rather undertake investments on the basis of fundamental research. You can find the Fund's long-term performance data in the Performance Summary beginning on page 6.

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

## Investment Strategy

When choosing equity investments 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

1. Source: Morningstar.

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

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

**The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 19.**

## Geographic Composition

12/31/20

	% of Total Net Assets
Europe	45.6%
Asia	39.9%
North America	5.6%
Latin America & Caribbean	3.9%
Middle East & Africa	0.9%
Short-Term Investments & Other Net Assets	4.1%

our evaluation of the company's long-term earnings, asset value and cash flow potential. This evaluation includes an assessment of the potential impacts of material environmental, social and governance (ESG) factors on the long-term risk and return profile of a company. We also consider a company's price/earnings ratio, profit margins and liquidation value.

## Manager's Discussion

Several of the Fund's holdings performed well during the 12 months under review. Hong Kong-based Techtronic Industries is a leading global power tools company. Its shares rose after the company reported strong financial results, as it recovered quickly from weakness related to the novel coronavirus (COVID-19) pandemic. In our long-term view, we see strengthened prospects for the company, including further market share gains in the cordless space and penetration into the light-equipment market.

German medical packaging firm Gerresheimer's shares rallied amid a solid set of earnings results. We believe the business remains resilient in the current environment, and margins and revenues could accelerate over the longer term following a period of high investment by the firm's new management team. Furthermore, we view Gerresheimer as a defensive growth stock trading at what we consider reasonably inexpensive valuations.

Logitech International is a Switzerland-based computer peripherals manufacturer. Its shares rose after the company's announcement of strong quarterly results. The company has continued to benefit from COVID-19-related work-from-home trends. In May 2020, company management announced a dividend increase and a substantial share buyback plan, and numerous Wall Street analysts upgraded their price targets.

**Portfolio Composition**

12/31/20

	<b>% of Total Net Assets</b>
Machinery	13.1%
Leisure Products	8.7%
Electronic Equipment, Instruments & Components	7.4%
Capital Markets	4.8%
Professional Services	4.7%
Textiles, Apparel & Luxury Goods	4.6%
Food Products	4.2%
Specialty Retail	3.4%
Banks	3.1%
Technology Hardware, Storage & Peripherals	3.1%
Food & Staples Retailing	3.1%
Life Sciences Tools & Services	3.0%
Metals & Mining	2.3%
Containers & Packaging	2.2%
Auto Components	2.1%
Other	26.1%
Short-Term Investments & Other Net Assets	4.1%

In contrast, the Fund had some underperformers during the period under review. Based in the Bahamas, OneSpaWorld Holdings operates spas on cruise ships. The company has a dominant market share in outsourced maritime health and wellness, is significantly larger than its next largest competitor 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 as the industry grows and becomes more complex. Its shares declined due to COVID-19 fears and the subsequent impact on travel-related industries. To bolster its financial flexibility, the company has repatriated cruise ship staff, furloughed most of its land-based spa staff in the U.S. and the Caribbean, and eliminated all non-essential operating and capital expenditures.

The shares of Belgium-based Barco, a market leader in cinema projection, wireless meeting-room technology and displays for health care, declined due to a decrease in reported profits during the period. We believe the upcoming projector-upgrade wave should drive a return to growth in the cinema business, as laser technology offers total cost-of-ownership and image-quality benefits over the old, existing xenon lamp-based projectors. The firm's ClickShare product is a runaway success, and we believe it has a clear potential for further growth.

**Top 10 Holdings**

12/31/20

<b>Company Industry, Country</b>	<b>% of Total Net Assets</b>
Interpump Group SpA <i>Machinery, Italy</i>	2.0%
Thule Group AB <i>Leisure Products, Sweden</i>	1.9%
Bucher Industries AG <i>Machinery, Switzerland</i>	1.9%
Granges AB <i>Metals &amp; Mining, Sweden</i>	1.8%
Huhtamaki OYJ <i>Containers &amp; Packaging, Finland</i>	1.8%
Logitech International SA <i>Technology Hardware, Storage &amp; Peripherals, Switzerland</i>	1.8%
Siegfried Holding AG <i>Life Sciences Tools &amp; Services, Switzerland</i>	1.7%
Technogym SpA <i>Leisure Products, Italy</i>	1.6%
Dometic Group AB <i>Auto Components, Sweden</i>	1.6%
Tsumura & Co. <i>Pharmaceuticals, Japan</i>	1.5%

Italy-based Technogym is the world's second-largest gym equipment manufacturer. The company has a healthy global market share, and recent efforts to expand revenue in the U.S. look promising to us. Since its creation, Technogym has built its brand on robust research and technological capabilities, innovative design and one of the widest product ranges in the industry. Technogym has experienced strong organic growth, and we believe its pricing power and ongoing focus on efficiencies could continue to lead to high profit margins and free cash flow generation.

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, 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 December 31, 2020, the U.S. dollar declined in value relative to most currencies. As a result, the Fund's performance was positively affected by the portfolio's investment predominantly in securities with non-U.S. currency exposure. However, one cannot expect the same result in future periods.

Effective January 1, 2021, the Fund named Harlan B. Hodes lead portfolio manager and added David A. Tuttle and Heather Waddell as portfolio managers.

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

Harlan B. Hodes, CPA  
Portfolio Manager

---

*The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 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, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.*

## Performance Summary as of December 31, 2020

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

### Performance as of 12/31/20

	Cumulative Total Return <sup>1</sup>	Average Annual Total Return <sup>2</sup>
1-Year	+8.95%	+8.95%
5-Year	+45.18%	+7.74%
10-Year	+88.48%	+6.54%

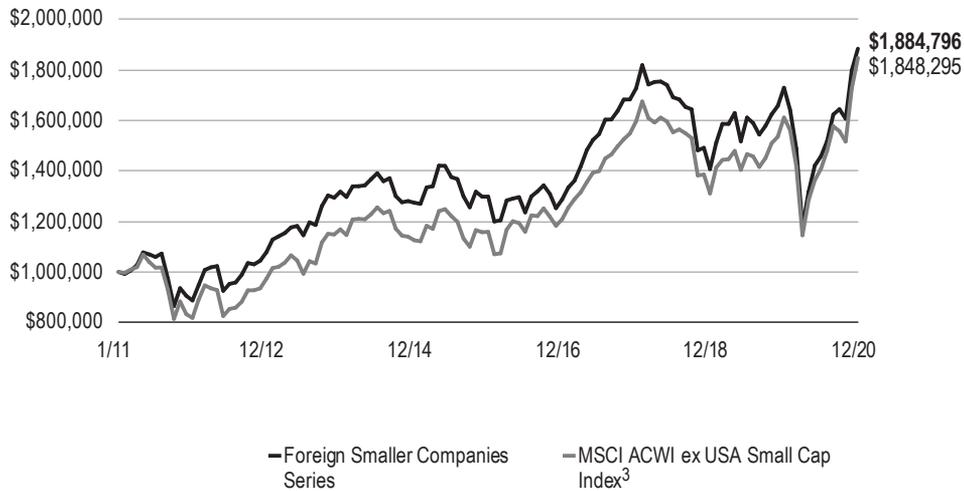
*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [ftinstitutional.com](http://ftinstitutional.com)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

See page 8 for Performance Summary footnotes.

## Total Return Index Comparison for a Hypothetical \$1,000,000 Investment

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

1/1/11–12/31/20



See page 8 for Performance Summary footnotes.

## Distributions (1/1/20–12/31/20)

	Net Investment Income	Long-Term Capital Gain	Total
	\$0.2236	\$0.0595	\$0.2831

## Total Annual Operating Expenses<sup>4</sup>

1.03%

All investments involve risks, including possible loss of principal. Smaller, mid-sized and relatively new or unseasoned companies can be particularly sensitive to changing economic conditions, and their prospects for growth are less certain than those of larger, more established companies. Historically, these securities have exhibited greater price volatility than large-company stocks, particularly over the short term. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments. Investments in emerging markets involve heightened risks related to the same factors, in addition to those associated with these markets' smaller size and lesser liquidity. Because the Fund may invest its assets in companies in a specific region, including Europe, it is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Political, social or economic disruptions in the region, even in countries in which the Fund is not invested, may adversely affect the value of securities held by the Fund. Current uncertainty concerning the economic consequences of departure of the U.K. from the European Union may increase market volatility. 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. Source: Morningstar. The MSCI ACWI ex USA Small Cap Index is a free float-adjusted, market capitalization-weighted index designed to measure performance of small-cap equity securities of global developed and emerging markets, excluding the U.S.
4. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Financial Highlights sections in this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown. See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

## Your Fund's Expenses

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

### Actual Fund Expenses

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

### Hypothetical Example for Comparison with Other Funds

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

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

Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
	Ending Account Value 12/31/20	Expenses Paid During Period 7/1/20–12/31/20 <sup>1,2</sup>	Ending Account Value 12/31/20	Expenses Paid During Period 7/1/20–12/31/20 <sup>1,2</sup>	
\$1,000	\$1,292.47	\$5.92	\$1,019.97	\$5.22	1.03%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 184/366 to reflect the one-half year period.

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

# International Equity Series

This annual report for International Equity Series (Fund) covers the fiscal year ended December 31, 2020.

## Your Fund's Goal and Main Investments

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

## Performance Overview

The Fund's Primary shares posted a +5.30% cumulative total return for the 12 months under review.<sup>1</sup> For comparison, the Fund's benchmark, the MSCI All Country World Index (ACWI) ex USA Index, which measures stock market performance in global developed and emerging markets excluding the U.S., posted a +11.13% total return for the period under review.<sup>2</sup> The Fund's other benchmark, the MSCI Europe, Australasia, Far East (EAFE) Index, which measures stock market performance in global developed markets excluding the U.S. and Canada, posted a +8.28% total return.<sup>2</sup> Please note, index performance information is provided for reference and we do not attempt to track an index but rather undertake investments on the basis of fundamental research. You can find the Fund's long-term performance data in the Performance Summary beginning on page 14.

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

## Investment Strategy

When choosing equity investments for the Fund, we employ a bottom-up, value-oriented, long-term investment 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

## Geographic Composition

12/31/20

	% of Total Net Assets
Asia	43.2%
Europe	40.5%
Latin America & Caribbean	3.5%
North America	1.3%
Short-Term Investments & Other Net Assets	11.5%

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

## Manager's Discussion

2020 was a year of surprises and challenges, but also opportunities. On the one hand, the disconnect between asset prices and economic fundamentals reached new extremes, creating headwinds for many price-disciplined investors. On the other hand, growing market imbalances and renewed volatility enabled us to reposition and ultimately strengthen portfolios as opportunities emerged. Diversification was a big strategic initiative in 2020, and not just across sectors and regions. We sought genuine diversification among value classifications, economic exposures and risk profiles to seek to construct more dynamic, resilient portfolios. To accomplish this diversification, we broadened our search for long-term value, including among higher-quality and mispriced growth stocks where attractive fundamentals looked sufficiently undervalued. Finding what we consider mispriced quality and growth characteristics has been challenging given the limited quality and growth opportunities in non-U.S. markets relative to the U.S. (as of December 31, 2020, the MSCI ACWI Quality Index is split roughly 65%/35% in favor of U.S. versus non-U.S. stocks, while the ACWI Growth Index is split roughly 57%/43% in favor of the U.S.). Growth and quality

1. Total return was positively impacted by the recognition of tax reclaims for previously withheld taxes on dividends in certain countries across the European Union (see Note 1e in the Notes to Financial Statements section). Uncertainty exists with respect to future recognition of additional European Union tax reclaims. Total return would have been lower without recognition of such tax reclaims during the year ended 12/31/20.

2. Source: Morningstar.

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

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

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

**The SOI begins on page 19.**

are also more expensive internationally (relative to the broader market), in our analysis, than they are in the U.S., further complicating our efforts to buy stocks with what we consider attractive fundamentals at a discount.

Though we ultimately did find creative, price-disciplined ways to diversify our value profile, we still struggled to keep up with the Fund's benchmark index, the MSCI ACWI ex USA Index, in a year we believe is characterized by speculative fervor. We entered 2020 positioned conservatively, having increased defensive exposures in late 2019. We could not have anticipated that a global pandemic would send stocks sharply lower in February and March 2020, only that the market looked vulnerable to disruption. Our defensive bias was helpful during the market selloff, and as 2020 progressed and the reality of a coordinated, state-sponsored recovery took hold, we added risk to the portfolio. We remained cautious on traditional value sectors such as energy, financials and even health care given growing structural and regulatory risks. However, we found a number of what we consider interesting opportunities among industrial cyclicals as well as high-quality companies at the epicenter of the novel coronavirus (COVID-19) pandemic that we felt were oversold. These companies performed well in the reflationary environment that characterized most of 2020 and gave the portfolio a more dynamic value profile. Ultimately, however, the bulk of recovery gains in 2020 were led by the same quality and growth styles that have dominated this cycle. Given the premium commanded by such characteristics, we simply did not have enough exposure to market-leading themes, which were expensive based on our analysis, to keep up with the benchmark during this period of extraordinary stimulus and reflation.

From a sector standpoint, relative weakness was largely attributable to stock selection in the communication services and health care sectors, which more than offset the benefit of overweightings in these sectors, as well as stock selection and an underweighting in the consumer discretionary sector. Japanese telecommunication services firm KDDI was the biggest relative detractor in the communication services sector, declining after regulatory risk spiked following an unexpected leadership change in Japan that saw Yoshihide Suga, a politician who has advocated for increased competition in the telecommunication services industry, become prime minister. We believe that when circumstances materially change, we must process the new information and reassess our thesis, which in this case led us to exit the position. German pharmaceuticals and agricultural chemicals firm Bayer was the biggest health care sector detractor. The market has remained skeptical about the finality of Bayer's complex US\$12 billion settlement to resolve litigation

## Portfolio Composition

12/31/20

	% of Total Net Assets
Pharmaceuticals	6.9%
Metals & Mining	5.8%
Technology Hardware, Storage & Peripherals	5.1%
Banks	4.9%
Oil, Gas & Consumable Fuels	4.8%
Electronic Equipment, Instruments & Components	4.7%
Semiconductors & Semiconductor Equipment	4.5%
Multi-Utilities	4.2%
Beverages	3.7%
Automobiles	3.7%
Diversified Telecommunication Services	3.4%
Chemicals	3.0%
Hotels, Restaurants & Leisure	2.7%
Insurance	2.7%
Other	28.4%
Short-Term Investments & Other Net Assets	11.5%

stemming from its acquisition of Monsanto (not a Fund holding), the manufacturer of the controversial weed-killer Roundup. Adding to the negative sentiment, at the end of 2020's third quarter, company management issued a profit warning for 2021. Despite such setbacks, we believe the stock remains exceedingly cheap and the market will soon begin to look beyond the litigation issues and focus on the fundamentals of the underlying business. There were no consumer discretionary stocks among the 10 biggest detractors.

Turning to contributors, stock selection in and a favorable overweighted allocation to materials made a big positive impact in 2020. Japanese miner and refiner Sumitomo Metal Mining and Canadian precious metals firms Wheaton Precious Metals, which has operations in Brazil, and Barrick Gold (not part of the benchmark index) all finished among the top 10 relative contributors. We have maintained precious metals exposure in the portfolio due to the uncorrelated return profile of the asset class and the hedge-like characteristics it provides amid concerns about excess debt, economic turmoil and the potentially inflationary impact of extreme monetary accommodation. This strategy significantly benefited performance as 2020 progressed and the price of gold rose to a record high before giving back some gains in the final month of the period.

From a regional standpoint, stock selection in Asia detracted, pressured by Japan. We continue to like the fundamental case for Japanese equities. Abenomics has

encouraged genuine reform, including accommodative monetary policy, lower corporate tax rates, deregulation, corporate governance reforms and greater openness to trade and immigration; these initiatives are likely to continue under new Prime Minister Suga. We also like the bottom-up opportunities in the Japanese market, as many companies, in our view, still look relatively cheap and offer an interesting combination of defensive characteristics (diverse revenues and cash-rich balance sheets) as well as exposure to high-growth end-markets such as China and industries such as technology and automation. Finally, we believe some Japanese companies may offer good inflation protection given elevated commodity exposure and a stable base currency. Stock selection in Europe also detracted, pressured by France and the U.K. Costs and trade friction will inevitably rise with Brexit, but we believe that as such concerns get discounted in asset prices, opportunities will continue to emerge. Based on our analysis, the U.K. is now one of the cheapest developed markets in the world, along with Japan, and as in Japan, numerous U.K. companies generate a large proportion of their revenues abroad. Conversely, Canada was the biggest country contributor during the period, led by the aforementioned precious metals firms. The portfolio also benefited from a significant retroactive European Union tax reclaim that was posted during 2020's fourth quarter.

As we enter 2021, rarely has the disconnect between corporate fundamentals and share prices been so stark. Corporate failures have been deferred by government intervention, but not avoided, which is particularly the case in industries where the COVID-19 pandemic has accelerated the downfall of already struggling companies. Then there are the structurally challenged industries that are not directly impacted by the pandemic, but nevertheless remain in varying stages of terminal decline. These company and industry challenges suggest to us that a credit cycle, while temporarily deferred, could return in 2021 with negative implications for future lending growth and bank sector profits. We also expect increasing political pressure to tax corporate profits and repair government balance sheets, even if just to improve optics and fend off criticism of government profligacy. Given such risks, we are not inclined to buy highly indebted companies to try to keep up with a so-called "value rally," as we believe that our more flexible and diversified approach to value investing will generate more sustainable returns for our clients. Navigating near-term uncertainty is challenging, especially with so many major changes afoot in the world. In this environment, we believe that sensibly diversified, well-balanced portfolios offer considerable optionality and agility. We think 2020 will likely prove to have been a tipping point for many major themes—shareholder

## Top 10 Holdings

12/31/20

Company Industry, Country	% of Total Net Assets
Samsung Electronics Co. Ltd. <i>Technology Hardware, Storage &amp; Peripherals, South Korea</i>	3.8%
Deutsche Telekom AG <i>Diversified Telecommunication Services, Germany</i>	3.4%
E.ON SE <i>Multi-Utilities, Germany</i>	2.7%
AIA Group Ltd. <i>Insurance, Hong Kong</i>	2.7%
Hitachi Ltd. <i>Electronic Equipment, Instruments &amp; Components, Japan</i>	2.6%
Sony Corp. <i>Household Durables, Japan</i>	2.5%
Taiwan Semiconductor Manufacturing Co. Ltd. <i>Semiconductors &amp; Semiconductor Equipment, Taiwan</i>	2.5%
Komatsu Ltd. <i>Machinery, Japan</i>	2.3%
Sumitomo Mitsui Financial Group, Inc. <i>Banks, Japan</i>	2.3%
BAE Systems plc <i>Aerospace &amp; Defense, United Kingdom</i>	2.3%

capitalism, the role of government, digitalization, climate change, de-globalization, demographics and, likely, inflation. We are thinking hard about how these issues are likely to evolve over the long term. We will spend more time discussing these scenarios in the year ahead while working hard to ensure that our portfolios are positioned on the right side of unfolding societal and economic shifts.

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, 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 December 31, 2020, the U.S. dollar declined in value relative to most currencies. As a result, the Fund's performance was positively affected by the portfolio's investment predominantly in securities with non-U.S. currency exposure. However, one cannot expect the same result in future periods.

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

Antonio T. Docal, CFA  
Lead Portfolio Manager

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

Portfolio Management Team

---

*The foregoing information reflects our analysis, opinions and portfolio holdings as of December 31, 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, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.*

## Performance Summary as of December 31, 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 12/31/20<sup>1,2</sup>

Share Class	Cumulative Total Return <sup>3</sup>	Average Annual Total Return <sup>4</sup>
<b>Primary</b>		
1-Year	+5.30%	+5.30%
5-Year	+24.53%	+4.48%
10-Year	+42.63%	+3.61%
<b>Service</b>		
1-Year	+5.16%	+5.16%
5-Year	+23.53%	+4.32%
10-Year	+40.43%	+3.45%

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

See page 16 for Performance Summary footnotes.

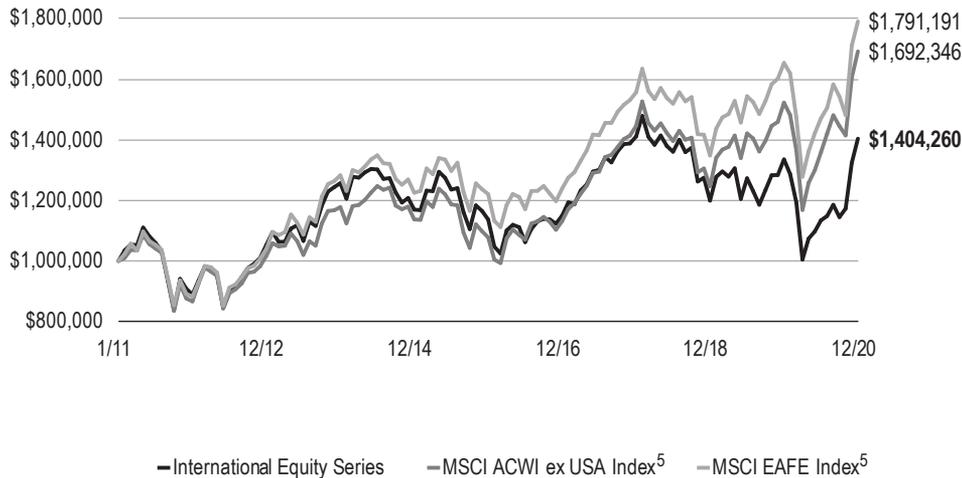
## Total Return Index Comparison for a Hypothetical \$1,000,000 Investment<sup>1,2</sup>

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

### Primary Shares (1/1/11–12/31/20)



### Service Shares (1/1/11–12/31/20)



See page 16 for Performance Summary footnotes.

## Distributions (1/1/20–12/31/20)

Share Class	Net Investment Income	Long-Term Capital Gain	Total
Primary	\$0.6715	\$0.3603	\$1.0318
Service	\$0.6528	\$0.3603	\$1.0131

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

Share Class	With Fee Waiver	Without Fee Waiver
Primary	0.81%	0.83%
Service	0.96%	0.98%

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

All investments involve risks, including possible loss of principal. Foreign investing involves special risks, including currency fluctuations, economic instability and political developments. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with these markets' small or midcap size and lesser liquidity. Because the Fund may invest in companies in a specific region, including Europe, it is subject to greater risks of adverse developments in that region and/or the surrounding regions than a fund that is more broadly diversified geographically. Political, social or economic disruptions in the region, even in countries in which the Fund is not invested, may adversely affect the value of securities held by the Fund. Current uncertainty concerning the economic consequences of the departure of the U.K. from the European Union may increase market volatility. Value securities may not increase in price as anticipated or may decline further in value. 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. The Fund has an expense reduction contractually guaranteed through 4/30/21. Fund investment results reflect the expense reduction; without this reduction, the results would have been lower.
2. Total return was positively impacted by the recognition of tax reclaims for previously withheld taxes on dividends in certain countries across the European Union (see Note 1e in the Notes to Financial Statements section). Uncertainty exists with respect to future recognition of additional European Union tax reclaims. Total return would have been lower without recognition of such tax reclaims during the year ended 12/31/20.
3. Cumulative total return represents the change in value of an investment over the periods indicated.
4. Average annual total return represents the average annual change in value of an investment over the periods indicated. Return for less than one year, if any, has not been annualized.
5. Source: Morningstar. The MSCI ACWI ex USA Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance of global developed and emerging markets, excluding the U.S. The MSCI EAFE Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance of global developed markets excluding the U.S. and Canada.
6. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Financial Highlights sections in this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown. See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

## Your Fund's Expenses

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

### Actual Fund Expenses

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

### Hypothetical Example for Comparison with Other Funds

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

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

Share Class	Beginning Account Value 7/1/20	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 12/31/20	Expenses Paid During Period 7/1/20–12/31/20 <sup>1,2</sup>	Ending Account Value 12/31/20	Expenses Paid During Period 7/1/20–12/31/20 <sup>1,2</sup>	
Primary	\$1,000	\$1,238.21	\$4.72	\$1,020.92	\$4.26	0.84%
Service	\$1,000	\$1,239.70	\$5.50	\$1,020.23	\$4.96	0.98%

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.

## Financial Highlights

### Foreign Smaller Companies Series

	Year Ended December 31,				
	2020	2019	2018	2017	2016
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$21.40	\$17.96	\$25.08	\$19.93	\$20.90
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.17	0.30	0.37	0.30	0.29
Net realized and unrealized gains (losses) . . . . .	1.74	3.79	(4.97)	6.49	(0.48)
Total from investment operations . . . . .	1.91	4.09	(4.60)	6.79	(0.19)
Less distributions from:					
Net investment income . . . . .	(0.22)	(0.37)	(0.21)	(0.68)	(0.41)
Net realized gains . . . . .	(0.06)	(0.28)	(2.31)	(0.96)	(0.37)
Total distributions . . . . .	(0.28)	(0.65)	(2.52)	(1.64)	(0.78)
Net asset value, end of year . . . . .	\$23.03	\$21.40	\$17.96	\$25.08	\$19.93
Total return . . . . .	8.95%	22.86%	(18.48)%	34.18%	(0.85)%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.04%	1.02%	1.01%	0.99%	0.99%
Expenses net of waiver and payments by affiliates . . . . .	1.03%	1.02% <sup>c</sup>	1.00% <sup>d</sup>	0.98% <sup>d</sup>	0.98% <sup>d</sup>
Net investment income . . . . .	0.87%	1.48%	1.54%	1.28%	1.44%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$725,098	\$782,971	\$739,576	\$1,040,180	\$931,879
Portfolio turnover rate . . . . .	34.89%	39.48%	34.10%	25.97%	21.36%

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

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

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

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

## Statement of Investments, December 31, 2020

## Foreign Smaller Companies Series

	Industry	Shares	Value
<b>Common Stocks 95.3%</b>			
<b>Bahamas 1.4%</b>			
OneSpaWorld Holdings Ltd. . . . .	Diversified Consumer Services	972,905	\$9,865,257
<b>Belgium 2.3%</b>			
Barco NV . . . . .	Electronic Equipment, Instruments & Components	325,708	7,085,661
Fagron . . . . .	Health Care Providers & Services	254,090	5,909,163
<sup>a,b</sup> Kinepolis Group NV . . . . .	Entertainment	86,611	3,673,275
			16,668,099
<b>Brazil 1.9%</b>			
Camil Alimentos SA. . . . .	Food Products	3,279,000	6,978,475
<sup>a</sup> M Dias Branco SA. . . . .	Food Products	1,038,600	6,824,021
			13,802,496
<b>Canada 4.4%</b>			
Canaccord Genuity Group, Inc. . . . .	Capital Markets	1,153,038	10,115,482
<sup>a,b</sup> Canada Goose Holdings, Inc. . . . .	Textiles, Apparel & Luxury Goods	118,000	3,510,038
Canadian Western Bank . . . . .	Banks	381,031	8,572,524
Computer Modelling Group Ltd. . . . .	Energy Equipment & Services	1,290,704	4,951,368
North West Co., Inc. (The). . . . .	Food & Staples Retailing	189,700	4,837,566
			31,986,978
<b>China 3.8%</b>			
<sup>a</sup> Goodbaby International Holdings Ltd. . . . .	Leisure Products	3,393,800	459,671
Greatview Aseptic Packaging Co. Ltd. . . . .	Containers & Packaging	5,600,200	3,277,339
Hollysys Automation Technologies Ltd. . . . .	Electronic Equipment, Instruments & Components	354,800	5,212,012
<sup>c</sup> Shanghai Haohai Biological Technology Co. Ltd., H, 144A, Reg S . . . . .	Biotechnology	564,000	3,396,914
<sup>a,b,c</sup> Xiabuxiabu Catering Management China Holdings Co. Ltd., 144A, Reg S . . . . .	Hotels, Restaurants & Leisure	3,183,000	7,273,914
Xtep International Holdings Ltd. . . . .	Textiles, Apparel & Luxury Goods	15,659,688	7,825,022
			27,444,872
<b>Denmark 0.6%</b>			
<sup>a</sup> Matas A/S. . . . .	Specialty Retail	324,000	4,595,217
<b>Finland 2.7%</b>			
Fiskars OYJ Abp . . . . .	Household Durables	125,674	2,306,102
Huhtamaki OYJ. . . . .	Containers & Packaging	249,629	12,946,218
Metso Outotec OYJ. . . . .	Machinery	427,234	4,292,924
			19,545,244
<b>France 2.5%</b>			
Beneteau SA. . . . .	Leisure Products	369,256	4,240,005
Nexans SA . . . . .	Electrical Equipment	110,585	8,002,230
<sup>a,b</sup> Solutions 30 SE . . . . .	IT Services	470,874	6,058,594
			18,300,829
<b>Germany 5.9%</b>			
Gerresheimer AG . . . . .	Life Sciences Tools & Services	57,929	6,247,234
Grand City Properties SA . . . . .	Real Estate Management & Development	268,315	6,932,871
Jenoptik AG . . . . .	Electronic Equipment, Instruments & Components	224,637	6,861,822
<sup>b</sup> Rational AG . . . . .	Machinery	10,939	10,176,820
Stabilus SA. . . . .	Machinery	139,574	9,867,347

**Foreign Smaller Companies Series** (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Germany</b> (continued)			
<sup>a</sup> VIA Optronics AG, ADR . . . . .	Electronic Equipment, Instruments & Components	188,100	\$2,531,826
			<u>42,617,920</u>
<b>Greece 0.5%</b>			
JUMBO SA . . . . .	Specialty Retail	224,430	3,870,455
<b>Hong Kong 3.6%</b>			
Johnson Electric Holdings Ltd. . . . .	Auto Components	1,629,741	4,035,760
Techtronic Industries Co. Ltd. . . . .	Machinery	771,500	11,027,378
Value Partners Group Ltd. . . . .	Capital Markets	8,132,000	4,287,371
VTech Holdings Ltd. . . . .	Communications Equipment	907,700	7,045,366
			<u>26,395,875</u>
<b>Indonesia 0.7%</b>			
XL Axiata Tbk. PT . . . . .	Wireless Telecommunication Services	27,382,900	5,325,747
<b>Israel 0.9%</b>			
<sup>a</sup> Max Stock Ltd. . . . .	Multiline Retail	1,514,900	6,723,363
<b>Italy 6.1%</b>			
<sup>a</sup> Brunello Cucinelli SpA . . . . .	Textiles, Apparel & Luxury Goods	89,696	3,916,815
Interpump Group SpA . . . . .	Machinery	294,615	14,584,962
<sup>a</sup> MARR SpA . . . . .	Food & Staples Retailing	317,345	6,538,142
<sup>a</sup> Sanlorenzo SpA . . . . .	Leisure Products	398,605	8,135,544
<sup>a,c</sup> Technogym SpA, 144A, Reg S . . . . .	Leisure Products	1,001,481	11,337,291
			<u>44,512,754</u>
<b>Japan 21.9%</b>			
Anicom Holdings, Inc. . . . .	Insurance	910,500	9,514,410
Asahi Co. Ltd. . . . .	Specialty Retail	190,700	3,000,041
Asics Corp. . . . .	Textiles, Apparel & Luxury Goods	577,100	11,098,501
Bunka Shutter Co. Ltd. . . . .	Building Products	410,700	3,877,297
Daibiru Corp. . . . .	Real Estate Management & Development	272,500	3,452,953
Dowa Holdings Co. Ltd. . . . .	Metals & Mining	94,700	3,432,928
en-japan, Inc. . . . .	Professional Services	141,000	4,235,569
Fuji Oil Holdings, Inc. . . . .	Food Products	386,700	11,060,391
Hosokawa Micron Corp. . . . .	Machinery	81,300	5,010,902
Idec Corp. . . . .	Electrical Equipment	303,500	5,364,666
IDOM, Inc. . . . .	Specialty Retail	940,800	5,001,023
Kobayashi Pharmaceutical Co. Ltd. . . . .	Personal Products	28,700	3,507,896
Meitec Corp. . . . .	Professional Services	209,300	10,884,442
Morinaga & Co. Ltd. . . . .	Food Products	67,200	2,527,846
Morita Holdings Corp. . . . .	Machinery	226,800	3,858,374
Nichiha Corp. . . . .	Building Products	330,800	10,430,998
Nihon Parkerizing Co. Ltd. . . . .	Chemicals	333,700	3,461,318
Nissei ASB Machine Co. Ltd. . . . .	Machinery	143,200	8,186,411
QoI Holdings Co. Ltd. . . . .	Food & Staples Retailing	559,200	6,111,720
Seria Co. Ltd. . . . .	Multiline Retail	122,900	4,511,703
Shima Seiki Manufacturing Ltd. . . . .	Machinery	262,500	4,453,595
Square Enix Holdings Co. Ltd. . . . .	Entertainment	142,600	8,645,931
TechnoPro Holdings, Inc. . . . .	Professional Services	119,600	9,935,878
Topcon Corp. . . . .	Electronic Equipment, Instruments & Components	242,900	3,022,954
Tsumura & Co. . . . .	Pharmaceuticals	373,100	11,221,618
Zojirushi Corp. . . . .	Household Durables	176,300	3,154,700
			<u>158,964,065</u>

**Foreign Smaller Companies Series** (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Netherlands 4.7%</b>			
Aalberts NV . . . . .	Machinery	85,094	\$3,786,407
<sup>a</sup> Accell Group NV . . . . .	Leisure Products	158,434	5,003,495
<sup>a</sup> Arcadis NV . . . . .	Construction & Engineering	239,501	7,911,558
<sup>c</sup> Flow Traders, 144A, Reg S . . . . .	Capital Markets	252,236	8,351,001
<sup>a,c</sup> Intertrust NV, 144A, Reg S . . . . .	Professional Services	529,084	8,971,781
			34,024,242
<b>Norway 0.5%</b>			
<sup>c</sup> Sbanken ASA, 144A, Reg S . . . . .	Banks	429,148	3,449,009
<b>South Korea 1.4%</b>			
<sup>a</sup> BNK Financial Group, Inc. . . . .	Banks	768,498	4,019,790
<sup>a</sup> DGB Financial Group, Inc. . . . .	Banks	1,031,194	6,451,063
			10,470,853
<b>Spain 0.9%</b>			
<sup>a</sup> Construcciones y Auxiliar de Ferrocarriles SA. . . . .	Machinery	131,097	6,286,327
<b>Sweden 5.7%</b>			
Cloetta AB, B . . . . .	Food Products	1,024,180	3,043,239
<sup>a,c</sup> Dometic Group AB, 144A . . . . .	Auto Components	847,389	11,239,186
<sup>a,b</sup> Granges AB . . . . .	Metals & Mining	1,062,684	12,989,729
<sup>a,c</sup> Thule Group AB, 144A, Reg S . . . . .	Leisure Products	370,219	13,853,326
			41,125,480
<b>Switzerland 7.5%</b>			
Bucher Industries AG . . . . .	Machinery	29,805	13,670,433
<sup>a</sup> Landis+Gyr Group AG. . . . .	Electronic Equipment, Instruments & Components	96,860	7,609,343
<sup>b</sup> Logitech International SA . . . . .	Technology Hardware, Storage & Peripherals	133,100	12,935,989
<sup>a</sup> Siegfried Holding AG. . . . .	Life Sciences Tools & Services	16,416	12,081,897
Tecan Group AG . . . . .	Life Sciences Tools & Services	6,676	3,274,460
<sup>a</sup> Zur Rose Group AG . . . . .	Food & Staples Retailing	15,287	4,905,223
			54,477,345
<b>Taiwan 7.5%</b>			
Chicony Electronics Co. Ltd. . . . .	Technology Hardware, Storage & Peripherals	3,094,037	9,506,267
Giant Manufacturing Co. Ltd. . . . .	Leisure Products	990,482	9,703,006
King Yuan Electronics Co. Ltd. . . . .	Semiconductors & Semiconductor Equipment	6,907,000	8,559,869
Merida Industry Co. Ltd. . . . .	Leisure Products	1,227,000	10,308,306
Nan Pao Resins Chemical Co. Ltd. . . . .	Chemicals	529,100	2,942,198
Nien Made Enterprise Co. Ltd. . . . .	Household Durables	514,000	5,975,035
Quang Viet Enterprise Co. Ltd. . . . .	Textiles, Apparel & Luxury Goods	88,700	341,591
Tripod Technology Corp. . . . .	Electronic Equipment, Instruments & Components	1,582,000	6,688,666
			54,024,938
<b>Thailand 1.0%</b>			
Hana Microelectronics PCL. . . . .	Electronic Equipment, Instruments & Components	5,663,100	7,501,299
<b>United Kingdom 5.7%</b>			
<sup>a</sup> Coats Group plc . . . . .	Textiles, Apparel & Luxury Goods	3,482,467	3,208,998
<sup>a</sup> Greggs plc . . . . .	Hotels, Restaurants & Leisure	250,735	6,135,838
Man Group plc . . . . .	Capital Markets	4,689,886	8,856,104
<sup>a</sup> Oxford Instruments plc . . . . .	Electronic Equipment, Instruments & Components	269,731	7,362,424
Rathbone Brothers plc . . . . .	Capital Markets	148,999	3,136,219



**Foreign Smaller Companies Series** (continued)

See Abbreviations on page 45.

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

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

<sup>b</sup>A portion or all of the security is on loan at December 31, 2020. See Note 1(d).

<sup>c</sup>Security was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2020, the aggregate value of these securities was \$75,739,087, representing 10.4% of net assets.

<sup>d</sup>Variable rate security. The rate shown represents the yield at period end.

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

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

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

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

## Financial Highlights

### International Equity Series

	Year Ended December 31,				
	2020	2019	2018	2017	2016
<b>Primary Shares</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$15.54	\$14.87	\$21.99	\$18.65	\$19.05
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	1.03 <sup>c</sup>	0.64	0.42	0.45	0.45
Net realized and unrealized gains (losses) . . . . .	(0.32)	1.06	(3.66)	3.81	(0.20)
Total from investment operations . . . . .	0.71	1.70	(3.24)	4.26	0.25
Less distributions from:					
Net investment income . . . . .	(0.67)	(1.02)	(0.42)	(0.64)	(0.46)
Net realized gains . . . . .	(0.36)	(0.01)	(3.46)	(0.28)	(0.19)
Total distributions . . . . .	(1.03)	(1.03)	(3.88)	(0.92)	(0.65)
Net asset value, end of year . . . . .	\$15.22	\$15.54	\$14.87	\$21.99	\$18.65
Total return . . . . .	5.30%	11.57%	(14.87)%	22.92%	1.30%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.87%	0.82%	0.80%	0.78%	0.78%
Expenses net of waiver and payments by affiliates . . . . .	0.84%	0.82% <sup>d</sup>	0.80% <sup>d,e</sup>	0.78% <sup>d</sup>	0.78% <sup>d</sup>
Net investment income . . . . .	7.51% <sup>c</sup>	4.13%	1.98%	2.13%	2.44%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$447,139	\$1,695,980	\$2,785,308	\$4,412,494	\$4,539,205
Portfolio turnover rate . . . . .	89.34%	36.83% <sup>f</sup>	25.60% <sup>f</sup>	16.39% <sup>f</sup>	14.88%

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

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

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

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

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

<sup>f</sup>Excludes the value of portfolio activity as a result of in-kind transactions. See Note 11.

**International Equity Series** (continued)

	Year Ended December 31,				
	2020	2019	2018	2017	2016
<b>Service Shares</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$15.79	\$14.97	\$22.07	\$18.72	\$19.11
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	1.17 <sup>c</sup>	0.98	0.38	0.39	0.42
Net realized and unrealized gains (losses) . . . . .	(0.47)	0.70	(3.66)	3.85	(0.20)
Total from investment operations . . . . .	0.70	1.68	(3.28)	4.24	0.22
Less distributions from:					
Net investment income . . . . .	(0.65)	(0.85)	(0.36)	(0.61)	(0.42)
Net realized gains . . . . .	(0.36)	(0.01)	(3.46)	(0.28)	(0.19)
Total distributions . . . . .	(1.01)	(0.86)	(3.82)	(0.89)	(0.61)
Net asset value, end of year . . . . .	\$15.48	\$15.79	\$14.97	\$22.07	\$18.72
Total return . . . . .	5.16%	11.34%	(15.01)%	22.73%	1.15%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.01%	0.97%	0.95%	0.93%	0.93%
Expenses net of waiver and payments by affiliates . . . . .	0.98%	0.97% <sup>d</sup>	0.95% <sup>d,e</sup>	0.93% <sup>d</sup>	0.93% <sup>d</sup>
Net investment income . . . . .	8.42% <sup>c</sup>	3.98%	1.83%	1.98%	2.29%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$448	\$700	\$5,375	\$14,164	\$8,624
Portfolio turnover rate . . . . .	89.34%	36.83% <sup>f</sup>	25.60% <sup>f</sup>	16.39% <sup>f</sup>	14.88%

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

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

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

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

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

<sup>f</sup>Excludes the value of portfolio activity as a result of in-kind transactions. See Note 11.

## Statement of Investments, December 31, 2020

## International Equity Series

	Industry	Shares	Value
<b>Common Stocks 88.5%</b>			
<b>Belgium 1.1%</b>			
Anheuser-Busch InBev SA/NV . . . . .	Beverages	70,561	\$4,923,013
<b>Brazil 3.5%</b>			
Wheaton Precious Metals Corp. . . . .	Metals & Mining	174,181	7,278,879
Yara International ASA . . . . .	Chemicals	198,227	8,223,796
			15,502,675
<b>Canada 1.3%</b>			
Barrick Gold Corp. . . . .	Metals & Mining	256,300	5,838,514
<b>China 3.2%</b>			
<sup>a</sup> Alibaba Group Holding Ltd. . . . .	Internet & Direct Marketing Retail	230,600	6,706,893
Yum China Holdings, Inc., (USD Traded)	Hotels, Restaurants & Leisure	21,300	1,216,017
<sup>b</sup> Yum China Holdings, Inc., (HKD Traded)	Hotels, Restaurants & Leisure	112,150	6,429,773
			14,352,683
<b>France 4.9%</b>			
Sanofi. . . . .	Pharmaceuticals	74,608	7,231,528
TOTAL SE . . . . .	Oil, Gas & Consumable Fuels	188,713	8,145,608
Veolia Environnement SA . . . . .	Multi-Utilities	269,015	6,633,464
			22,010,600
<b>Germany 14.3%</b>			
<sup>a</sup> adidas AG. . . . .	Textiles, Apparel & Luxury Goods	18,717	6,809,616
Bayer AG . . . . .	Pharmaceuticals	127,768	7,527,274
<sup>c</sup> Covestro AG, 144A, Reg S . . . . .	Chemicals	82,195	5,064,524
Deutsche Telekom AG. . . . .	Diversified Telecommunication Services	833,879	15,221,083
E.ON SE. . . . .	Multi-Utilities	1,090,124	12,071,701
Fresenius Medical Care AG & Co. KGaA	Health Care Providers & Services	108,916	9,082,593
Infineon Technologies AG . . . . .	Semiconductors & Semiconductor Equipment	112,897	4,311,557
Siemens AG . . . . .	Industrial Conglomerates	25,766	3,711,653
			63,800,001
<b>Hong Kong 2.7%</b>			
AIA Group Ltd. . . . .	Insurance	986,400	12,020,391
<b>Ireland 1.4%</b>			
CRH plc . . . . .	Construction Materials	148,550	6,317,582
<b>Japan 28.5%</b>			
Hitachi Ltd. . . . .	Electronic Equipment, Instruments & Components	290,800	11,477,676
Honda Motor Co. Ltd. . . . .	Automobiles	310,100	8,749,874
Isuzu Motors Ltd. . . . .	Automobiles	802,100	7,635,701
Kirin Holdings Co. Ltd. . . . .	Beverages	374,900	8,852,512
Komatsu Ltd. . . . .	Machinery	376,400	10,387,995
Kyocera Corp. . . . .	Electronic Equipment, Instruments & Components	155,300	9,532,068
Matsumotokiyoshi Holdings Co. Ltd. . .	Food & Staples Retailing	179,500	7,656,146
Mitsubishi Electric Corp. . . . .	Electrical Equipment	595,800	9,004,714
Mitsui Fudosan Co. Ltd. . . . .	Real Estate Management & Development	162,690	3,406,659
Sony Corp. . . . .	Household Durables	112,400	11,326,333
Sumitomo Metal Mining Co. Ltd. . . . .	Metals & Mining	211,800	9,421,076
Sumitomo Mitsui Financial Group, Inc..	Banks	333,900	10,350,284
Suntory Beverage & Food Ltd. . . . .	Beverages	84,879	3,006,363
Taisei Corp. . . . .	Construction & Engineering	247,500	8,538,387
Takeda Pharmaceutical Co. Ltd. . . . .	Pharmaceuticals	232,528	8,415,043
			127,760,831

**International Equity Series** (continued)

	Industry	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Luxembourg 0.8%</b>			
<sup>a</sup> ArcelorMittal SA . . . . .	Metals & Mining	157,686	\$3,606,419
<b>Netherlands 1.0%</b>			
NXP Semiconductors NV . . . . .	Semiconductors & Semiconductor Equipment	28,696	4,562,951
<b>Norway 1.1%</b>			
Equinor ASA . . . . .	Oil, Gas & Consumable Fuels	282,275	4,763,950
<b>South Korea 5.0%</b>			
KB Financial Group, Inc. . . . .	Banks	96,028	3,808,181
Samsung Electronics Co. Ltd. . . . .	Technology Hardware, Storage & Peripherals	226,186	16,865,018
Shinhan Financial Group Co. Ltd. . . . .	Banks	65,499	1,940,618
			22,613,817
<b>Spain 1.6%</b>			
Red Electrica Corp. SA . . . . .	Electric Utilities	347,968	7,144,449
<b>Switzerland 2.7%</b>			
Adecco Group AG . . . . .	Professional Services	62,113	4,136,935
Roche Holding AG . . . . .	Pharmaceuticals	22,332	7,778,203
			11,915,138
<b>Taiwan 3.8%</b>			
Catcher Technology Co. Ltd. . . . .	Technology Hardware, Storage & Peripherals	783,000	5,755,974
Taiwan Semiconductor Manufacturing Co. Ltd. . . . .	Semiconductors & Semiconductor Equipment	593,492	11,224,572
			16,980,546
<b>United Kingdom 11.6%</b>			
BAE Systems plc . . . . .	Aerospace & Defense	1,525,984	10,177,186
BP plc . . . . .	Oil, Gas & Consumable Fuels	2,497,623	8,619,285
<sup>a</sup> Burberry Group plc . . . . .	Textiles, Apparel & Luxury Goods	206,311	5,038,504
CK Hutchison Holdings Ltd. . . . .	Industrial Conglomerates	777,794	5,430,429
Compass Group plc . . . . .	Hotels, Restaurants & Leisure	247,320	4,613,191
<sup>a</sup> DS Smith plc . . . . .	Containers & Packaging	1,194,414	6,105,955
<sup>a</sup> Informa plc . . . . .	Media	334,286	2,499,761
<sup>a</sup> International Consolidated Airlines Group SA . . . . .	Airlines	1,585,461	3,450,214
<sup>a</sup> Standard Chartered plc . . . . .	Banks	949,125	6,027,330
			51,961,855
<b>Total Common Stocks (Cost \$298,821,569)</b> . . . . .			<b>396,075,415</b>
<b>Escrows and Litigation Trusts 0.0%</b>			
<sup>d</sup> Hemisphere Properties India Ltd., Escrow Account . . . . .		2,094,964	—
<b>Total Escrows and Litigation Trusts (Cost \$—)</b> . . . . .			<b>—</b>
<b>Total Long Term Investments (Cost \$298,821,569)</b> . . . . .			<b>396,075,415</b>

**International Equity Series** (continued)

**Short Term Investments 2.5%**

	Shares	Value
<b>Money Market Funds 1.3%</b>		
<b>United States 1.3%</b>		
<sup>e,f</sup> Institutional Fiduciary Trust - Money Market Portfolio, 0% . . . . .	5,645,058	\$5,645,058
<b>Total Money Market Funds (Cost \$5,645,058)</b> . . . . .		<b>5,645,058</b>
<b><sup>g</sup>Investments from Cash Collateral Received for Loaned Securities 1.2%</b>		
<b>Money Market Funds 1.2%</b>		
<sup>e,f</sup> Institutional Fiduciary Trust - Money Market Portfolio, 0% . . . . .	5,609,390	5,609,390
<b>Total Investments from Cash Collateral Received for Loaned Securities (Cost \$5,609,390)</b> . . . . .		<b>5,609,390</b>
<b>Total Short Term Investments (Cost \$11,254,448)</b> . . . . .		<b>11,254,448</b>
<b>Total Investments (Cost \$310,076,017) 91.0%</b> . . . . .		<b>\$407,329,863</b>
<b>Other Assets, less Liabilities 9.0%</b> . . . . .		<b>40,256,732</b>
<b>Net Assets 100.0%</b> . . . . .		<b>\$447,586,595</b>

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

<sup>b</sup> A portion or all of the security is on loan at December 31, 2020. See Note 1(d).

<sup>c</sup> Security was purchased pursuant to Rule 144A or Regulation S under the Securities Act of 1933. 144A securities may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. Regulation S securities cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. At December 31, 2020, the value of this security was \$5,064,524, representing 1.1% of net assets.

<sup>d</sup> Fair valued using significant unobservable inputs. See Note 12 regarding fair value measurements.

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

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

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

**International Equity Series** (continued)

At December 31, 2020, the Fund had the following futures contracts outstanding. See Note 1(c).

**Futures Contracts**

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/ Unrealized Appreciation (Depreciation)
<b>Equity contracts</b>					
MSCI EAFE Index. . . . .	Long	228	\$24,291,120	3/19/21	\$531,148
Total Futures Contracts. . . . .					\$531,148

\*As of period end.

## Statements of Assets and Liabilities

December 31, 2020

	Foreign Smaller Companies Series	International Equity Series
<b>Assets:</b>		
Investments in securities:		
Cost - Unaffiliated issuers . . . . .	\$463,394,388	\$298,821,569
Cost - Non-controlled affiliates (Note 3d) . . . . .	31,885,434	11,254,448
Value - Unaffiliated issuers (Includes securities loaned of \$33,917,402 and \$5,470,353, respectively) . . . . .	\$698,916,667	\$396,075,415
Value - Non-controlled affiliates (Note 3d) . . . . .	31,885,434	11,254,448
Cash . . . . .	27,426,476	—
Receivables:		
Investment securities sold . . . . .	563,433	254,538
Capital shares sold . . . . .	443,096	650,655
Dividends and interest . . . . .	1,869,774	9,085,749
European Union tax reclaims (Note 1e) . . . . .	332,769	39,992,687
Deposits with brokers for:		
Futures contracts . . . . .	—	1,986,336
Other assets . . . . .	89	174
Total assets . . . . .	761,437,738	459,300,002
<b>Liabilities:</b>		
Payables:		
Investment securities purchased . . . . .	2,212,942	57
Capital shares redeemed . . . . .	1,548,765	2,633,200
Management fees . . . . .	570,795	293,507
Transfer agent fees . . . . .	11,727	11,825
IRS closing agreement fees for European Union tax reclaims (Note 1e) . . . . .	—	2,677,594
Variation margin on futures contracts . . . . .	—	196,142
Payable upon return of securities loaned . . . . .	31,885,434	5,609,390
Accrued expenses and other liabilities . . . . .	110,387	291,692
Total liabilities . . . . .	36,340,050	11,713,407
Net assets, at value . . . . .	\$725,097,688	\$447,586,595
Net assets consist of:		
Paid-in capital . . . . .	\$496,478,040	\$281,187,451
Total distributable earnings (losses) . . . . .	228,619,648	166,399,144
Net assets, at value . . . . .	\$725,097,688	\$447,586,595
Shares outstanding . . . . .	31,490,809	—
Net asset value per share . . . . .	\$23.03	—
		<b>International Equity Series</b>
<b>Primary Shares:</b>		
Net assets, at value . . . . .		\$447,139,078
Shares outstanding . . . . .		29,374,158
Net asset value per share . . . . .		\$15.22
<b>Service Shares:</b>		
Net assets, at value . . . . .		\$447,517
Shares outstanding . . . . .		28,906
Net asset value per share . . . . .		\$15.48

## Statements of Operations

for the year ended December 31, 2020

	Foreign Smaller Companies Series	International Equity Series
Investment income:		
Dividends: (net of foreign taxes of \$1,627,675 and \$3,218,295, respectively)		
Unaffiliated issuers . . . . .	\$11,864,446	\$24,047,359
Non-controlled affiliates (Note 3d) . . . . .	—	95,383
Interest:		
Unaffiliated issuers . . . . .	—	9,950
Income from securities loaned:		
Unaffiliated entities (net of fees and rebates) . . . . .	120,310	5,544
Non-controlled affiliates (Note 3d) . . . . .	5,562	4,749
Other income (Note 1e) . . . . .	—	53,241,334
Less: IRS closing agreement fees for European Union tax reclaims (Note 1e) . . . . .	—	(2,677,594)
Total investment income . . . . .	11,990,318	74,726,725
Expenses:		
Management fees (Note 3a) . . . . .	5,998,465	6,946,066
Transfer agent fees: (Note 3c)		
Primary Shares . . . . .	—	241,103
Service Shares . . . . .	—	121
Transfer agent fees (Note 3c) . . . . .	168,414	—
Sub-transfer agent fees: (Note 3c)		
Service Shares . . . . .	—	690
Custodian fees (Note 4) . . . . .	83,030	100,938
Reports to shareholders . . . . .	23,166	26,852
Registration and filing fees . . . . .	32,720	64,894
Professional fees . . . . .	111,199	109,139
Trustees' fees and expenses . . . . .	86,266	144,603
Other . . . . .	31,073	122,278
Total expenses . . . . .	6,534,333	7,756,684
Expenses waived/paid by affiliates (Note 3d and 3e) . . . . .	(15,878)	(248,839)
Net expenses . . . . .	6,518,455	7,507,845
Net investment income . . . . .	5,471,863	67,218,880
Realized and unrealized gains (losses):		
Net realized gain (loss) from:		
Investments: (net of foreign taxes of \$— and \$368,724, respectively)		
Unaffiliated issuers . . . . .	13,983,136	81,766,168
Foreign currency transactions . . . . .	(191,122)	535,555
Futures contracts . . . . .	—	1,929,182
Net realized gain (loss) . . . . .	13,792,014	84,230,905
Net change in unrealized appreciation (depreciation) on:		
Investments:		
Unaffiliated issuers . . . . .	30,143,204	(248,370,117)
Translation of other assets and liabilities denominated in foreign currencies . . . . .	108,569	2,543,365
Futures contracts . . . . .	—	531,148
Net change in unrealized appreciation (depreciation) . . . . .	30,251,773	(245,295,604)
Net realized and unrealized gain (loss) . . . . .	44,043,787	(161,064,699)
Net increase (decrease) in net assets resulting from operations . . . . .	\$49,515,650	\$(93,845,819)

## Statements of Changes in Net Assets

	Foreign Smaller Companies Series		International Equity Series	
	Year Ended December 31, 2020	Year Ended December 31, 2019	Year Ended December 31, 2020	Year Ended December 31, 2019
Increase (decrease) in net assets:				
Operations:				
Net investment income . . . . .	\$5,471,863	\$11,895,673	\$67,218,880	\$98,629,747
Net realized gain (loss) . . . . .	13,792,014	3,120,067	84,230,905	108,505,678
Net change in unrealized appreciation (depreciation) . . . . .	30,251,773	149,654,268	(245,295,604)	42,791,765
Net increase (decrease) in net assets resulting from operations.	49,515,650	164,670,008	(93,845,819)	249,927,190
Distributions to shareholders:				
Primary Shares . . . . .	—	—	(53,111,315)	(110,720,036)
Service Shares . . . . .	—	—	(29,760)	(37,634)
Distributions to shareholders . . . . .	(8,851,726)	(24,074,759)	—	—
Total distributions to shareholders . . . . .	(8,851,726)	(24,074,759)	(53,141,075)	(110,757,670)
Capital share transactions: (Note 2)				
Primary Shares . . . . .	—	—	(1,101,888,702)	(1,228,181,281)
Service Shares . . . . .	—	—	(218,302)	(4,991,010)
Capital share transactions (Note 2). . . . .	(98,536,876)	(97,200,893)	—	—
Total capital share transactions . . . . .	(98,536,876)	(97,200,893)	(1,102,107,004)	(1,233,172,291)
Net increase (decrease) in net assets . . . . .	(57,872,952)	43,394,356	(1,249,093,898)	(1,094,002,771)
Net assets:				
Beginning of year . . . . .	782,970,640	739,576,284	1,696,680,493	2,790,683,264
End of year . . . . .	\$725,097,688	\$782,970,640	\$447,586,595	\$1,696,680,493

# Notes to Financial Statements

## 1. Organization and Significant Accounting Policies

Templeton Institutional Funds (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of two separate funds (Funds) and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). International Equity Series offers Primary Shares and Service Shares. Each class of shares may differ by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees due to differing arrangements for distribution and transfer agent fees.

The following summarizes the Funds' significant accounting policies.

### a. Financial Instrument Valuation

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

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued

according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

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

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

Certain derivative financial instruments are centrally cleared or trade in the OTC market. The Funds' pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Funds' net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

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

## 1. Organization and Significant Accounting Policies

(continued)

### a. Financial Instrument Valuation (continued)

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Funds' business day. Events can occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Funds' portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, an independent pricing service may be used to adjust the value of the Funds' portfolio securities to the latest indications of fair value at 4 p.m. Eastern time. At December 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 Funds' NAV is not calculated, which could result in differences between the value of the Funds' portfolio securities on the last business day and the last calendar day of the reporting period. Any security valuation changes due to an open foreign market are adjusted and reflected by the Funds for financial reporting purposes.

### b. Foreign Currency Translation

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

value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

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

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

### c. Derivative Financial Instruments

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

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

Certain or all Funds entered into exchange traded futures contracts primarily to manage and/or gain exposure to equity price risk. A futures contract is an agreement between

## 1. Organization and Significant Accounting Policies

(continued)

### c. Derivative Financial Instruments (continued)

the Funds and a counterparty to buy or sell an asset at a specified price on a future date. Required initial margins are pledged by the Funds, and the daily change in fair value is accounted for as a variation margin payable or receivable.

### d. Securities Lending

Certain or all Funds participate in an agency based securities lending program to earn additional income. The Funds receives collateral in the form of cash and/or U.S. Government and Agency securities against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. Any cash collateral received is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund. Additionally, Foreign Smaller Companies Series received \$2,271,552 in U.S. Government and Agency securities as collateral. The Funds may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statements of Operations. The Funds bear the market risk with respect to any cash collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Funds. If the borrower defaults on its obligation to return the securities loaned, the Funds have the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Funds in the event of default by a third party borrower.

### e. Income and Deferred Taxes

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

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

As a result of several court cases, in certain countries across the European Union, certain or all Funds filed additional tax reclaims for previously withheld taxes on dividends earned in those countries (EU reclaims). These additional filings are subject to various administrative proceedings by the local jurisdictions' tax authorities within the European Union, as well as a number of related judicial proceedings. Income recognized, if any, for EU reclaims is reflected as other income in the Statements of Operations and any related receivable, if any, is reflected as European Union tax reclaims in the Statements of Assets and Liabilities. When uncertainty exists as to the ultimate resolution of these proceedings, the likelihood of receipt of these EU reclaims, and the potential timing of payment, no amounts are reflected in the financial statements. For U.S. income tax purposes, EU reclaims received by the Funds, if any, reduce the amounts of foreign taxes Fund shareholders can use as tax credits in their individual income tax returns. In the event that EU reclaims received by the Funds during the fiscal year exceed foreign withholding taxes paid, and the Funds previously passed foreign tax credit on to its shareholders, the Funds will enter into a closing agreement with the Internal Revenue Service (IRS) in order to pay the associated tax liability on behalf of the Funds' shareholders. During the fiscal year ended December 31, 2020, certain or all Funds received EU reclaims in excess of the foreign taxes paid during the year. International Equity Series determined to enter into closing agreement with the IRS and recorded the estimated fees as a reduction to income, as reflected in the Statements of Operations.

Each Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of December 31, 2020, each Fund has determined that no tax liability is required in its financial statements related to uncertain tax

## 1. Organization and Significant Accounting Policies

(continued)

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

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 Funds invest.

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

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

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

Realized and unrealized gains and losses and net investment income, excluding class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions by class are generally due to differences in class specific expenses.

### g. Accounting Estimates

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

### h. Guarantees and Indemnifications

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

## 2. Shares of Beneficial Interest

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

	<b>Foreign Smaller Companies Series</b>	
	<b>Shares</b>	<b>Amount</b>
Year ended December 31, 2020		
Shares sold . . . . .	9,412,891	\$166,630,256
Shares issued in reinvestment of distributions . . . . .	341,853	7,788,220
Shares redeemed . . . . .	(14,851,654)	(272,955,352)
Net increase (decrease) . . . . .	(5,096,910)	\$(98,536,876)
Year ended December 31, 2019		
Shares sold . . . . .	8,611,598	\$170,364,115
Shares issued in reinvestment of distributions . . . . .	1,009,567	21,290,168
Shares redeemed . . . . .	(14,221,258)	(288,855,176)
Net increase (decrease) . . . . .	(4,600,093)	\$(97,200,893)

	<b>International Equity Series</b>	
	<b>Shares</b>	<b>Amount</b>
<b>Primary Shares:</b>		
Year ended December 31, 2020		
Shares sold . . . . .	14,329,539	\$202,147,807
Shares issued in reinvestment of distributions . . . . .	3,342,528	46,688,253
Shares redeemed . . . . .	(97,427,178)	(1,350,724,762)
Net increase (decrease) . . . . .	(79,755,111)	\$(1,101,888,702)
Year ended December 31, 2019		
Shares sold . . . . .	18,050,479	\$283,546,929
Shares issued in reinvestment of distributions . . . . .	6,269,496	96,463,056
Shares redeemed in-kind (Note 11) . . . . .	(2,752,970)	(43,653,289)
Shares redeemed . . . . .	(99,738,674)	(1,564,537,977)
Net increase (decrease) . . . . .	(78,171,669)	\$(1,228,181,281)

<b>Service Shares:</b>		
Year ended December 31, 2020		
Shares sold . . . . .	2,179	\$29,850
Shares issued in reinvestment of distributions . . . . .	2,098	29,760
Shares redeemed . . . . .	(19,698)	(277,912)
Net increase (decrease) . . . . .	(15,421)	\$(218,302)
Year ended December 31, 2019		
Shares sold . . . . .	282,815	\$4,436,390
Shares issued in reinvestment of distributions . . . . .	2,411	37,634
Shares redeemed . . . . .	(599,915)	(9,465,034)
Net increase (decrease) . . . . .	(314,689)	\$(4,991,010)

### 3. Transactions with Affiliates

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

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

#### a. Management Fees

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

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

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

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

For the year ended December 31, 2020, each Fund's gross effective investment management fee rate based on average daily net assets was as follows:

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

Effective January 1, 2021, under a subadvisory agreement, FTIC, an affiliate of TIC, will provide subadvisory services to Foreign Smaller Companies Series. The subadvisory fee will be paid by TIC based on the Fund's average daily net assets, and is not an additional expense of the Fund.

### 3. Transactions with Affiliates (continued)

#### b. Administrative Fees

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

#### c. Transfer Agent Fees

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

For the year ended December 31, 2020, the Funds paid transfer agent fees as noted in the Statements of Operations of which the following amounts were retained by Investor Services:

	Foreign Smaller Companies Series	International Equity Series
Transfer agent fees . . . . .	\$168,414	\$241,224

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

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

Certain or all Funds invest in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Funds are waived on assets invested in the affiliated management investment companies, as noted in the Statements of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended December 31, 2020, investments in affiliated management investment companies were as follows:

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
<b>Foreign Smaller Companies Series</b>								
<b>Non-Controlled Affiliates</b>								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0% . . . . .	\$1,722,366	\$131,628,025	\$(101,464,957)	\$—	\$—	\$31,885,434	31,885,434	\$5,562
<b>Total Affiliated Securities . . . . .</b>	<b>\$1,722,366</b>	<b>\$131,628,025</b>	<b>\$(101,464,957)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$31,885,434</b>		<b>\$5,562</b>
<b>International Equity Series</b>								
<b>Non-Controlled Affiliates</b>								
								Dividends
Institutional Fiduciary Trust - Money Market Portfolio, 0% . . . . .	\$47,789,147	\$807,702,655	\$(849,846,744)	\$—	\$—	\$5,645,058	5,645,058	\$95,383

**3. Transactions with Affiliates** (continued)

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

	Value at Beginning of Year	Purchases	Sales	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)	Value at End of Year	Number of Shares Held at End of Year	Investment Income
<b>International Equity Series (continued)</b>								
<b>Non-Controlled Affiliates</b>								
								Income from securities loaned
Institutional Fiduciary Trust - Money Market Portfolio, 0% . . . . .	\$—	\$30,877,361	\$(25,267,971)	\$—	\$—	\$5,609,390	5,609,390	\$4,749
<b>Total Affiliated Securities . . . . .</b>	<b>\$47,789,147</b>	<b>\$838,580,016</b>	<b>\$(875,114,715)</b>	<b>\$—</b>	<b>\$—</b>	<b>\$11,254,448</b>		<b>\$100,132</b>

**e. Waiver and Expense Reimbursements**

Effective April 1, 2020, TIC has contractually agreed in advance to limit the investment management fees for International Equity Series to 0.74% of the average daily net assets of the Fund until April 30, 2021. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

**4. Expense Offset Arrangement**

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

**5. Income Taxes**

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

	Foreign Smaller Companies Series		International Equity Series	
	2020	2019	2020	2019
Distributions paid from:				
Ordinary income . . . . .	\$6,991,704	\$13,764,473	\$34,560,894	\$109,524,076
Long term capital gain . . . . .	1,860,022	10,310,286	18,580,181	1,233,593
	<b>\$8,851,726</b>	<b>\$24,074,759</b>	<b>\$53,141,075</b>	<b>\$110,757,669</b>

At December 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:

## 5. Income Taxes (continued)

	<b>Foreign Smaller Companies Series</b>	<b>International Equity Series</b>
Cost of investments . . . . .	\$504,767,959	\$321,568,027
Unrealized appreciation. . . . .	\$253,769,052	\$102,280,010
Unrealized depreciation. . . . .	(27,734,910)	(15,987,027)
Net unrealized appreciation (depreciation). . . . .	\$226,034,142	\$86,292,983
Distributable earnings:		
Undistributed ordinary income. . . . .	\$135,979	\$1,640,123
Undistributed long term capital gains . . . . .	2,046,588	40,072,892
Total distributable earnings . . . . .	\$2,182,567	\$41,713,015

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

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

In accordance with U.S. GAAP permanent differences are reclassified among capital accounts to reflect their tax character. At the year ended December 31, 2020, such reclassifications were as follows:

	<b>International Equity Series</b>
Paid-in Capital . . . . .	\$41,764,606
Total distributable earnings (loss) . . . . .	\$(41,764,606)

## 6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended December 31, 2020, were as follows:

	<b>Foreign Smaller Companies Series</b>	<b>International Equity Series</b>
Purchases . . . . .	\$212,800,378	\$756,223,156
Sales . . . . .	\$312,421,013	\$1,828,570,482

At December 31, 2020, in connection with securities lending transactions, certain or all Funds loaned investments and received cash collateral as follows:

	<b>Foreign Smaller Companies Series</b>	<b>International Equity Series</b>
<b>Securities lending transactions<sup>a</sup>:</b>		
Equity investments <sup>b</sup> . . . . .	\$31,885,434	\$5,609,390

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

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

## 7. Other Derivative Information

At December 31, 2020, Funds' investments in derivative contracts are reflected in the Statements of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statements of Assets and Liabilities Location	Fair Value	Statements of Assets and Liabilities Location	Fair Value
<b>International Equity Series</b>				
Equity contracts . . . . .				
	Variation margin on futures contracts	\$531,148 <sup>a</sup>	Variation margin on futures contracts	\$—
Total . . . . .		<u>\$531,148</u>		<u>\$—</u>

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

For the year ended December 31, 2020, the effect of derivative contracts in the Statements of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Location	Net Realized Gain (Loss) for the Year	Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
<b>International Equity Series</b>				
Equity contracts . . . . .				
	Futures contracts	<u>\$1,929,182</u>	Futures contracts	<u>\$531,148</u>
Total . . . . .		<u>\$1,929,182</u>		<u>\$531,148</u>

For the year ended December 31, 2020, the average month end notional amount of futures contracts was \$3,260,371.

See Note 1(c) regarding derivative financial instruments.

## 8. Concentration of Risk

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

## 9. 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 Funds, their ability to buy and sell fund investments at appropriate valuations and their ability to achieve their investment objectives.

## 10. Credit Facility

The Funds, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matured on February 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. Effective February 5, 2021, the Borrowers renewed the Global Credit Facility for a one year term, maturing February 4, 2022, for a total of \$2.675 billion.

Under the terms of the Global Credit Facility, the Funds shall, in addition to interest charged on any borrowings made by the Funds and other costs incurred by the Funds, pay their share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon their relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statements of Operations. During the year ended December 31, 2020, International Equity Series utilized the Global Credit facility by drawing down \$182,000,000 on December 1, 2020. The drawdown was repaid on December 3, 2020. The average borrowing and the average interest rate for the days with outstanding borrowings were \$182,000,000 and 1.15%, respectively. TIC paid \$11,669 for interest on this borrowing. During the year ended December 31, 2020, Foreign Smaller Companies Series did not use the Global Credit Facility.

## 11. Redemption In-Kind

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

## 12. Fair Value Measurements

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

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

## 12. 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 December 31, 2020, in valuing the Funds' assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Foreign Smaller Companies Series</b>				
<b>Assets:</b>				
Investments in Securities:				
Common Stocks:				
Bahamas	\$9,865,257	\$—	\$—	\$9,865,257
Belgium	—	16,668,099	—	16,668,099
Brazil	—	13,802,496	—	13,802,496
Canada	31,986,978	—	—	31,986,978
China	5,212,012	22,232,860	—	27,444,872
Denmark	4,595,217	—	—	4,595,217
Finland	—	19,545,244	—	19,545,244
France	—	18,300,829	—	18,300,829
Germany	12,708,646	29,909,274	—	42,617,920
Greece	—	3,870,455	—	3,870,455
Hong Kong	—	26,395,875	—	26,395,875
Indonesia	—	5,325,747	—	5,325,747
Israel	—	6,723,363	—	6,723,363
Italy	—	44,512,754	—	44,512,754
Japan	—	158,964,065	—	158,964,065
Netherlands	13,975,276	20,048,966	—	34,024,242
Norway	—	3,449,009	—	3,449,009
South Korea	—	10,470,853	—	10,470,853
Spain	6,286,327	—	—	6,286,327
Sweden	—	41,125,480	—	41,125,480
Switzerland	12,935,989	41,541,356	—	54,477,345
Taiwan	—	54,024,938	—	54,024,938
Thailand	—	7,501,299	—	7,501,299
United Kingdom	7,866,665	33,090,797	—	40,957,462
United States	8,643,625	—	—	8,643,625
Preferred Stocks	—	3,522,326	—	3,522,326
Warrants	614,590	—	—	614,590
Short Term Investments	31,885,434	3,200,000	—	35,085,434
Total Investments in Securities	\$146,576,016	\$584,226,085	\$—	\$730,802,101

### International Equity Series

#### Assets:

Investments in Securities:

Common Stocks:

Belgium	—	4,923,013	—	4,923,013
Brazil	7,278,879	8,223,796	—	15,502,675
Canada	5,838,514	—	—	5,838,514
China	1,216,017	13,136,666	—	14,352,683
France	—	22,010,600	—	22,010,600
Germany	—	63,800,001	—	63,800,001
Hong Kong	—	12,020,391	—	12,020,391
Ireland	—	6,317,582	—	6,317,582
Japan	—	127,760,831	—	127,760,831
Luxembourg	—	3,606,419	—	3,606,419
Netherlands	4,562,951	—	—	4,562,951
Norway	—	4,763,950	—	4,763,950
South Korea	—	22,613,817	—	22,613,817
Spain	—	7,144,449	—	7,144,449
Switzerland	—	11,915,138	—	11,915,138

## 12. Fair Value Measurements (continued)

	Level 1	Level 2	Level 3	Total
<b>International Equity Series (continued)</b>				
<b>Assets:</b>				
Investments in Securities:				
Common Stocks:				
Taiwan . . . . .	\$—	\$16,980,546	\$—	\$16,980,546
United Kingdom . . . . .	—	51,961,855	—	51,961,855
Escrows and Litigation Trusts . . . . .	—	—	— <sup>a</sup>	—
Short Term Investments . . . . .	11,254,448	—	—	11,254,448
Total Investments in Securities . . . . .	\$30,150,809	\$377,179,054	\$—	\$407,329,863
Other Financial Instruments:				
Futures contracts . . . . .	\$531,148	\$—	\$—	\$531,148
Total Other Financial Instruments . . . . .	\$531,148	\$—	\$—	\$531,148

<sup>a</sup>Includes securities determined to have no value at December 31, 2020.

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.

## 13. 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 (LIBOR) 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.

## 14. Subsequent Events

The Funds have evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure, other than those already disclosed in the financial statements.

## Abbreviations

### Selected Portfolio

<b>ADR</b>	American Depositary Receipt
<b>FFCB</b>	Federal Farm Credit Banks Funding Corp.
<b>FHLB</b>	Federal Home Loan Banks

## Report of Independent Registered Public Accounting Firm

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

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

We have audited the accompanying statements of assets and liabilities, including the statements of investments, of Foreign Smaller Companies Series and International Equity Series (constituting Templeton Institutional Funds, hereafter collectively referred to as the "Funds") as of December 31, 2020, the related statements of operations for the year ended December 31, 2020, the statements of changes in net assets for each of the two years in the period ended December 31, 2020, including the related notes, and the financial highlights for each of the five years in the period ended December 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 each of the Funds as of December 31, 2020, the results of each of their operations for the year then ended, the changes in each of their net assets for each of the two years in the period ended December 31, 2020 and each of the financial highlights for each of the five years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

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

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

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

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of December 31, 2020 by correspondence with the custodian, transfer agents and brokers; when replies were not received from brokers, we performed other auditing procedures. We believe that our audits provide a reasonable basis for our opinions.

PricewaterhouseCoopers LLP

San Francisco, California  
February 19, 2021

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

## Tax Information (unaudited)

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Funds hereby report the maximum amount allowable but no less than the following amounts as long term capital gain dividends for the fiscal year ended December 31, 2020:

Foreign Smaller Companies Series	International Equity Series
\$2,658,578	\$56,308,612

Under Section 871(k)(2)(C) of the Internal Revenue Code, the Funds hereby report the maximum amount allowable but no less than the following amounts as short term capital gain dividends for purposes of the tax imposed under Section 871(a)(1)(A) of the Internal Revenue Code for the fiscal year ended December 31, 2020:

Foreign Smaller Companies Series	International Equity Series
\$13,175	\$—

Under Section 854(b)(1)(B) of the Internal Revenue Code, the Funds hereby report the maximum amount allowable but no less than the following amounts as qualified dividends for purposes of the maximum rate under Section 1(h)(11) of the Internal Revenue Code for the fiscal year ended December 31, 2020:

Foreign Smaller Companies Series	International Equity Series
\$6,409,086	\$21,032,007

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 December 31, 2020, more than 50% of the Foreign Smaller Companies Series' 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. As shown in the table below, the Fund hereby reports to shareholders the foreign source income and foreign taxes paid, pursuant to Section 853 of the Internal Revenue Code.

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

Class	Foreign Tax Paid Per Share	Foreign Source Income Per Share	Foreign Source Qualified Dividend Income Per Share
<b>Foreign Smaller Companies Series</b>			
Fund Shares	\$0.0501	\$0.2618	\$0.1257

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

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

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

At the beginning of each calendar year, shareholders will receive Form 1099-DIV which will include their share of taxes paid during the prior calendar year. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their income tax returns.

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

## Board Members and Officers

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

### Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Harris J. Ashton (1932)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 1992	125	Bar-S Foods (meat packing company) (1981-2010).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).				
<b>Ann Torre Bates (1958)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2008	30	Ares Capital Corporation (specialty finance company) (2010-present), United Natural Foods, Inc. (distributor of natural, organic and specialty foods) (2013-present), <b>formerly</b> , Allied Capital Corporation (financial services) (2003-2010), SLM Corporation (Sallie Mae) (1997-2014) and Navient Corporation (loan management, servicing and asset recovery) (2014-2016).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Executive Vice President and Chief Financial Officer, NHP Incorporated (manager of multifamily housing) (1995-1997); and Vice President and Treasurer, US Airways, Inc. (until 1995).				
<b>Mary C. Choksi (1950)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2016	125	Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present); and <b>formerly</b> , Avis Budget Group Inc. (car rental) (2007-May 2020).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; and <b>formerly</b> , Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).				

## Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Edith E. Holiday (1952)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Lead Independent Trustee	Trustee since 1996 and Lead Independent Trustee since 2007	125	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 <b>formerly</b> , RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director or Trustee of various companies and trusts; and <b>formerly</b> , Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison-United States Treasury Department (1988-1989).				
<b>J. Michael Luttig (1954)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2009	125	Boeing Capital Corporation (aircraft financing) (2006-2010).
<b>Principal Occupation During at Least the Past 5 Years:</b> Private investor; and <b>formerly</b> , Counselor and Senior Advisor to the Chairman, CEO, and Board of Directors, of The Boeing Company (aerospace company), and member of the Executive Council (May 2019-January 1, 2020); Executive Vice President, General Counsel and member of the Executive Council, The Boeing Company (2006-2019); and Federal Appeals Court Judge, United States Court of Appeals for the Fourth Circuit (1991-2006).				
<b>David W. Niemiec (1949)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2005	30	Hess Midstream LP (oil and gas midstream infrastructure) (2017-present).
<b>Principal Occupation During at Least the Past 5 Years:</b> Advisor, Saratoga Partners (private equity fund); and <b>formerly</b> , Managing Director, Saratoga Partners (1998-2001) and SBC Warburg Dillon Read (investment banking) (1997-1998); Vice Chairman, Dillon, Read & Co. Inc. (investment banking) (1991-1997); and Chief Financial Officer, Dillon, Read & Co. Inc. (1982-1997).				
<b>Larry D. Thompson (1945)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2005	125	Graham Holdings Company (education and media organization) (2011-present); and <b>formerly</b> , The Southern Company (energy company) (2014-May 2020; previously 2010-2012), Cbeyond, Inc. (business communications provider) (2010-2012).
<b>Principal Occupation During at Least the Past 5 Years:</b> Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and <b>formerly</b> , 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
<b>Constantine D. Tseretopoulos(1954)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 1990	19	None
<b>Principal Occupation During at Least the Past 5 Years:</b> Physician, Chief of Staff, owner and operator of the Lyford Cay Hospital (1987-present); director of various nonprofit organizations; and <b>formerly</b> , Cardiology Fellow, University of Maryland (1985-1987); and Internal Medicine Resident, Greater Baltimore Medical Center (1982-1985).				
<b>Robert E. Wade (1946)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Trustee	Since 2007	30	EI Oro Ltd (investments) (2003-2019).
<b>Principal Occupation During at Least the Past 5 Years:</b> Attorney at law engaged in private practice as a sole practitioner (1972-2008) and member of various boards.				

## Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>**Gregory E. Johnson (1961)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	136	None
<b>Principal Occupation During at Least the Past 5 Years:</b> 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 <b>formerly</b> , Chief Executive Officer (2013-2020) and President (1994-2015), Franklin Resources, Inc.				
<b>**Rupert H. Johnson, Jr. (1940)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board, Trustee and Vice President	Chairman of the Board and Trustee since 2013 and Vice President since 1996	125	None
<b>Principal Occupation During at Least the Past 5 Years:</b> 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.				
<b>Alan Bartlett (1970)</b> Lyford Cay Nassau, Bahamas	President and Chief Executive Officer – Investment Management	Since 2019	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> President and Director, Templeton Global Advisors Limited; Chief Investment Officer of Templeton Global Equity Group; officer of five of the investment companies in Franklin Templeton; Chairman of the Board, Goodhart Partners; and <b>formerly</b> , Chief Executive Officer, Goodhart Partners (2009-2019).				

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Alison E. Baur (1964)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Deputy General Counsel, Franklin Templeton; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton.				
<b>Breda M. Beckerle (1958)</b> 280 Park Avenue New York, NY 10017	Chief Compliance Officer	Since October 2020	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Chief Compliance Officer, Fiduciary Investment Management International, Inc., Franklin Advisers, Inc., Franklin Advisory Services, LLC, Franklin Mutual Advisers, LLC, Franklin Templeton Institutional, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Steven J. Gray (1955)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Matthew T. Hinkle (1971)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2017	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Vice President, Franklin Templeton Services, LLC; officer of 41 of the investment companies in Franklin Templeton; and <b>formerly</b> , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017).				
<b>Robert G. Kubilis (1973)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since 2017	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Treasurer, U.S. Fund Administration & Reporting and officer of 39 of the investment companies in Franklin Templeton.				
<b>Robert Lim (1948)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since 2016	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 41 of the investment companies in Franklin Templeton.				
<b>Navid J. Tofigh (1972)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Associate General Counsel and officer of 41 of the investment companies in Franklin Templeton.				

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
<b>Craig S. Tyle (1960)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable

**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.

<b>Lori A. Weber (1964)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President and Secretary	Vice President since 2011 and Secretary since 2013	Not Applicable	Not Applicable
--	------------------------------	--	----------------	----------------

**Principal Occupation During at Least the Past 5 Years:**

Senior Associate General Counsel, Franklin Templeton; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 41 of the investment companies in Franklin Templeton.

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

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

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

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

The Sarbanes-Oxley Act of 2002 and Rules adopted by the 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 LP (2017-present). Mr. Niemiec was formerly a director of Emeritus Corporation from 1999 to 2010 and OSI Pharmaceuticals, Inc. from 2006 to 2010, Managing Director of SBC Warburg Dillon Read from 1997 to 1998, and was Vice Chairman from 1991 to 1997 and Chief Financial Officer from 1982 to 1997 of Dillon, Read & Co. Inc. As a result of such background and experience, the Board believes that Ms. Bates and Mr. Niemiec have each acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Ms. Bates and Mr. Niemiec are independent Board members as that term is defined under the applicable 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/342-5236 to request the SAI.

## Shareholder Information

### 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 securities. Shareholders may view the Fund's complete Policies online at [franklintempleton.com](http://franklintempleton.com). Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at [franklintempleton.com](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission's website at [sec.gov](http://sec.gov) and reflect the most recent 12-month period ended June 30.

### Quarterly Statement of Investments

The Trust, on behalf of 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](http://sec.gov). The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

### Householding of Reports and Prospectuses

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

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

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



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

**Investment Manager**  
Templeton Investment Counsel, LLC

**Distributor**  
Franklin Templeton Distributors, Inc.

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