

TEMPLETON GLOBAL INCOME FUND
Form N-CSRS
May 04, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-05459

Templeton Global Income Fund

(Exact name of registrant as specified in charter)

300 S.E. 2nd Street, Fort Lauderdale, FL 33301-1923
(Address of principal executive offices) (Zip code)

Craig S. Tyle, One Franklin Parkway, San Mateo, CA 94403-1906

(Name and address of agent for service)

Registrant's telephone number, including area code: (954) 527-7500

Date of fiscal year end: 8/31

Date of reporting period: 2/29/16

Item 1. Reports to Stockholders.

Semiannual Report

February 29, 2016

Templeton Global Income Fund

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Semiannual Report

Templeton Global Income Fund

Dear Shareholder:

This semiannual report for Templeton Global Income Fund covers the period ended February 29, 2016.

Your Fund's Goal and Main Investments

The Fund seeks high, current income, with a secondary goal of capital appreciation. Under normal market conditions, the Fund invests at least 80% of its net assets in income-producing securities, including debt securities of U.S. and foreign issuers, including emerging markets.

Performance Overview

For the six months under review, the Fund had cumulative total returns of -0.55% based on market price and -3.72% based on net asset value. For comparison, the global government bond market, as measured by the J.P. Morgan (JPM) Global Government Bond Index (GGBI), posted cumulative total returns of +4.22% in local currency terms and +4.17% in U.S. dollar terms for the same period.¹ You can find the Fund's long-term performance data in the Performance Summary 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.

Economic and Market Overview

Global markets experienced significant volatility during the six-month period, as declines in oil prices and concerns about economic conditions in China and the outlook for growth across the globe appeared to negatively impact markets. However, we believed there was a significant disconnect between market pessimism and the underlying fundamentals. Markets appeared to react as if conditions were worse than the 2008 global financial crisis or the Asian financial crisis of 1997 and 1998, yet several emerging market economies were in far better shape, by our assessment, with larger foreign reserves

*Figures reflect certain derivatives held in the portfolio (or their underlying reference assets) and may not total 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

**Includes foreign treasury bills, money market funds and net other assets less liabilities.

and more diversified, growing economies. Risk aversion initially peaked during the weeks around the start of the reporting period, then began to diminish in October and November, leading to a recovery in risk asset pricing. However, volatility returned in late December and resurged over the first couple of weeks of the new year, leading to further declines in several risk assets as oil prices dropped below \$30 per barrel. Risk aversion relented a bit at the end of January before returning again in early February. However, over the final weeks of February, risk appetites returned and several risk assets rallied, creating a positive trend for global markets as the period came to a close.

After postponing action in September and October, the U.S. Federal Reserve raised its policy rate 25 basis points (0.25%) at its December meeting, marking the first increase in the federal funds rate since 2006 and the first non-zero rate policy since 2008. Despite the move toward tightening policy, the Federal Open Market Committee stressed that U.S. monetary policy would remain highly accommodative and that the pace of future increases would be gradual. Although bond yields initially shifted higher across much of Europe, Asia ex-Japan and Latin America in December, they subsequently declined during the first two months of 2016. The yield on the 10-year U.S. Treasury note began the period at 2.21% and finished the period at 1.74%. Additionally, yields across much of Europe declined substantially; the yield on the 10-year German bund was 0.80% at the start of the period and dropped to 0.11% by

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1. Source: Morningstar.

The index is unmanaged and includes reinvestment of any income or distributions. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

See 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 10.

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the end of February. The Bank of Japan introduced a negative interest rate policy in January, and 10-year Japan government bond yields dropped to -0.07% by period-end from 0.38% on August 31, 2015.

A vast number of currencies across developed and emerging markets depreciated against the U.S. dollar during the period, with only a few select currencies appreciating, most notably the Indonesian rupiah and the Japanese yen. Emerging markets were often regarded by investors as being in near-crisis condition, particularly during the volatility in January and February. Several emerging market currencies stood out as excessively depreciated, in our view. We were focused on the opportunity sets in several currencies and believed that fears of a systemic crisis across the emerging markets asset class were exaggerated. Most commodity exporters and emerging markets with poor macro fundamentals remained vulnerable, but we observed several other emerging market countries that we believed had sound policies and stronger underlying fundamentals than markets were indicating. We observed a subset of compelling valuations across specific currencies and select areas of the local currency bond markets.

Additionally, we continued to believe that fears of global deflation were unwarranted and that markets were overestimating the extent to which lower headline inflation reflected structurally weaker global demand. Supply factors were the main driver behind falling energy and commodity prices, by our assessment, which in turn have pushed headline inflation lower. These are short-term effects, and their disinflationary impact should wane as commodity prices stabilize, in our opinion. The belief that inflation had become structurally lower appeared to make several investors complacent on taking interest rate risk in what we believed was a vulnerable part of the yield cycle. Underlying inflation in the U.S. was not adequately priced into bond yields during the period, in our assessment, and we were wary of the lack of inflation being priced into bond yields across the globe. In our view, there were more risks of inflation moving up than down, yet markets appeared to price in deflation and downside risks.

Investment Strategy

We invest selectively in bonds around the world to generate income for the Fund, seeking opportunities while monitoring changes in interest rates, currency exchange rates and credit risks. We seek to manage the Fund's exposure to various currencies and may use currency forward contracts.

*Figures reflect certain derivatives held in the portfolio (or their underlying reference assets) and may not total 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

**The Fund's euro area investments were in Portugal and Slovenia.

***The Fund's supranational investment was denominated in the Mexican peso.

What is a currency forward contract?

A currency forward contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency in exchange for another currency at a specific exchange rate on a future date.

Manager's Discussion

On the whole, we continued to position our strategies for rising rates by maintaining low portfolio duration and aiming at a negative correlation with U.S. Treasury returns. We also continued to actively seek select duration exposures that we believe offer positive real yields without undue interest rate risk, favoring countries that we believe have solid underlying

fundamentals and prudent fiscal, monetary and financial policies. During the period, we shifted out of markets where we had previously held contrarian positions to reallocate to positions that, in our view, had fundamentally attractive valuations for the medium term. We also maintained our exposures to several of our strongest investment convictions and added to those types of positions as prices became cheaper during periods of heightened volatility. Despite the persistence of volatility during the period, we remained encouraged by the vast set of fundamentally attractive valuations across the global bond and currency markets. We favored currencies in countries where inflation was picking up and growth remained healthy

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yet the local currencies remained fundamentally undervalued, by our assessment. We were positioned for depreciation of the euro and yen, a rise in U.S. Treasury yields and currency appreciation in select emerging markets. During the period, we used currency forward contracts to actively manage exposure to currencies. We also used interest rate swaps to tactically manage duration exposures.

What is duration?

Duration is a measure of a bond's price sensitivity to interest rate changes. In general, a portfolio of securities with a lower duration can be expected to be less sensitive to interest rate changes than a portfolio with a higher duration.

What is an interest rate swap?

An interest rate swap is an agreement between two parties to exchange interest rate payment obligations, generally one based on an interest rate fixed to maturity and the other based on an interest rate that changes in accordance with changes in a designated benchmark (for example, LIBOR, prime, commercial paper or other benchmarks).

During the period the Fund's negative absolute performance was primarily attributable to currency positions followed by interest rate strategies. Sovereign credit exposures had a largely neutral effect on absolute return. Among currencies, the Fund's net-negative position in the Japanese yen detracted from absolute performance as did the Fund's currency positions in Latin America. However, the Fund's net-negative position in the euro contributed to absolute return, as did the Fund's currency positions in Asia ex-Japan. The Fund maintained a defensive approach regarding interest rates in developed and emerging markets. Negative duration exposure to U.S. Treasuries detracted from absolute performance.

On a relative basis, the Fund's underperformance was primarily attributable to interest rate strategies followed by currency positions. Sovereign credit exposures had a largely neutral

Currency Breakdown*

2/29/16

	% of Total	Net Assets
Americas		140.3 %
U.S. Dollar		97.5 %
Mexican Peso		21.0 %
Brazilian Real		11.7 %
Chilean Peso		6.9 %
Peruvian Neuvo Sol		3.2 %
Asia Pacific		-2.7 %
Malaysian Ringitt		14.8 %
Indonesian Rupiah		10.5 %
Indian Rupee		8.2 %
Sri Lankan Rupee		2.0 %
Philippine Peso		1.1 %
South Korean Won		-1.4 %
Australian Dollar		-8.5 %

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Japanese Yen	-29.4 %
Europe	-37.6 %
Polish Zloty	4.2 %
Euro	-41.8 %

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effect on relative results. Underweighted duration exposure to U.S. Treasuries detracted from relative return as did underweighted duration exposure in Europe and Japan. Among currencies, the Fund's underweighted position in the Japanese yen detracted from relative performance as did overweighted currency positions in Latin America. However, underweighted positioning in the euro contributed to relative performance, as did overweighted currency positions in Asia ex-Japan.

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

Sincerely,

The foregoing information reflects our analysis, opinions and portfolio holdings as of February 29, 2016, 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.

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Performance Summary as of February 29, 2016

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. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses. Total returns do not reflect any sales charges paid at inception or brokerage commissions paid on secondary market purchases. The performance table does not reflect any taxes that a shareholder would pay on Fund dividends, capital gains distributions, if any, or any realized gains on the sale of Fund shares.

Share Prices

Symbol:GIM	2/29/16		8/31/15		Change
Net Asset Value (NAV)	\$	6.96	\$	7.38	-\$ 0.42
Market Price (NYSE)	\$	6.04	\$	6.22	-\$ 0.18

Distributions¹

(9/1/15 2/29/16)

Dividend Income
\$ 0.1500

Performance²

	Cumulative Total Return ³		Average Annual Total Return ³		Average Annual Total Return (3/31/16) ⁴	
	Based on	Based on	Based on	Based on	Based on	Based on
	NAV ⁵	market price ⁶	NAV ⁵	market price ⁶	NAV ⁵	market price ⁶
6 Months	-3.72 %	-0.55 %	-3.72 %	-0.55 %		
1-Year	-9.57 %	-14.36 %	-9.57 %	-14.36 %	-5.12 %	-5.07 %
5-Year	+8.80 %	-9.32 %	+1.70 %	-1.94 %	+ 2.15 %	-0.55 %
10-Year	+106.59 %	+ 88.64 %	+7.53 %	+ 6.55 %	+ 7.96 %	+7.29 %

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.

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All investments involve risks, including possible loss of principal. Changes in interest rates will affect the value of the Fund's portfolio and its share price and yield. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments of countries where the Fund invests. Investments in developing markets involve heightened risks related to the same factors, in addition to those associated with their relatively small size and lesser liquidity. The markets for particular securities or types of securities are or may become relatively illiquid. Reduced liquidity will have an adverse impact on the security's value and on the Fund's ability to sell such securities when necessary to meet the Fund's liquidity needs or in response to a specific market event. The Fund's use of foreign currency techniques involves special risks as such techniques may not achieve the anticipated benefits and/or may result in losses to the Fund. Also, as a nondiversified investment company, the Fund may invest in a relatively small number of issuers and, as a result, be subject to a greater risk of loss with respect to its portfolio securities. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

1. The distribution amount is the sum of the dividend payments to shareholders for the period shown and includes only estimated tax-basis net investment income.
2. The Fund has a fee waiver associated with any investment in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year-end. Fund investment results reflect the fee waiver, to the extent applicable; without this reduction, the results would have been lower.
3. Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated. Return for less than one year, if any, has not been annualized.
4. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
5. Assumes reinvestment of distributions based on net asset value.
6. Assumes reinvestment of distributions based on the dividend reinvestment and cash purchase plan.

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Important Notice to Shareholders

Share Repurchase Program

The Fund's Board previously authorized the Fund to repurchase up to 10% of the Fund's outstanding shares in open-market transactions, at the discretion of management. This authorization remains in effect.

In exercising its discretion consistent with its portfolio management responsibilities, the investment manager will take into account various other factors, including, but not limited to, the level of the discount, the Fund's performance, portfolio holdings, dividend history, market conditions, cash on hand, the availability of other attractive investments and whether the sale of certain portfolio securities would be undesirable because of liquidity concerns or because the sale might subject the Fund

to adverse tax consequences. Any repurchases would be made on a national securities exchange at the prevailing market price, subject to exchange requirements, Federal securities laws and rules that restrict repurchases, and the terms of any outstanding leverage or borrowing of the Fund. If and when the Fund's 10% threshold is reached, no further repurchases could be completed until authorized by the Board. Until the 10% threshold is reached, Fund management will have the flexibility to commence share repurchases if and when it is determined to be appropriate in light of prevailing circumstances.

In the Notes to Financial Statements section, please see note 2 (Shares of Beneficial Interest) for additional information regarding shares repurchased.

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Financial Highlights

	Six Months Ended February 29, 2016		Year Ended August 31,			
	(unaudited)	2015	2014	2013	2012	2011
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$ 7.38	\$ 8.72	\$ 8.38	\$ 9.08	\$ 10.13	\$ 9.94
Income from investment operations:						
Net investment income ^a	0.15	0.33	0.35	0.38	0.41	0.54
Net realized and unrealized gains (losses)	(0.42)	(1.04)	0.61	(0.07)	(0.30)	0.61
Total from investment operations	(0.27)	(0.71)	0.96	0.31	0.11	1.15
Less distributions from:						
Net investment income and net foreign						
currency gains.	(0.15)	(0.63)	(0.62)	(0.72)	(0.82)	(0.93)
Net realized gains	—	(—) ^b	(—) ^b	(0.29)	(0.34)	(0.03)
Total distributions	(0.15)	(0.63)	(0.62)	(1.01)	(1.16)	(0.96)
Net asset value, end of period	\$ 6.96	\$ 7.38	\$ 8.72	\$ 8.38	\$ 9.08	\$ 10.13
Market value, end of period ^c	\$ 6.04	\$ 6.22	\$ 7.96	\$ 8.03	\$ 9.53	\$ 11.30
Total return (based on market value per						
share) ^d	(0.55)%	(14.76)%	7.04 %	(5.97)%	(4.40)%	17.54 %
Ratios to average net assetse						
Expenses before waiver and payments by						
affiliates	0.75 %	0.74 %	0.73 %	0.73 %	0.75 %	0.74 %
Expenses net of waiver and payments by						
affiliates	0.73 %	0.73 %	0.73 % ^f	0.73 % ^f	0.75 % ^f	0.74 % ^f
Net investment income	4.22 %	4.14 %	4.05 %	4.21 %	4.55 %	5.37 %
Supplemental data						
Net assets, end of period (000's)	\$ 933,119	\$ 989,595	\$ 1,169,318	\$ 1,124,611	\$ 1,209,287	\$ 1,338,948
Portfolio turnover rate	29.56 %	35.51 %	45.61 %	18.16 %	38.60 %	20.61 %

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^aBased on average daily shares outstanding.

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

^cBased on the last sale on the New York Stock Exchange.

^dTotal return is not annualized for periods less than one year.

^eRatios are annualized for periods less than one year.

^fBenefit of waiver and payments by affiliates and expense reduction rounds to less than 0.01%.

franklintempleton.com The accompanying notes are an integral part of these financial statements. | Semiannual Report 9

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Statement of Investments, February 29, 2016 (unaudited)

	Principal Amount*	Value
Foreign Government and Agency Securities 73.5%		
Brazil 11.7%		
Letra Tesouro Nacional, Strip, 7/01/16	260 a BRL	\$ 61,934
Strip, 10/01/16.	6,010 a BRL	1,383,582
Strip, 1/01/19	41,280 a BRL	6,915,827
Strip, 7/01/19	74,330 a BRL	11,554,030
Nota Do Tesouro Nacional, 10.00%, 1/01/17	12,615 a BRL	3,047,134
10.00%, 1/01/21	65,655 a BRL	13,559,245
10.00%, 1/01/23	5,510 a BRL	1,068,000
10.00%, 1/01/25	47,290 a BRL	8,709,013
10.00%, 1/01/27	12,360 a BRL	2,176,305
bIndex Linked, 6.00%, 5/15/17	231 a BRL	163,641
bIndex Linked, 6.00%, 5/15/19	17,875 a BRL	12,488,333
bIndex Linked, 6.00%, 8/15/20	760 a BRL	528,063
bIndex Linked, 6.00%, 8/15/22	25,367 a BRL	17,052,037
bIndex Linked, 6.00%, 5/15/23	17,719 a BRL	11,806,208
bIndex Linked, 6.00%, 8/15/24	6,860 a BRL	4,555,861
bIndex Linked, 6.00%, 8/15/50	23,895 a BRL	14,202,689
		109,271,902
Hungary 2.3%		
Government of Hungary, senior note, 6.25%, 1/29/20	2,875,000	3,202,520
senior note, 6.375%, 3/29/21	2,900,000	3,295,038
csenior note, Reg S, 5.75%, 6/11/18	12,690,000 EUR	15,379,200
		21,876,758
India 4.3%		
Government of India, senior bond, 7.80%, 5/03/20	231,200,000 INR	3,407,340

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senior bond, 8.35%, 5/14/22	68,200,000	INR	1,021,555
senior bond, 9.15%, 11/14/24	227,000,000	INR	3,576,669
senior bond, 8.33%, 7/09/26	476,000,000	INR	7,074,956
senior bond, 8.15%, 11/24/26	203,000,000	INR	2,986,262
senior bond, 8.28%, 9/21/27	433,900,000	INR	6,447,332
senior bond, 8.60%, 6/02/28	239,800,000	INR	3,644,728
senior note, 7.28%, 6/03/19	9,000,000	INR	130,827
senior note, 8.12%, 12/10/20	173,600,000	INR	2,582,289
senior note, 7.16%, 5/20/23	42,900,000	INR	600,698
senior note, 8.83%, 11/25/23	579,400,000	INR	8,888,848
			40,361,504

Indonesia 9.3%

Government of Indonesia,

7.875%, 4/15/19	28,078,000,000	IDR	2,098,710
6.125%, 5/15/28	3,157,000,000	IDR	191,785
FR31, 11.00%, 11/15/20.	145,557,000,000	IDR	12,094,942
FR34, 12.80%, 6/15/21	64,492,000,000	IDR	5,767,436
FR35, 12.90%, 6/15/22	42,438,000,000	IDR	3,875,069
FR36, 11.50%, 9/15/19	32,651,000,000	IDR	2,698,396
FR39, 11.75%, 8/15/23	2,703,000,000	IDR	238,271
FR42, 10.25%, 7/15/27	3,595,000,000	IDR	300,434
FR43, 10.25%, 7/15/22	4,826,000,000	IDR	394,287
FR44, 10.00%, 9/15/24	1,618,000,000	IDR	131,889

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STATEMENT OF INVESTMENTS (UNAUDITED)

	Principal Amount*		Value
Foreign Government and Agency Securities (continued)			
Indonesia (continued)			
Government of Indonesia, (continued)			
FR46, 9.50%, 7/15/23	122,000,000,000	IDR \$	9,650,432
FR47, 10.00%, 2/15/28	1,052,000,000	IDR	86,539
FR48, 9.00%, 9/15/18	4,494,000,000	IDR	344,648
FR61, 7.00%, 5/15/22	13,189,000,000	IDR	927,135
senior bond, 5.625%, 5/15/23	16,137,000,000	IDR	1,030,285
senior bond, 7.00%, 5/15/27	2,105,000,000	IDR	139,827
senior bond, 9.00%, 3/15/29	30,263,000,000	IDR	2,319,741
senior bond, FR53, 8.25%, 7/15/21	144,200,000,000	IDR	10,942,242
senior bond, FR56, 8.375%, 9/15/26	274,910,000,000	IDR	20,764,227
senior bond, FR70, 8.375%, 3/15/24	149,967,000,000	IDR	11,214,997
senior note, 8.50%, 10/15/16	19,302,000,000	IDR	1,461,507
senior note, 5.25%, 5/15/18	5,394,000,000	IDR	383,816
			87,056,615
Lithuania 0.9%			
^d Government of Lithuania, 144A, 7.375%, 2/11/20	7,065,000		8,359,202
Malaysia 3.0%			
Government of Malaysia,			
3.314%, 10/31/17	13,090,000	MYR	3,125,911
senior bond, 4.262%, 9/15/16	46,787,000	MYR	11,213,525
senior bond, 3.814%, 2/15/17	10,080,000	MYR	2,417,330
senior note, 3.172%, 7/15/16	19,664,000	MYR	4,683,867
senior note, 3.394%, 3/15/17	11,592,000	MYR	2,769,509
senior note, 4.012%, 9/15/17	14,580,000	MYR	3,517,889
			27,728,031
Mexico 12.9%			
Government of Mexico,			
7.25%, 12/15/16	7,441,400 e	MXN	42,048,735
7.75%, 12/14/17	10,352,340 e	MXN	60,532,232
senior note, 8.50%, 12/13/18	2,233,600 e	MXN	13,468,901
^f Mexican Udibonos,			

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Index Linked, 5.00%, 6/16/16	279,906 g	MXN	1,552,871
Index Linked, 3.50%, 12/14/17	216,600 g	MXN	1,241,968
Index Linked, 4.00%, 6/13/19	125,961 g	MXN	733,144
Index Linked, 2.50%, 12/10/20	99,334 g	MXN	543,114
			120,120,965

Peru 3.0%

Government of Peru, senior bond, 7.84%, 8/12/20	93,349,000	PEN	28,051,421
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Philippines 0.4%

Government of the Philippines, senior bond, 9.125%, 9/04/16	2,270,000	PHP	49,258
senior note, 1.625%, 4/25/16	178,490,000	PHP	3,756,030
senior note, 2.875%, 5/22/17	8,300,000	PHP	175,571
senior note, 5.875%, 1/31/18	590,000	PHP	12,885
senior note, 5-72, 2.125%, 5/23/18	3,530,000	PHP	72,551
			4,066,295

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TEMPLETON GLOBAL INCOME FUND
STATEMENT OF INVESTMENTS (UNAUDITED)

	Principal Amount*	Value
Foreign Government and Agency Securities (continued)		
Poland 4.1%		
Government of Poland, 4.75%, 10/25/16	36,315,000 PLN	\$ 9,293,112
4.75%, 4/25/17	3,210,000 PLN	834,676
5.75%, 9/23/22	60,500,000 PLN	18,175,750
hFRN, 1.75%, 1/25/17	22,569,000 PLN	5,669,330
hFRN, 1.75%, 1/25/21	19,374,000 PLN	4,779,219
		38,752,087
Portugal 2.7%		
Government of Portugal, d144A, 5.125%, 10/15/24	9,390,000	9,333,097
cReg S, 3.875%, 2/15/30	13,300,000 EUR	15,300,815
c senior bond, Reg S, 4.95%, 10/25/23	92,700 EUR	117,513
c senior bond, Reg S, 5.65%, 2/15/24.	232,100 EUR	304,262
		25,055,687
Serbia 0.7%		
^d Government of Serbia, senior note, 144A, 5.25%, 11/21/17	1,930,000	2,003,765
senior note, 144A, 7.25%, 9/28/21	3,730,000	4,200,166
		6,203,931
Singapore 0.0%		
Government of Singapore, senior note, 1.125%, 4/01/16	300,000 SGD	213,434
Slovenia 0.7%		
^d Government of Slovenia, senior note, 144A, 5.50%, 10/26/22	5,540,000	6,247,347
South Korea 9.6%		
Korea Monetary Stabilization Bond, senior note, 2.80%, 4/02/16	19,611,690,000 KRW	15,840,845
senior note, 2.79%, 6/02/16	3,739,000,000 KRW	3,026,730
senior note, 1.62%, 6/09/16	1,390,400,000 KRW	1,122,212
senior note, 2.46%, 8/02/16	279,200,000 KRW	226,203
senior note, 1.61%, 11/09/16	13,302,900,000 KRW	10,743,673
senior note, 2.07%, 12/02/16	2,354,400,000 KRW	1,908,345

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senior note, 1.70%, 8/02/17	6,876,000,000 KRW	5,566,895
senior note, 1.56%, 10/02/17	29,255,300,000 KRW	23,643,607
Korea Treasury Bond,		
senior note, 4.00%, 3/10/16	621,000,000 KRW	501,337
senior note, 3.00%, 12/10/16	16,332,370,000 KRW	13,333,948
senior note, 2.00%, 12/10/17	16,590,000,000 KRW	13,512,817
		89,426,612
Sri Lanka 2.0%		
Government of Sri Lanka,		
10.60%, 7/01/19	797,850,000 LKR	5,595,611
10.60%, 9/15/19	539,240,000 LKR	3,773,228
8.00%, 11/01/19	31,420,000 LKR	203,070
9.25%, 5/01/20	124,820,000 LKR	822,656
11.20%, 7/01/22	55,890,000 LKR	391,556
A, 9.00%, 5/01/21	702,230,000 LKR	4,500,120
A, 11.00%, 8/01/21	470,110,000 LKR	3,271,438
		18,557,679

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TEMPLETON GLOBAL INCOME FUND
STATEMENT OF INVESTMENTS (UNAUDITED)

	Principal Amount*	Value
Foreign Government and Agency Securities (continued)		
ⁱ Supranational 1.3%		
Inter-American Development Bank, senior note, 7.50%, 12/05/24	185,000,000 MXN	\$ 11,715,826
Ukraine 4.6%		
^d Government of Ukraine,		
144A, 7.75%, 9/01/19	1,338,000	1,227,073
144A, 7.75%, 9/01/20	5,725,000	5,183,959
144A, 7.75%, 9/01/21	5,566,000	4,989,529
144A, 7.75%, 9/01/22	5,431,000	4,816,835
144A, 7.75%, 9/01/23	5,431,000	4,766,490
144A, 7.75%, 9/01/24	5,431,000	4,705,934
144A, 7.75%, 9/01/25	5,431,000	4,651,543
144A, 7.75%, 9/01/26	5,431,000	4,606,086
144A, 7.75%, 9/01/27	5,431,000	4,596,855
^{j,k} 144A, VRI, GDP Linked Securities, 5/31/40	11,154,000	3,527,453
		43,071,757
Total Foreign Government and Agency Securities (Cost \$789,372,246)		686,137,053
Short Term Investments 21.1%		
Foreign Government and Agency Securities 6.1%		
Malaysia 0.9%		
^l Bank of Negara Monetary Note, 4/19/16 - 10/18/16	35,553,000 MYR	8,373,200
^l Malaysia Treasury Bill, 3/18/16 - 5/27/16.	1,870,000 MYR	432,945
		8,806,145
Mexico 2.6%		
^l Mexico Treasury Bill, 3/03/16 - 12/08/16	44,057,790 ^m MXN	24,180,401
Philippines 0.7%		
^l Philippine Treasury Bill, 3/02/16 - 2/22/17	291,250,000 PHP	6,095,534
South Korea 1.9%		
Korea Monetary Stabilization Bond,		
^l 4/19/16	252,000,000 KRW	202,890
senior note, 1.92%, 3/09/16	310,130,000 KRW	250,224

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senior note, 1.57%, 7/09/16 - 1/09/17.	8,739,500,000 KRW	7,057,274
senior note, 1.56%, 8/09/16	8,107,200,000 KRW	6,543,539
senior note, 1.52%, 9/09/16	4,579,000,000 KRW	3,695,390
senior note, 1.53%, 10/08/16	445,200,000 KRW	359,331
		18,108,648
Total Foreign Government and Agency Securities (Cost \$60,752,380)		57,190,728
Total Investments before Money Market Funds (Cost \$850,124,626)		743,327,781

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TEMPLETON GLOBAL INCOME FUND
STATEMENT OF INVESTMENTS (UNAUDITED)

	Shares	Value
Money Market Funds (Cost \$139,582,499) 15.0%		
United States 15.0%		
k,n Institutional Fiduciary Trust Money Market Portfolio	139,582,499	139,582,499
Total Investments (Cost \$989,707,125) 94.6%		882,910,280
Other Assets, less Liabilities 5.4%		50,208,652
Net Assets 100.0%	\$	933,118,932

Rounds to less than 0.1% of net assets.

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

^aPrincipal amount is stated in 1,000 Brazilian Real Peso Units.

^bRedemption price at maturity is adjusted for inflation. See Note 1(e).

^cSecurity was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States.

Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At February 29, 2016, the aggregate value of these securities was \$31,101,790, representing 3.33% of net assets.

^dSecurity was purchased pursuant to Rule 144A under the Securities Act of 1933 and 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. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At February 29, 2016, the aggregate value of these securities was \$73,215,334, representing 7.85% of net assets.

^ePrincipal amount is stated in 100 Mexican Peso units.

^fPrincipal amount of security is adjusted for inflation. See Note 1(e).

^gPrincipal amount is stated in 100 Unidad de Inversion Units.

^hThe coupon rate shown represents the rate at period end.

ⁱA supranational organization is an entity formed by two or more central governments through international treaties.

^jThe principal represents the notional amount. See Note 1(c) regarding value recovery instruments.

^kNon-income producing.

^lThe security is traded on a discount basis with no stated coupon rate.

^mPrincipal amount is stated in 10 Mexican Peso Units.

ⁿSee Note 3(c) regarding investments in affiliated management investment companies.

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TEMPLETON GLOBAL INCOME FUND
STATEMENT OF INVESTMENTS (UNAUDITED)

At February 29, 2016, the Fund had the following forward exchange contracts outstanding. See Note 1(c).

Forward Exchange Contracts

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
Chilean Peso	DBAB	Buy	1,587,099,000	2,212,293	3/02/16 \$	64,657 \$	—
Chilean Peso	DBAB	Sell	1,587,099,000	2,279,987	3/02/16	3,037	—
Chilean Peso	BZWS	Buy	726,200,000	1,015,877	3/03/16	25,859	—
Chilean Peso	BZWS	Sell	726,200,000	1,047,908	3/03/16	6,171	—
Chilean Peso	CITI	Buy	515,662,000	720,047	3/03/16	19,672	—
Chilean Peso	CITI	Sell	515,662,000	742,761	3/03/16	3,042	—
Japanese Yen	JPHQ	Sell	416,700,000	3,516,530	3/03/16	—	(179,183)
Japanese Yen	HSBK	Sell	196,900,000	1,656,362	3/04/16	—	(90,011)
Chilean Peso	MSCO	Buy	1,390,880,000	1,957,277	3/07/16	37,069	—
Euro	BZWS	Sell	1,348,368	1,502,136	3/09/16	34,552	—
Euro	HSBK	Buy	1,285,000	1,487,516	3/09/16	—	(88,902)
Euro	HSBK	Sell	1,285,000	1,428,792	3/09/16	30,178	—
Japanese Yen	BZWS	Sell	192,016,500	1,609,985	3/09/16	—	(93,395)
Euro	CITI	Sell	4,817,000	5,285,694	3/10/16	42,629	—
Euro	MSCO	Sell	3,640,000	3,989,986	3/10/16	28,027	—
Chilean Peso	DBAB	Buy	1,571,026,500	2,212,402	3/11/16	39,261	—
Chilean Peso	JPHQ	Buy	510,998,000	712,540	3/11/16	19,844	—
Mexican Peso.	HSBK	Buy	82,460,700	5,184,251	3/11/16	—	(639,892)
Chilean Peso	DBAB	Buy	1,612,838,000	2,249,174	3/14/16	61,653	—
Chilean Peso	MSCO	Buy	2,940,368,000	4,115,972	3/14/16	96,902	—
South Korean Won	CITI	Sell	5,158,000,000	4,305,689	3/14/16	146,287	—
Chilean Peso	CITI	Buy	2,019,520,000	2,818,984	3/16/16	73,890	—
Chilean Peso	DBAB	Buy	1,026,660,000	1,428,158	3/16/16	42,487	—
Chilean Peso	JPHQ	Buy	1,128,000,000	1,569,719	3/16/16	46,092	—
Euro	JPHQ	Buy	296,000	340,983	3/16/16	—	(18,740)
Euro	JPHQ	Sell	296,000	316,972	3/16/16	—	(5,272)
South Korean Won	CITI	Sell	3,870,000,000	3,229,845	3/16/16	109,275	—
South Korean Won	HSBK	Sell	9,640,000,000	7,960,436	3/16/16	187,233	—
Chilean Peso	DBAB	Buy	567,590,000	798,186	3/18/16	14,683	—
Euro	BZWS	Sell	370,478	421,011	3/21/16	17,621	—
Japanese Yen	CITI	Sell	220,552,000	1,833,716	3/22/16	—	(123,762)

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Japanese Yen	MSCO	Sell	311,200,000	2,586,995	3/22/16	—	(175,016)
South Korean Won	DBAB	Sell	5,874,000,000	4,753,698	3/23/16	18,221	—
Chilean Peso	BZWS	Buy	1,898,900,000	2,731,444	3/24/16	—	(13,741)
Euro	BZWS	Sell	899,632	1,005,690	3/24/16	26,043	—
South Korean Won	HSBK	Sell	10,258,000,000	8,338,590	3/25/16	69,344	—
Japanese Yen	BZWS	Sell	125,158,380	1,056,581	3/28/16	—	(54,495)
South Korean Won	HSBK	Sell	10,307,000,000	8,338,794	3/28/16	30,811	—
Euro	BOFA	Sell	12,478,100	13,781,075	3/29/16	190,971	—
Indonesian Rupiah	JPHQ	Buy	10,794,000,000	760,945	3/29/16	42,200	—
Indonesian Rupiah	JPHQ	Sell	10,794,000,000	769,379	3/29/16	—	(33,766)
Euro	BOFA	Sell	3,504,500	3,885,667	3/30/16	68,735	—
Japanese Yen	JPHQ	Sell	130,931,000	1,096,368	3/31/16	—	(66,070)
Chilean Peso	BZWS	Buy	726,200,000	1,044,892	4/04/16	—	(6,734)
Australian Dollar	GSCO	Sell	26,618,090	18,470,000	4/06/16	—	(492,114)
Chilean Peso	DBAB	Buy	2,719,981,000	3,752,630	4/07/16	134,677	—
Japanese Yen	JPHQ	Sell	278,975,000	2,329,023	4/07/16	—	(148,207)
Euro	CITI	Sell	1,575,600	1,748,573	4/08/16	32,045	—
Malaysian Ringgit	HSBK	Buy	1,130,000	302,204	4/11/16	—	(33,804)
Malaysian Ringgit	HSBK	Sell	1,130,000	263,097	4/11/16	—	(5,303)
Euro	JPHQ	Sell	838,000	954,239	4/13/16	41,149	—

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TEMPLETON GLOBAL INCOME FUND
STATEMENT OF INVESTMENTS (UNAUDITED)

Forward Exchange Contracts

(continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
(continued)							
Euro	SCNY	Sell	3,955,000	4,244,605	4/13/16 \$	\$	(64,787)
Japanese Yen	CITI	Sell	146,000,000	1,222,125	4/13/16		(74,508)
Mexican Peso.	CITI	Buy	21,365,740	1,378,773	4/13/16		(204,602)
Euro	JPHQ	Sell	3,144,000	3,359,741	4/14/16		(66,082)
Chilean Peso	DBAB	Buy	567,590,000	768,707	4/15/16	41,856	
Euro	BZWS	Sell	2,535,000	2,893,069	4/15/16	130,753	
Euro	HSBK	Buy	4,695,000	5,439,627	4/18/16		(323,164)
Euro	HSBK	Sell	4,695,000	5,002,523	4/18/16		(113,940)
South Korean Won	HSBK	Sell	16,567,000,000	13,673,587	4/18/16	326,495	
Chilean Peso	DBAB	Buy	1,013,970,000	1,373,199	4/21/16	74,003	
Chilean Peso	MSCO	Buy	1,625,385,000	2,220,987	4/21/16	98,865	
Chilean Peso	DBAB	Buy	1,968,980,000	2,670,890	4/22/16	139,095	
Chilean Peso	MSCO	Buy	521,800,000	708,679	4/22/16	35,997	
South Korean Won	HSBK	Sell	13,696,000,000	11,090,231	4/25/16	57,955	
South Korean Won	HSBK	Sell	3,816,000,000	3,085,219	4/26/16	11,463	
Chilean Peso	JPHQ	Buy	298,440,000	412,164	4/27/16	13,545	
Chilean Peso	DBAB	Buy	1,143,490,000	1,576,858	4/28/16	54,117	
Indian Rupee	DBAB	Buy	68,380,000	997,297	4/28/16		(5,560)
Indian Rupee	HSBK	Buy	869,744,000	11,712,683	EUR 4/28/16		(153,731)
Euro	BZWS	Sell	4,026,945	4,401,310	4/29/16	11,433	
Euro	SCNY	Buy	6,683,000	7,373,554	4/29/16		(88,243)
Euro	SCNY	Sell	6,683,000	7,359,988	4/29/16	74,676	
South Korean Won	HSBK	Sell	4,601,000,000	3,713,958	5/02/16	8,398	
Chilean Peso	DBAB	Buy	1,123,610,000	1,563,827	5/04/16	37,690	
Chilean Peso	MSCO	Buy	1,390,880,000	1,945,640	5/05/16	36,591	
Euro	BZWS	Sell	4,107,651	4,619,351	5/05/16	140,554	
Euro	BZWS	Sell	783,291	854,433	5/06/16	338	
Chilean Peso	DBAB	Buy	584,343,000	811,081	5/09/16	21,309	
Chilean Peso	MSCO	Buy	2,946,442,000	4,099,112	5/12/16	96,567	
Euro	BZWS	Sell	4,891,000	5,273,916	5/12/16		(60,317)

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Euro	GSCO	Sell	560,000	602,252	5/12/16		(8,496)
Japanese Yen	GSCO	Sell	203,561,000	1,658,933	5/12/16		(150,336)
Japanese Yen	SCNY	Sell	152,158,000	1,239,006	5/12/16		(113,388)
South Korean Won	CITI	Sell	5,173,000,000	4,306,007	5/12/16	140,691	
Chilean Peso	DBAB	Buy	1,571,026,500	2,183,285	5/16/16	52,769	
Euro	GSCO	Sell	1,688,000	1,826,298	5/16/16		(14,932)
Japanese Yen	SCNY	Sell	103,657,300	848,037	5/16/16		(73,393)
South Korean Won	CITI	Sell	4,268,000,000	3,534,491	5/16/16	98,189	
Chilean Peso	MSCO	Buy	1,625,385,000	2,277,087	5/17/16	36,062	
South Korean Won	HSBK	Sell	13,274,000,000	10,939,166	5/17/16	252,082	
Australian Dollar	JPHQ	Sell	15,958,000	11,298,264	5/18/16		(48,981)
Chilean Peso	BZWS	Buy	379,831,000	535,577	5/18/16	4,912	
Chilean Peso	DBAB	Buy	1,653,630,000	2,310,927	5/18/16	42,140	
Indonesian Rupiah	JPHQ	Buy	6,781,000,000	600,993 AUD	5/18/16	71,650	
Japanese Yen	BOFA	Sell	705,633,500	5,765,027	5/18/16		(507,879)
Japanese Yen	CITI	Sell	705,604,100	5,967,558	5/18/16		(305,086)
South Korean Won	HSBK	Sell	7,321,000,000	6,016,354	5/18/16	122,244	
Euro	UBSW	Sell	9,844,000	10,539,282	5/19/16		(199,437)
Indonesian Rupiah	JPHQ	Buy	27,704,000,000	2,468,502 AUD	5/19/16	282,962	
Japanese Yen	BOFA	Sell	704,526,000	5,923,672	5/19/16		(339,583)
Japanese Yen	BZWS	Sell	706,440,000	5,938,467	5/19/16		(341,804)
Japanese Yen	CITI	Sell	733,240,000	5,982,214	5/19/16		(536,309)

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TEMPLETON GLOBAL INCOME FUND
STATEMENT OF INVESTMENTS (UNAUDITED)

Forward Exchange Contracts

(continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
(continued)							
Japanese Yen	HSBK	Sell	707,007,200	5,972,101	5/19/16 \$	—\$	(313,212)
South Korean Won	CITI	Sell	16,347,000,000	13,290,384	5/19/16	129,767	—
Euro	JPHQ	Sell	5,056,324	5,803,219	5/20/16	287,134	—
Japanese Yen	JPHQ	Sell	532,106,000	4,480,270	5/20/16	—	(250,314)
Indian Rupee	JPHQ	Buy	412,387,000	5,293,243 EUR	5/23/16	182,819	—
South Korean Won	DBAB	Sell	5,870,000,000	4,750,921	5/23/16	25,529	—
Chilean Peso	JPHQ	Buy	662,940,000	945,571	5/24/16	—	(2,896)
South Korean Won	HSBK	Sell	10,303,000,000	8,339,168	5/24/16	45,363	—
Japanese Yen	HSBK	Sell	154,574,000	1,264,761	5/25/16	—	(109,663)
Chilean Peso	DBAB	Buy	1,507,780,000	2,159,617	5/26/16	—	(16,120)
Euro	BZWS	Sell	1,464,790	1,706,151	5/26/16	107,834	—
Japanese Yen	BZWS	Sell	860,890,000	7,311,168	5/26/16	—	(343,835)
Japanese Yen	SCNY	Sell	696,345,000	5,874,346	5/26/16	—	(317,528)
Malaysian Ringgit	HSBK	Buy	50,063,035	10,581,914 EUR	5/27/16	325,606	—
Chilean Peso	DBAB	Buy	2,270,639,000	3,218,664	5/31/16	7,479	—
Indian Rupee	DBAB	Buy	1,151,765,600	14,942,470 EUR	5/31/16	311,544	—
Malaysian Ringgit	JPHQ	Buy	118,779,709	25,776,847 EUR	5/31/16	32,876	—
Mexican Peso.	JPHQ	Buy	39,025,000	2,475,028	5/31/16	—	(338,610)
South Korean Won	HSBK	Sell	3,230,000,000	2,609,137	5/31/16	9,359	—
Chilean Peso	CITI	Buy	515,662,000	736,082	6/02/16	—	(3,585)
Chilean Peso	DBAB	Buy	1,587,099,000	2,260,020	6/02/16	—	(5,551)
South Korean Won	HSBK	Sell	9,198,000,000	7,427,428	6/02/16	24,233	—
Chilean Peso	DBAB	Buy	2,311,201,000	3,306,439	6/03/16	—	(23,746)
Euro	HSBK	Sell	6,579,510	7,458,796	6/06/16	276,569	—
Japanese Yen	CITI	Sell	153,700,000	1,247,608	6/08/16	—	(119,769)
Euro	HSBK	Sell	3,548,865	3,857,616	6/09/16	—	(16,787)
Euro	SCNY	Sell	1,325,806	1,441,409	6/09/16	—	(6,013)
Japanese Yen	HSBK	Sell	230,100,000	1,874,313	6/09/16	—	(172,833)
Japanese Yen	BZWS	Sell	474,230,000	3,819,015	6/10/16	—	(400,269)
Japanese Yen	CITI	Sell	496,800,000	4,004,030	6/10/16	—	(416,062)

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Japanese Yen	HSBK	Sell	505,050,000	4,074,134	6/10/16	—	(419,359)
Euro	DBAB	Buy	3,495,500	4,047,020	6/13/16	—	(230,295)
Euro	DBAB	Sell	3,495,500	3,960,052	6/13/16	143,327	—
Japanese Yen	DBAB	Sell	167,200,000	1,357,738	6/13/16	—	(130,043)
Japanese Yen	JPHQ	Sell	467,930,000	3,796,084	6/13/16	—	(367,655)
Australian Dollar	CITI	Sell	8,460,000	6,054,484	6/14/16	45,852	—
Australian Dollar	JPHQ	Sell	12,551,000	9,081,339	6/14/16	167,115	—
Euro	DBAB	Buy	3,756,000	4,348,809	6/15/16	—	(247,332)
Euro	DBAB	Sell	3,756,000	4,280,112	6/15/16	178,635	—
Japanese Yen	CITI	Sell	230,997,000	1,883,368	6/16/16	—	(172,342)
Japanese Yen	HSBK	Sell	187,120,000	1,560,634	6/16/16	—	(104,602)
Japanese Yen	JPHQ	Sell	197,300,000	1,607,889	6/16/16	—	(147,942)
Australian Dollar	CITI	Sell	1,690,900	1,213,982	6/17/16	13,186	—
Japanese Yen	DBAB	Sell	186,830,000	1,544,471	6/17/16	—	(118,252)
Australian Dollar	CITI	Sell	3,408,700	2,593,203	6/20/16	172,807	—
Australian Dollar	JPHQ	Sell	8,540,000	6,479,554	6/20/16	415,607	—
Japanese Yen	CITI	Sell	207,460,000	1,712,154	6/20/16	—	(134,393)
Japanese Yen	DBAB	Sell	187,160,000	1,531,588	6/22/16	—	(134,410)
Indonesian Rupiah	JPHQ	Buy	77,590,000,000	7,053,636 AUD	6/23/16	652,469	—
Indonesian Rupiah	JPHQ	Buy	33,980,000,000	3,095,563 AUD	6/24/16	280,657	—
Malaysian Ringgit	HSBK	Buy	12,077,292	3,152,681	6/24/16	—	(291,766)
Malaysian Ringgit	HSBK	Sell	12,077,292	2,794,376	6/24/16	—	(66,540)

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TEMPLETON GLOBAL INCOME FUND
STATEMENT OF INVESTMENTS (UNAUDITED)

Forward Exchange Contracts

(continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
(continued)							
Malaysian Ringgit	HSBK	Buy	4,516,266	1,168,685	6/30/16 \$	\$	(99,116)
Malaysian Ringgit	HSBK	Sell	4,516,266	1,044,465	6/30/16		(25,104)
Malaysian Ringgit	JPHQ	Buy	3,602,500	939,374	7/05/16		(86,383)
Malaysian Ringgit	JPHQ	Sell	3,602,500	831,218	7/05/16		(21,773)
Euro	BZWS	Sell	1,676,000	1,836,896	7/06/16	5,269	
Japanese Yen	JPHQ	Sell	278,975,000	2,334,499	7/07/16		(150,299)
Malaysian Ringgit	DBAB	Buy	6,824,400	1,762,500	7/08/16		(146,833)
Malaysian Ringgit	DBAB	Sell	6,824,400	1,569,910	7/08/16		(45,757)
Euro	JPHQ	Sell	838,000	956,326	7/13/16	40,267	
Euro	CITI	Sell	1,349,575	1,467,946	7/15/16		(7,452)
Japanese Yen	BZWS	Sell	237,550,000	2,021,014	7/15/16		(95,505)
Japanese Yen	JPHQ	Sell	154,420,000	1,312,604	7/15/16		(63,245)
Euro	MSCO	Sell	1,228,000	1,355,712	7/18/16	13,069	
Euro	BZWS	Sell	11,924,000	13,061,550	7/19/16	23,858	
Japanese Yen	HSBK	Sell	372,780,000	3,174,081	7/19/16		(147,848)
Japanese Yen	SCNY	Sell	219,020,000	1,879,306	7/19/16		(72,432)
Malaysian Ringgit	DBAB	Buy	9,759,000	2,252,770 EUR	7/20/16		(153,971)
Euro	BZWS	Sell	1,052,000	1,153,429	7/21/16	3,085	
Euro	MSCO	Sell	905,000	989,301	7/22/16		(339)
Malaysian Ringgit	DBAB	Buy	11,019,000	2,266,445 EUR	7/22/16	128,832	
Euro	DBAB	Buy	701,000	812,502	7/25/16		(45,854)
Euro	DBAB	Sell	701,000	773,021	7/25/16	6,372	
Euro	JPHQ	Sell	11,085,000	12,068,683	7/25/16		(54,427)
Japanese Yen	CITI	Sell	178,564,000	1,451,763	7/25/16		(139,850)
Japanese Yen	JPHQ	Sell	275,000,000	2,235,409	7/25/16		(215,778)
Malaysian Ringgit	DBAB	Buy	14,167,000	3,280,537 EUR	7/27/16		(236,612)
Malaysian Ringgit	JPHQ	Buy	6,651,000	1,698,851	7/27/16		(125,454)
Malaysian Ringgit	JPHQ	Sell	6,651,000	1,532,135	7/27/16		(41,261)
Euro	CITI	Sell	960,795	1,060,943	7/28/16	10,050	
Euro	GSCO	Sell	6,683,000	7,368,809	7/28/16	59,108	

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Euro	JPHQ	Sell	6,683,000	7,453,483	7/29/16	143,503	
Japanese Yen	DBAB	Sell	631,276,974	5,355,523	7/29/16		(272,220)
Malaysian Ringgit	JPHQ	Buy	56,765,000	14,414,677	7/29/16		(987,137)
Malaysian Ringgit	JPHQ	Buy	14,167,000	3,220,651 EUR	7/29/16		(171,655)
Malaysian Ringgit	JPHQ	Sell	56,765,000	13,074,974	7/29/16		(352,566)
Euro	HSBK	Sell	6,684,000	7,378,468	8/05/16	65,436	
Euro	JPHQ	Sell	893,000	985,894	8/05/16	8,854	
Malaysian Ringgit	HSBK	Buy	170,000	42,405	8/08/16		(2,208)
Malaysian Ringgit	HSBK	Sell	170,000	39,189	8/08/16		(1,008)
Euro	CITI	Sell	851,902	935,687	8/10/16	3,434	
Japanese Yen	CITI	Sell	613,483,000	4,966,147	8/10/16		(505,637)
South Korean Won	HSBK	Buy	6,054,254,000	5,152,776	8/10/16		(283,044)
South Korean Won	HSBK	Sell	6,054,254,000	5,051,948	8/10/16	182,215	
Euro	DBAB	Buy	1,775,000	2,058,334	8/11/16		(115,843)
Euro	DBAB	Sell	1,775,000	1,959,502	8/11/16	17,011	
Euro	JPHQ	Sell	2,248,000	2,473,924	8/11/16	13,800	
South Korean Won	HSBK	Buy	8,324,000,000	877,059,889 JPY	8/12/16		(1,128,042)
Euro	JPHQ	Sell	12,428,000	14,050,662	8/16/16	447,339	
Japanese Yen	JPHQ	Sell	100,450,000	895,105	8/16/16		(1,049)
Japanese Yen	DBAB	Sell	687,444,000	5,583,891	8/18/16		(549,563)
South Korean Won	JPHQ	Buy	980,000,000	831,319	8/18/16		(43,116)
South Korean Won	JPHQ	Sell	980,000,000	820,908	8/18/16	32,705	

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TEMPLETON GLOBAL INCOME FUND
STATEMENT OF INVESTMENTS (UNAUDITED)

Forward Exchange Contracts

(continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
(continued)							
Japanese Yen	HSBK	Sell	1,286,140,000	10,437,754	8/22/16 \$	\$	(1,039,202)
Japanese Yen	JPHQ	Sell	926,943,000	7,521,660	8/22/16		(749,978)
Mexican Peso.	HSBK	Buy	21,920,000	1,294,361	8/22/16		(102,901)
Japanese Yen	BZWS	Sell	307,053,000	2,504,919	8/24/16		(235,312)
Japanese Yen	DBAB	Sell	303,441,000	2,702,057	8/24/16		(5,940)
Euro	SCNY	Sell	8,685,912	10,117,871	8/26/16	606,889	
Japanese Yen	JPHQ	Sell	800,079,000	6,791,208	8/26/16		(349,513)
Euro	JPHQ	Sell	3,821,732	4,395,756	8/29/16	210,489	
Japanese Yen	DBAB	Sell	509,728,000	4,285,229	8/29/16		(264,707)
Japanese Yen	JPHQ	Sell	450,908,000	3,789,191	8/29/16		(235,706)
Malaysian Ringgit	DBAB	Buy	71,195,440	15,177,675 EUR	8/30/16	196,416	
Euro	BZWS	Sell	4,618,433	5,114,961	8/31/16	56,784	
Japanese Yen	BZWS	Sell	726,500,000	6,481,399	8/31/16		(4,085)
Japanese Yen	JPHQ	Sell	304,127,000	2,544,964	8/31/16		(169,986)
Japanese Yen	HSBK	Sell	980,688,000	8,709,485	9/01/16		(45,544)
Australian Dollar	CITI	Sell	8,404,000	6,054,073	9/14/16	107,517	
Japanese Yen	BZWS	Sell	132,990,000	1,101,002	9/20/16		(87,296)
Japanese Yen	JPHQ	Sell	278,975,000	2,341,455	10/07/16		(153,206)
Japanese Yen	HSBK	Sell	555,000,000	4,670,341	10/11/16		(293,517)
Euro	JPHQ	Sell	846,000	967,925	10/13/16	39,702	
Japanese Yen	BZWS	Sell	281,000,000	2,365,220	10/13/16		(148,244)
Japanese Yen	DBAB	Sell	277,200,000	2,333,923	10/13/16		(145,551)
Euro	BZWS	Sell	1,760,000	2,025,408	10/17/16	94,029	
Malaysian Ringgit	DBAB	Buy	142,760,000	29,481,249 EUR	10/17/16	1,289,225	
Mexican Peso.	DBAB	Buy	67,596,340	3,979,767	10/21/16		(324,548)
Japanese Yen	BZWS	Sell	146,100,000	1,230,238	10/24/16		(77,247)
Mexican Peso.	CITI	Buy	21,771,590	1,277,526	10/24/16		(100,548)
Mexican Peso.	DBAB	Buy	62,150,960	3,641,523	10/24/16		(281,627)
Euro	BZWS	Sell	2,780,907	3,095,914	10/27/16	42,937	
Euro	BZWS	Sell	16,250,000	18,107,212	11/04/16	261,400	

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Japanese Yen	CITI	Sell	104,080,747	864,745	11/09/16		(67,387)
Euro	JPHQ	Sell	517,652	559,434	11/14/16		(9,292)
Japanese Yen	CITI	Sell	335,732,000	2,758,912	11/14/16		(248,548)
Japanese Yen	HSBK	Sell	286,780,000	2,354,806	11/14/16		(214,147)
Japanese Yen	JPHQ	Sell	102,242,000	838,867	11/14/16		(77,008)
Japanese Yen	CITI	Sell	152,157,000	1,254,127	11/16/16		(109,009)
Japanese Yen	MSCO	Sell	245,000,000	2,018,371	11/16/16		(176,522)
Japanese Yen	DBAB	Sell	592,373,000	4,878,027	11/18/16		(429,382)
Japanese Yen	CITI	Sell	823,639,000	6,756,955	11/21/16		(623,521)
Mexican Peso.	CITI	Buy	245,000,000	14,422,794	11/25/16		(1,214,426)
Euro	GSCO	Sell	454,000	486,756	12/02/16		(12,427)
Australian Dollar	JPHQ	Sell	8,507,000	6,054,253	12/12/16	54,828	
Australian Dollar	JPHQ	Sell	4,228,000	3,026,741	12/14/16	45,213	
Japanese Yen	GSCO	Sell	69,178,000	590,478	1/10/17		(31,032)
Japanese Yen	JPHQ	Sell	278,975,000	2,372,418	1/10/17		(133,953)
Euro	BZWS	Sell	1,509,000	1,661,152	1/11/17		(1,040)
Japanese Yen	CITI	Sell	94,950,000	815,399	1/17/17		(37,967)
Euro	JPHQ	Sell	2,459,575	2,714,461	1/23/17	3,715	
Japanese Yen	DBAB	Sell	95,240,000	825,125	1/23/17		(31,119)
Euro	BZWS	Sell	4,351,556	4,770,328	1/27/17		(26,478)
Euro	GSCO	Sell	1,800,000	1,975,302	1/27/17		(8,874)
Japanese Yen	JPHQ	Sell	95,800,000	817,832	1/27/17		(43,628)

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TEMPLETON GLOBAL INCOME FUND
STATEMENT OF INVESTMENTS (UNAUDITED)

Forward Exchange Contracts (continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation	
OTC Forward Exchange Contracts								
(continued)								
Japanese Yen	HSBK	Sell	817,266,455	6,979,218	1/31/17 \$	\$	(371,421)	
Euro	BZWS	Sell	4,094,000	4,639,014	2/08/17	123,653		
Euro	CITI	Sell	8,393,000	9,514,431	2/09/17	257,192		
Japanese Yen	CITI	Sell	152,232,000	1,320,312	2/09/17		(49,540)	
Euro	HSBK	Sell	7,662,000	8,621,589	2/10/17	170,238		
Euro	BZWS	Sell	23,553,000	26,989,383	2/13/17	1,006,372		
Euro	GSCO	Sell	1,183,000	1,346,964	2/13/17	41,911		
Euro	GSCO	Sell	6,210,000	7,081,698	2/16/17	230,065		
Euro	SCNY	Sell	6,873,000	7,831,302	2/16/17	248,167		
Japanese Yen	GSCO	Sell	195,642,140	1,742,868	2/16/17		(18,260)	
Euro	BZWS	Sell	1,403,000	1,576,060	2/22/17	27,676		
Japanese Yen	HSBK	Sell	796,744,000	7,194,639	2/27/17	18,350		
Mexican Peso.	CITI	Buy	62,000,000	3,291,919	2/27/17	22,843		
Euro	BOFA	Sell	1,471,272	1,640,586	2/28/17	16,412		
Mexican Peso.	MSCO	Buy	117,000,000	6,279,014	3/01/17		(24,843)	
Total Forward Exchange Contracts						\$	14,531,715	\$ (26,647,552)
Net unrealized appreciation (depreciation)							\$	(12,115,837)

*In U.S. dollars unless otherwise indicated.

^aMay be comprised of multiple contracts with the same counterparty, currency and settlement date.

At February 29, 2016, the Fund had the following interest rate swap contracts outstanding. See Note 1(c).

Interest Rate Swap Contracts

Description	Exchange	Notional Amount	Expiration Date	Unrealized Appreciation	Unrealized Depreciation
Centrally Cleared Swap Contracts					
Receive Floating rate 3-month USD BBA LIBOR					

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Pay Fixed rate 0.926%	LCH	\$ 58,090,000	10/17/17	\$	\$ (271,030)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 1.914%	LCH	35,260,000	1/22/25		(1,288,126)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 1.970%	LCH	44,070,000	1/23/25		(1,815,768)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 1.973%	LCH	26,010,000	1/27/25		(1,076,985)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 1.937%	LCH	6,500,000	1/29/25		(248,592)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 1.942%	LCH	5,500,000	1/30/25		(211,932)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 1.817%	LCH	8,680,000	2/03/25		(240,619)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 1.978%	LCH	800,000	3/27/25		(38,123)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 1.985%	LCH	800,000	3/27/25		(38,655)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 2.449%	LCH	6,340,000	7/02/25		(536,442)
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 2.310%	LCH	16,220,000	7/29/25		(1,149,154)

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TEMPLETON GLOBAL INCOME FUND
STATEMENT OF INVESTMENTS (UNAUDITED)

Interest Rate Swap Contracts (continued)

Description	Exchange	Notional Amount	Expiration Date	Unrealized Appreciation	Unrealized Depreciation
Centrally Cleared Swap Contracts (continued)					
Receive Floating rate 3-month USD BBA LIBOR					
Pay Fixed rate 2.752%	LCH	\$ 23,960,000	7/29/45	\$ \$	(3,768,273)
Net unrealized appreciation (depreciation)				\$	(10,683,699)

See Abbreviations on page 33.

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TEMPLETON GLOBAL INCOME FUND

Financial Statements**Statement of Assets and Liabilities**

February 29, 2016 (unaudited)

Assets:

Investments in securities:

Cost - Unaffiliated issuers	\$	850,124,626
Cost - Non-controlled affiliates (Note 3c)		139,582,499
Total cost of investments	\$	989,707,125
Value - Unaffiliated issuers	\$	743,327,781
Value - Non-controlled affiliates (Note 3c)		139,582,499
Total value of investments		882,910,280
Foreign currency, at value (cost \$3,086,683)		3,085,726

Receivables:

Investment securities sold		18,703,485
Interest		10,911,206
Due from brokers		33,116,055
Unrealized appreciation on OTC forward exchange contracts		14,531,715
Total assets		963,258,467

Liabilities:

Payables:

Management fees		443,261
Variation margin		297,791
Funds advanced by custodian		1,757,165
Unrealized depreciation on OTC forward exchange contracts		26,647,552
Deferred tax.		598,606
Accrued expenses and other liabilities.		395,160

Total liabilities		30,139,535
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Net assets, at value	\$	933,118,932
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Net assets consist of:

Paid-in capital	\$	1,112,250,270
Distributions in excess of net investment income		(10,509,181)
Net unrealized appreciation (depreciation)		(130,302,110)
Accumulated net realized gain (loss)		(38,320,047)
Net assets, at value	\$	933,118,932
Shares outstanding.		134,144,158
Net asset value per share	\$	6.96

TEMPLETON GLOBAL INCOME FUND
FINANCIAL STATEMENTS

Statement of Operations

for the six months ended February 29, 2016 (unaudited)

Investment income:		
Interest	\$	19,456,248
Inflation principal adjustments		4,394,217
Total investment income		23,850,465
Expenses:		
Management fees (Note 3a)		3,078,934
Transfer agent fee		92,149
Custodian fees (Note 4)		221,316
Reports to shareholders		46,904
Registration and filing fees		63,772
Professional fees		38,228
Trustees' fees and expenses		44,146
Other		35,517
Total expenses		3,620,966
Expense reductions (Note 4)		(1,948)
Expenses waived/paid by affiliates (Note 3c)		(109,254)
Net expenses		3,509,764
Net investment income.		20,340,701
Realized and unrealized gains (losses):		
Net realized gain (loss) from:		
Investments		(41,615,388)
Foreign currency transactions		1,698,578
Swap contracts.		(1,745,420)
Net realized gain (loss)		(41,662,230)
Net change in unrealized appreciation (depreciation) on:		
Investments		6,776,483
Translation of other assets and liabilities denominated in foreign currencies.		(7,666,453)
Value recovery instruments		(878,377)
Swap contracts.		(13,135,455)
Change in deferred taxes on unrealized appreciation		(128,723)

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Net change in unrealized appreciation (depreciation)		(15,032,525)
Net realized and unrealized gain (loss)		(56,694,755)
Net increase (decrease) in net assets resulting from operations	\$	(36,354,054)

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TEMPLETON GLOBAL INCOME FUND
FINANCIAL STATEMENTS

Statements of Changes in Net Assets

	Six Months Ended	
	February 28, 2016	Year Ended
	(unaudited)	August 31, 2015
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 20,340,701	\$ 44,843,491
Net realized gain (loss)	(41,662,230)	35,123,071
Net change in unrealized appreciation (depreciation)	(15,032,525)	(174,293,371)
Net increase (decrease) in net assets resulting from operations	(36,354,054)	(94,326,809)
Distributions to shareholders from:		
Net investment income and net foreign currency gains	(20,121,624)	(85,047,396)
Net realized gains		(348,775)
Total distributions to shareholders	(20,121,624)	(85,396,171)
Net increase (decrease) in net assets	(56,475,678)	(179,722,980)
Net assets:		
Beginning of period	989,594,610	1,169,317,590
End of period	\$ 933,118,932	\$ 989,594,610
Distributions in excess of net investment income included in net assets:		
End of period	\$ (10,509,181)	\$ (10,728,258)

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TEMPLETON GLOBAL INCOME FUND

Notes to Financial Statements (unaudited)

1. Organization and Significant Accounting Policies

Templeton Global Income Fund (Fund) is registered under the Investment Company Act of 1940 (1940 Act) as a closed-end management investment company and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP).

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The Fund calculates the net asset value (NAV) per share as of 4 p.m. Eastern time each day the New York Stock Exchange (NYSE) is open for trading. Under compliance policies and procedures approved by the Fund's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Debt securities generally trade in the over-the-counter (OTC) market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Securities denominated in a foreign currency are converted into their U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the date that the values of the foreign debt securities are determined.

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

Derivative financial instruments (derivatives) listed on an exchange are valued at the official closing price of the day. Certain derivatives trade in the OTC market. The Fund's 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 Fund's net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to 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. The VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

b. Foreign Currency Translation

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Fund may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and

TEMPLETON GLOBAL INCOME FUND

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. Organization and Significant Accounting

Policies (continued)

b. Foreign Currency Translation (continued)

expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

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

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

c. Derivative Financial Instruments

The Fund invested in derivatives 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 Fund to gains or losses in excess of the amounts shown in the Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Statement of Operations.

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement.

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. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required by either the Fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from \$100,000 to \$250,000, and can vary depending on the counterparty and the type of the agreement. Generally, collateral is determined at the close of Fund business each day and any additional collateral required due to changes in derivative values may be delivered by the Fund or the counterparty within a few business days. Collateral pledged and/or received by the Fund for OTC derivatives, if any, is held in segregated accounts with the Fund's custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may be invested according to the Fund's investment objectives. To the extent that the amounts due to the Fund from its counterparties are not subject to collateralization or are not fully collateralized, the Fund bears the risk of loss from counterparty non-performance.

TEMPLETON GLOBAL INCOME FUND

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

The Fund entered into OTC forward exchange contracts primarily to manage and/or gain exposure to certain foreign currencies. A forward exchange contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency at a specific exchange rate on a future date.

The Fund entered into interest rate swap contracts primarily to manage interest rate risk. An interest rate swap is an agreement between the Fund and a counterparty to exchange cash flows based on the difference between two interest rates, applied to a notional amount. These agreements may be privately negotiated in the over-the-counter market (OTC interest rate swaps) or may be executed on a registered exchange (centrally cleared interest rate swaps). For centrally cleared interest rate swaps, required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable in the Statement of Assets and Liabilities. Over the term of the contract, contractually required payments to be paid and to be received are accrued daily and recorded as unrealized depreciation and appreciation until the payments are made, at which time they are realized.

The Fund invests in value recovery instruments, for which payments may be made based on established benchmarks for an underlying variable. The security has a notional amount, which is used to calculate amounts of payments allocated to holders. Payments are recorded upon receipt as realized gains in the Statement of Operations.

See Note 9 regarding other derivative information.

d. Income and Deferred Taxes

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

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of February 29, 2016, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction's statute of limitation.

e. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis 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.

Inflation-indexed bonds are adjusted for inflation through periodic increases or decreases in the security's interest accruals, face amount, or principal redemption value, by amounts corresponding to the rate of inflation as measured by an index. Any increase or decrease in the face amount or principal redemption value will be included as inflation principal adjustments in the Statement of Operations.

f. Accounting Estimates

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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.

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TEMPLETON GLOBAL INCOME FUND

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. Organization and Significant Accounting

Policies (continued)

g. Guarantees and Indemnification

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

2. Shares of Beneficial Interest

At February 29, 2016, there were an unlimited number of shares authorized (without par value). During the periods ended February 29, 2016 and August 31, 2015 there were no shares issued; all reinvested distributions were satisfied with previously issued shares purchased in the open market.

Under the Board approved open-market share repurchase program, the Fund may purchase, from time to time, Fund shares in open-market transactions, at the discretion of management. Since the inception of the program, the Fund has repurchased a total of 11,210,400 shares. During the periods ended February 29, 2016 and August 31, 2015, there were no shares repurchased.

3. Transactions with Affiliates

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

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager

a. Management Fees

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

Annualized Fee Rate	Net Assets
0.700 %	Up to and including \$200 million
0.635 %	Over \$200 million, up to and including \$700 million
0.600 %	Over \$700 million, up to and including \$1 billion
0.580 %	Over \$1 billion, up to and including \$5 billion
0.560 %	Over \$5 billion, up to and including \$10 billion
0.540 %	Over \$10 billion, up to and including \$15 billion
0.520 %	Over \$15 billion, up to and including \$20 billion
0.500 %	In excess of \$20 billion

For the period ended February 29, 2016, the annualized effective management fee rate was 0.639% of the Fund's average daily net assets.

b. Administrative Fees

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

TEMPLETON GLOBAL INCOME FUND
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

c. Investments in Affiliated Management Investment Companies

The Fund invests in an affiliated management investment company for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment company, as noted in the Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. Prior to September 1, 2013, the waiver was accounted for as a reduction to management fees.

	Number of Shares Held at Beginning of Period		Gross Additions Gross Reductions		Number of Shares Held at End of Period		Value at End of Period	Investment Income	Realized Gain (Loss)	% of Affiliated Fund Shares Outstanding Held at End of Period
Non-Controlled Affiliates										
Institutional Fiduciary Trust Money										
Market Portfolio	102,398,725	216,052,658	(178,868,884)	139,582,499	\$	139,582,499	\$-	\$-	0.71 %	

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended February 29, 2016, the custodian fees were reduced as noted in the the Statement of Operations.

5. Income Taxes

At February 29, 2016, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$	997,220,735
Unrealized appreciation	\$	6,409,043
Unrealized depreciation		(120,719,498)
Net unrealized appreciation (depreciation)	\$	(114,310,455)

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of foreign currency transactions, bond discounts and premiums and inflation related adjustments on foreign securities.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended February 29, 2016, aggregated \$216,440,096 and \$231,245,955, respectively.

7. Credit Risk

At February 29, 2016, the Fund had 25.37% of its portfolio invested in high yield securities rated below investment grade. These securities may be more sensitive to economic conditions causing greater price volatility and are potentially subject to a greater risk of loss due to default than higher rated securities.

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TEMPLETON GLOBAL INCOME FUND
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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 and regional economic, political and social conditions, which may result in greater market volatility. In addition, certain foreign securities may not be as liquid as U.S. securities.

9. Other Derivative Information

At February 29, 2016, the Fund's investments in derivative contracts are reflected in the Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Statement of Assets and Liabilities Location	Fair Value	Statement of Assets and Liabilities Location	Fair Value
Interest rate contracts	Variation margin	\$ — ^a	Variation margin	\$ 10,683,699 ^a
Foreign exchange contracts	Unrealized appreciation on OTC forward exchange contracts	14,531,715	Unrealized depreciation on OTC forward exchange contracts	26,647,552
Value recovery instruments	Investments in securities, at value	3,527,453	Investments in securities, at value	—
Totals		\$ 18,059,168		\$ 37,331,251

^aThis amount reflects the cumulative appreciation (depreciation) of centrally cleared swaps contracts as reported in the Statement of Investments. Only the variation margin receivable/payable at period 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 period ended February 29, 2016, the effect of derivative contracts in the Fund's Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Statement of Operations Locations	Net Realized Gain (Loss) for the Period	Statement of Operations Locations	Net Change in Unrealized Appreciation (Depreciation) for the Period
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Interest rate contracts	Swap contracts	\$ (1,745,420)	Swap contracts	\$ (13,135,455)
Foreign exchange contracts	Foreign currency transactions	3,881,785 ^a	Translation of other assets and liabilities denominated in foreign currencies	(7,974,336) ^a
Value recovery instruments	Value recovery instruments	—	Value recovery instruments	(878,377)

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Totals	\$	2,136,365	\$	(21,988,168)
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aForward exchange contracts are included in net realized gain (loss) from foreign currency transactions and net change in unrealized appreciation (depreciation) on translation of other assets and liabilities denominated in foreign currencies in the Statement of Operations.

For the period ended February 29, 2016, the average month end fair value of derivatives represented 5.30% of average month end net assets. The average month end number of open derivative contracts for the year was 338.

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TEMPLETON GLOBAL INCOME FUND
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

At February 29, 2016, the Fund's OTC derivative assets and liabilities are as follows:

**Gross and Net Amounts of
Assets and Liabilities Presented
in the Statement of Assets and Liabilities**

	Assets^a	Liabilities^a
Derivatives		
Forward exchange contracts	\$ 14,531,715	\$ 26,647,552

^aAbsent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities.

At February 29, 2016, the Fund's OTC derivative assets, which may be offset against the Fund's OTC derivative liabilities and collateral received from the counterparty, are as follows:

	Gross and Net Amounts of Assets Presented in the Statement of Assets and Liabilities	Amounts Not Offset in the Statement of Assets and Liabilities			Net Amount (Not less than zero)
		Financial Instruments Available for Offset	Financial Instruments Collateral Received	Cash Collateral Received	
Counterparty					
BOFA	\$ 276,118	\$ (276,118)	\$	\$	\$
BZWS.	2,151,134	(1,989,797)			161,337
CITI	1,428,368	(1,428,368)			
DBAB	3,146,025	(3,146,025)			
GSCO	331,084	(331,084)			
HSBK	2,213,572	(2,213,572)			
JPHQ	3,576,533	(3,576,533)			
MSCO	479,149	(376,720)			102,429
SCNY	929,732	(735,784)			193,948
UBSW					
Total	\$ 14,531,715	\$ (14,074,001)	\$	\$	\$ 0

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Mirror Savings Plan	\$	0	\$	77,688	\$	77,688	\$	77,688	\$	77,688	\$	156,348	\$
Health and life insurance	\$	0	\$	17,767	\$	17,767	\$	17,767	\$	17,767	\$	65,121	\$
Financial Counseling and Outplacement	\$	0	\$	9,380	\$	9,380	\$	9,380	\$	9,380	\$	25,000	\$
Vacation	\$	0	\$	77,403	\$	77,403	\$	77,403	\$	77,403	\$	77,403	\$
Excise Tax & Gross-Up													
(Cutback)	\$	0	\$	0	\$	0	\$	0	\$	0	\$	(124,657)	\$
Total	\$	2,770,893	\$	7,795,456	\$	7,795,456	\$	7,853,721	\$	8,202,156	\$	13,825,287	\$

Ken C. Hicks (President and Chief Merchandising Officer) Following a Change in Control

Benefit or Payment	Event						Involuntary Termination without Cause or Termination with Good Reason	Termination For Cause
	Change in Control with No Termination	Voluntary Resignation	Retirement	Death	Permanent Disability			
Base Salary	\$ 0	\$ 3,333	\$ 3,333	\$ 3,333	\$ 3,333	\$ 3,333	\$ 2,523,333	\$ 3,333
Annual Cash Incentive	\$ 0	\$ 0	\$ 0	\$ 606,000	\$ 606,000	\$ 606,000	\$ 2,496,000	\$ 0
Stock Options	\$ 1,413,511	\$ 1,413,511	\$ 1,413,511	\$ 1,413,511	\$ 1,413,511	\$ 1,413,511	\$ 1,413,511	\$ 0
Restricted Stock	\$ 2,617,012	\$ 2,617,012	\$ 2,617,012	\$ 2,617,012	\$ 2,617,012	\$ 2,617,012	\$ 2,617,012	\$ 2,617,012
Pension Plan	\$ 0	\$ 49,560	\$ 49,560	\$ 24,487	\$ 175,114	\$ 175,114	\$ 49,560	\$ 49,560
Benefit Restoration Plan	\$ 0	\$ 355,196	\$ 355,196	\$ 174,159	\$ 355,196	\$ 355,196	\$ 950,871	\$ 0
Supplemental Retirement Program	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mirror Savings Plan	\$ 0	\$ 584,502	\$ 584,502	\$ 620,502	\$ 620,502	\$ 620,502	\$ 620,502	\$ 584,502
Health and life insurance	\$ 0	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 41,300	\$ 0
Financial Counseling and Outplacement	\$ 0	\$ 9,380	\$ 9,380	\$ 9,380	\$ 9,380	\$ 9,380	\$ 25,000	\$ 0
Vacation	\$ 0	\$ 80,769	\$ 80,769	\$ 94,229	\$ 94,229	\$ 94,229	\$ 94,229	\$ 80,769
Excise Tax & Gross-Up (Cutback)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Total	\$ 4,030,523	\$ 5,116,263	\$ 5,116,263	\$ 5,565,614	\$ 5,897,278	\$ 5,897,278	\$ 10,831,319	\$ 3,335,177

Table of Contents**Michael T. Theilmann (Executive Vice President, Chief Human Resources and Administration Officer)****Following a Change in Control**

Benefit or Payment	Event						Involuntary Termination	
	Change in Control						without Cause or Termination	
	with No Termination	Voluntary Resignation	Retirement	Death	Permanent Disability	Termination with Good Reason	Termination For Cause	
Base Salary	\$ 0	\$ 2,183	\$ 2,183	\$ 2,183	\$ 2,183	\$ 1,652,183	\$ 2,183	
Annual Cash Incentive	\$ 0	\$ 0	\$ 0	\$ 324,000	\$ 324,000	\$ 1,314,000	\$ 0	
Stock Options	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	
Restricted Stock	\$ 2,738,359	\$ 2,738,359	\$ 2,738,359	\$ 2,738,359	\$ 2,738,359	\$ 2,738,359	\$ 2,738,359	
Pension Plan	\$ 0	\$ 0	\$ 0	\$ 0	\$ 141,430	\$ 0	\$ 0	
Benefit Restoration Plan	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 168,799	\$ 0	
Supplemental Retirement Program	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mirror Savings Plan	\$ 0	\$ 25,639	\$ 25,639	\$ 47,459	\$ 47,459	\$ 47,459	\$ 25,639	
Health and life insurance	\$ 0	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 50,354	\$ 0	
Financial Counseling and Outplacement	\$ 0	\$ 9,380	\$ 9,380	\$ 9,380	\$ 9,380	\$ 25,000	\$ 0	
Vacation	\$ 0	\$ 19,382	\$ 19,382	\$ 19,382	\$ 19,382	\$ 19,382	\$ 19,382	
Excise Tax & Gross-Up (Cutback)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ (287,534)	\$ 0	
Total	\$ 2,738,359	\$ 2,797,943	\$ 2,797,943	\$ 3,143,763	\$ 3,285,193	\$ 5,728,002	\$ 2,785,563	

Joanne L. Bober (Executive Vice President, General Counsel and Secretary)**Following a Change in Control**

Benefit or Payment	Event						Involuntary Termination	
	Change in Control						without Cause or Termination	
	with No Termination	Voluntary Resignation	Retirement	Death	Permanent Disability	Termination with Good Reason	Termination For Cause	
Base Salary	\$ 0	\$ 1,984	\$ 1,984	\$ 1,984	\$ 1,984	\$ 1,501,984	\$ 1,984	
Annual Cash Incentive	\$ 0	\$ 0	\$ 0	\$ 250,000	\$ 250,000	\$ 1,000,000	\$ 0	
Stock Options	\$ 293,887	\$ 293,887	\$ 293,887	\$ 293,887	\$ 293,887	\$ 293,887	\$ 0	
Restricted Stock	\$ 1,352,180	\$ 1,352,180	\$ 1,352,180	\$ 1,352,180	\$ 1,352,180	\$ 1,352,180	\$ 1,352,180	
Pension Plan	\$ 0	\$ 0	\$ 0	\$ 0	\$ 163,183	\$ 0	\$ 0	
Benefit Restoration Plan	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 390,533	\$ 0	
Supplemental Retirement Program	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Mirror Savings Plan	\$ 0	\$ 44,487	\$ 44,487	\$ 44,487	\$ 44,487	\$ 44,487	\$ 44,487	
Health and life insurance	\$ 0	\$ 3,000	\$ 3,000	\$ 3,000	\$ 3,000	\$ 26,704	\$ 0	
Financial Counseling and Outplacement	\$ 0	\$ 9,380	\$ 9,380	\$ 9,380	\$ 9,380	\$ 25,000	\$ 0	
Vacation	\$ 0	\$ 19,231	\$ 19,231	\$ 19,231	\$ 19,231	\$ 19,231	\$ 19,231	
Excise Tax & Gross-Up (Cutback)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 1,092,156	\$ 0	
Total	\$ 1,646,067	\$ 1,724,149	\$ 1,724,149	\$ 1,974,149	\$ 2,137,332	\$ 5,746,162	\$ 1,417,882	

Table of Contents**DIRECTOR COMPENSATION FOR FISCAL 2007**

Name	Fees Earned	Stock Awards (\$) ⁽¹⁾	Option	All Other	Total (\$)
	or Paid in Cash (\$)		Awards (\$)	Compensation (\$) ⁽²⁾	
Colleen C. Barrett	66,667	119,997 ⁽³⁾			186,664
M. Anthony Burns	66,667	119,997 ⁽⁴⁾	⁽⁴⁾		186,664
Maxine K. Clark	39,957	159,624 ⁽⁵⁾		10,000	209,581
Thomas J. Engibous	108 ⁽⁶⁾	199,056 ⁽⁶⁾			199,164
Kent B. Foster	82,083	119,997 ⁽⁷⁾		10,000	212,080
Vernon E. Jordan, Jr.*	86,667	119,997		10,000	216,664
Burl Osborne	81,875	119,997 ⁽⁸⁾			201,872
Leonard H. Roberts	95 ⁽⁹⁾	186,568 ⁽⁹⁾		10,000	196,663
Ann Marie Tallman**	66,667	119,997			186,664
R. Gerald Turner	71,667	119,997 ⁽¹⁰⁾	⁽¹⁰⁾	10,000	201,664
Mary Beth West	66,667	119,997 ⁽¹¹⁾			186,664

* In accordance with the Company's Bylaws, Mr. Jordan retired from the Board on August 15, 2007 upon reaching age 72.

** Ms. Tallman resigned from the Board on December 12, 2007.

- (1) Each non-employee director receives an annual stock grant consisting of a number of restricted stock units having a market value closest to \$120,000. For 2007, the number of units was determined by dividing \$120,000 by the closing price of JCPenney common stock on the date of grant (rounded to the nearest whole unit). The amounts shown in this column include the fair value of the annual stock award for 2007, which was \$78.79. The date of grant of the annual stock grant to non-employee directors is the third trading date following the Company's Annual Meeting of Stockholders.
- (2) Includes the value of Company matching contributions under the Directors' Matching Fund. Under this program, directors may request JCPenney to match dollar-for-dollar their personal charitable contributions up to \$10,000 per fiscal year.
- (3) Ms. Barrett had 8,761.79 stock awards, consisting of 4,679.79 restricted stock unit awards and 4,082 restricted stock awards, outstanding as of February 2, 2008.
- (4) Mr. Burns had 19,699.79 stock awards, consisting of 4,679.79 restricted stock unit awards and 15,020 restricted stock awards, and 8,800 option awards outstanding as of February 2, 2008.
- (5) Ms. Clark has elected to receive 50 percent of her cash retainers in shares of JCPenney common stock. The amount shown in the Stock Awards column includes the fair value of stock received in lieu of cash. Fractional shares are paid out in cash. Ms. Clark had 8,977.79 stock awards, consisting of 4,679.79 restricted stock unit awards and 4,298 restricted stock awards, outstanding as of February 2, 2008.
- (6) Mr. Engibous has elected to receive 100 percent of his cash retainers in shares of JCPenney common stock. The amount shown in the Stock Awards column includes the fair value of stock received in lieu of cash. Fractional shares are paid out in cash. Mr. Engibous had 16,999.79 stock awards, consisting of 4,679.79 restricted stock unit awards and 12,320 restricted stock awards, outstanding as of

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February 2, 2008.

- (7) Mr. Foster had 16,999.79 stock awards, consisting of 4,679.79 restricted stock unit awards and 12,320 restricted stock awards, outstanding as of February 2, 2008.
- (8) Mr. Osborne had 12,344.79 stock awards, consisting of 4,679.79 restricted stock unit awards and 7,665 restricted stock awards, outstanding as of February 2, 2008.
- (9) Mr. Roberts has elected to receive 100 percent of his cash retainers in shares of JCPenney common stock. The amount shown in the Stock Awards column includes the fair value of stock received in lieu of cash. Fractional shares are paid out in cash. Mr. Roberts had 14,438.79 stock awards, consisting of 4,679.79 restricted stock unit awards and 9,759 restricted stock awards, outstanding as of February 2, 2008.
- (10) Mr. Turner had 17,899.79 stock awards, consisting of 4,679.79 restricted stock unit awards and 13,220 restricted stock awards, and 1,600 option awards outstanding as of February 2, 2008.
- (11) Ms. West had 3,932.02 restricted stock unit awards outstanding as of February 2, 2008.

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Cash Retainers and Stock Award

Directors who are Company associates do not receive directors' fees. The Corporate Governance Committee has the responsibility for recommending to the Board of the Directors the appropriate compensation for non-employee directors. The Corporate Governance Committee conducts periodic reviews to assure that non-employee directors are being fairly and reasonably compensated in relation to comparable U.S. companies. Non-employee directors receive the following compensation:

An annual cash retainer of \$60,000;

An annual award of restricted stock units with a market value at the time of grant of \$120,000;

An annual cash retainer of \$15,000 for the chair of the Audit Committee;

An annual cash retainer of \$10,000 for the Chair of the Human Resources and Compensation Committee;

An annual cash retainer of \$7,500 for the chairs of the Corporate Governance Committee and the Finance Committee;

An annual cash retainer of \$5,000 for the Presiding Director; and

An annual cash retainer of \$5,000 for directors who are Representatives under an Indemnification Trust Agreement among the Company, its wholly owned subsidiary, J. C. Penney Corporation, Inc., and JPMorgan Chase Bank, as trustee (currently Directors Barrett, Engibous, Osborne, and Turner).

Director compensation covers the period from June 1 to May 31 of the following year. The cash retainers are payable quarterly. Non-employee directors are reimbursed for expenses incurred for attending any meeting which they attend in their official capacities as directors.

Election to Receive Common Stock; Deferral

Directors may elect to receive all or a portion of their cash retainers in JCPenney common stock. As of the end of fiscal 2007, three directors had elected to receive all or part of their cash retainers in JCPenney common stock. A director may also elect to defer payment of all or part of their cash retainers under the terms of a deferred compensation plan for directors. As of the end of fiscal 2007, one director had elected such deferral.

Directors' Charitable Award Program

The Company's Directors' Charitable Award Program was frozen by the Board in 2000. Four of the current directors are eligible to participate in the program. The Charitable Award Program is designed to acknowledge the service of directors and to recognize the mutual interest of directors and the Company in supporting worthy charitable and educational institutions. Pursuant to the Charitable Award Program, the Company has purchased joint life insurance policies on groups of directors (in the event of an uneven number of directors, a single life policy was purchased). Each group generally consists of two directors with the Company named as the beneficiary of each joint life policy. With respect to each group, the Company will receive a \$1,000,000 death benefit upon the death of the second director of the group. The Company in turn has informally agreed to donate a total of \$1,000,000 to one or more charitable organizations as recommended by the individual directors. The Company will donate \$500,000 upon the earlier of (i) five years after the date of death of the first director of the group to die or (ii) the death of the second director of the group. The Company will donate an additional \$500,000 upon the death of the second director of the group. Because all charitable deductions accrue solely to the Company, the individual directors derive no financial benefits from this program.

Directors' Matching Fund

Members of the Board of Directors may be involved with charitable organizations to which they provide support in the form of personal charitable contributions. As with the Charitable Award Program, the Company has established the Directors' Matching Fund to benefit and recognize the mutual interest of directors and the Company in supporting worthy charitable and educational institutions. Under the Directors Matching Fund,

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directors may request JCPenney to match dollar-for-dollar their personal charitable contributions up to \$10,000 per fiscal year. All or part of the matching contributions may be allocated to one or several organizations that have I.R.C. 501(c)(3) status with the Internal Revenue Service or that are a political subdivision of the state. Matches may only be made on personal gifts that have been paid within that fiscal year, not pledged.

AUDIT FUNCTION

Report of the Audit Committee

Composition and Qualifications

The Audit Committee of the Board of Directors (the Audit Committee) is composed of four independent directors and operates under a written charter, in accordance with applicable rules of the SEC and the NYSE. The Corporate Governance Committee and the full Board of Directors considers membership for the Audit Committee annually. The current members of the Audit Committee are Thomas J. Engibous, Leonard H. Roberts, Mary Beth West and Kent B. Foster, who serves as its Chair. Each member is financially literate and has been determined by the Board to be an audit committee financial expert, as those terms are defined by the NYSE and the SEC.

Purpose

The purpose of the Audit Committee is to assist the Board in monitoring: (i) the Company's accounting and financial reporting processes, including internal control over financial reporting; (ii) the Company's compliance with legal and regulatory requirements; (iii) the independence and qualifications of the Company's independent auditor; and (iv) the performance of the Company's internal auditors and independent auditor.

Responsibilities

Management is responsible for maintaining adequate internal control over financial reporting and KPMG LLP is responsible for expressing opinions on the conformity of the Company's audited consolidated financial statements with U.S. generally accepted accounting principles and on the effectiveness of the Company's internal control over financial reporting. The Audit Committee's responsibility is to monitor and oversee these processes. The Audit Committee is also solely responsible for the selection and termination of the Company's independent auditor, including the approval of audit fees and non-audit services provided by and fees paid to the independent auditor.

Review of Financial Information

In this context, the Audit Committee has met and held discussions with management of the Company, who represented to the Audit Committee that the Company's audited consolidated financial statements were prepared in accordance with U.S. generally accepted accounting principles. The Audit Committee has reviewed and discussed the audited consolidated financial statements, management's assessment of the effectiveness of the Company's internal control over financial reporting, and KPMG LLP's evaluation of the Company's internal control over financial reporting with both management and the independent auditor. The Audit Committee also discussed with the independent auditor the matters required to be discussed by the Statement on Auditing Standards No. 61, as amended (Communication with Audit Committees). The Audit Committee has received the written disclosures and the letter from the independent auditor required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), and the Audit Committee discussed with the independent auditor its independence. The Audit Committee also participated in the certification process relating to the filing of certain reports pursuant to the Securities Exchange Act of 1934, as amended.

Inclusion of Consolidated Financial Statements in Form 10-K

Based on the review and discussions referred to above, the Audit Committee recommended to the Board of Directors that the audited consolidated financial statements be included in the Company's Annual Report on Form 10-K for the year ended February 2, 2008 for filing with the SEC.

Table of Contents**Independent Auditor**

The Audit Committee also recommends that the Company's stockholders ratify KPMG LLP as the Company's independent auditor for the 2008 fiscal year.

Audit Committee

Kent B. Foster, Chair
Thomas J. Engibous

Leonard H. Roberts
Mary Beth West

Audit and Other Fees

The following table presents fees for professional services rendered by KPMG LLP for the audit of the Company's annual consolidated financial statements for the fiscal years ended February 3, 2007 and February 2, 2008 and fees billed for other services rendered by KPMG LLP.

	Fiscal 2006	Fiscal 2007
Audit Fees ⁽¹⁾	\$ 3,463,007	\$ 3,923,542
Audit-Related Fees ⁽²⁾	442,000	510,800
Total Audit and Audit-related fees	\$ 3,905,007	\$ 4,434,342
Tax Fees ⁽³⁾	\$ 308,822	\$ 540,795
All Other Fees		
Total Fees⁽⁴⁾	\$ 4,213,829	\$ 4,975,137

- (1) Audit fees include fees for professional services rendered for the audit of internal control over financial reporting.
- (2) Audit-related fees in both years were for audits of financial statements of certain employee benefit plans and assistance with accounting treatment of proposed transactions.
- (3) Tax fees consisted of fees for tax consultation and tax compliance services.
- (4) All fees were pre-approved by the Audit Committee of the Board.

Audit Committee's Pre-Approval Policies and Procedures

The Audit Committee must approve any fee for services to be performed by the Company's independent auditor in advance of the service being performed. For proposed projects using the services of the Company's independent auditor that are expected to cost over \$200,000 or 5% of the auditor's fee for the preceding year, whichever is lower, the Audit Committee will be provided information to review and must approve each project prior to commencement of any work. For proposed projects using the services of the Company's independent auditor that are expected to cost \$200,000 or less, or less than 5% of the auditor's fee for the preceding year, whichever is greater, the Audit Committee will be asked to review and approve a maximum amount for certain services, which may include services in any one or more of the following categories:

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(a) audit fees; (b) audit-related fees; (c) tax fees; and (d) all other fees for any services allowed to be performed by the independent auditor. If additional amounts are needed, the Audit Committee must approve the increased amounts prior to the previously approved maximum being reached and before the work may continue. Approval by the Audit Committee may be made at its regularly scheduled meetings or otherwise, including by telephonic or other electronic communications. The Company will report the status of the various types of approved services and fees, and cumulative amounts paid and owed, to the Audit Committee on a periodic basis as appropriate.

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PROPOSAL 2

RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITOR

KPMG LLP, independent certified public accountants, member of the SEC Practice Section of the AICPA Division for CPA firms, and registrant with the Public Company Accounting Oversight Board, has been the auditor of the Company's consolidated financial statements since 1916. Its appointment as the Company's independent auditor for the fiscal year ending January 31, 2009 has been approved by the Audit Committee of the Board. Stockholder ratification of such appointment is requested.

It is anticipated that a representative of KPMG LLP will attend the meeting, will be available to respond to appropriate questions, and will have an opportunity to make a statement should he or she so desire.

The Board recommends a vote FOR the ratification of the appointment of KPMG LLP.

PROPOSAL 3

STOCKHOLDER PROPOSAL RELATING TO STOCKHOLDER APPROVAL OF

CERTAIN SEVERANCE AGREEMENTS

JCPenney has been informed that the Trowel Trades S&P 500 Index Fund, c/o Comerica Bank & Trust, National Association, as trustee of the fund, Two Mid America Plaza, Suite 616, Oakbrook Terrace, Illinois 60181, an owner of 6,831 shares of common stock, intends to submit a resolution at the Annual Meeting as follows:

RESOLVED: that the shareholders of J.C Penney Company, Inc. (the Company) urge the Board of Directors to seek shareholder approval of future severance agreements with senior executives that provide benefits in an amount exceeding 2.99 times the sum of the executives' base salary plus bonus. Future severance agreements include employment agreements containing severance provisions, special retirement provisions and agreements renewing, modifying or extending existing such agreements. Benefits include lump-sum cash payments (including payments in lieu of medical and other benefits); the payment of any gross-up tax liability; the estimated present value of special retirement provisions; any stock or option awards that are awarded under any severance agreement; any prior stock or option awards as to which the executive's access is accelerated under the severance agreement; fringe benefits; and consulting fees (including reimbursable expenses) to be paid to the executive.

SUPPORTING STATEMENT

In our opinion, severance agreements as described in this resolution, commonly known as "golden parachutes", are excessive in light of the high levels of compensation enjoyed by senior executives at the Company and U.S. corporations in general.

We believe that requiring shareholder approval of such agreements may have the beneficial effect of insulating the Board of Directors from manipulation in the event a senior executive's employment must be terminated by the Company. Because it is not always practical to obtain prior shareholder approval, the Company would have the option if this proposal were implemented of seeking shareholder approval after the material terms of the agreement were agreed upon.

For those reasons, we urge shareholders to vote for this proposal.

The Board of Directors Opposes This Proposal

Your Board of Directors understands the concerns that exist today regarding high levels of executive compensation and severance payments. The Board takes seriously its duty to provide independent oversight of

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the Company's compensation practices to ensure that they are appropriate for the purpose of attracting, motivating and retaining quality executives whose skills and abilities will assist the Company in outperforming its competitors and enhancing stockholder value. The Board continues to believe that the Human Resources and Compensation Committee of the Board, and not individual stockholders, is in the best position to evaluate the appropriateness of a compensation program for the Company or of a specific executive's compensation package.

The Human Resources and Compensation Committee, which is responsible for formulating senior executive compensation programs, reviews the Company's severance arrangements with executive officers. This Committee is comprised solely of independent, non-employee directors who are well versed in executive compensation issues generally, as well as the issues faced by the Company specifically, and who devote considerable time and attention to these matters. The Committee also retains an independent compensation consultant to help it evaluate the Company's executive compensation programs and policies, including severance arrangements. In evaluating these arrangements, the Committee gives due consideration to the Company's business needs, market developments and emerging best practices.

The Board further believes that this proposal would unduly hinder the Company's ability to recruit and retain qualified executives by restricting the use of an important compensation tool. Outstanding candidates are unlikely to leave their current employment to join JCPenney if the terms of their employment with us are contingent on obtaining stockholder approval. This uncertainty would make the Company's offer less valuable than those provided by other companies whose arrangements are not subject to such approval. This would put the Company at a disadvantage to other companies with which we compete for executive talent and would create delay and uncertainty in the recruitment of senior executives. The Company's offer of employment under these circumstances could also require the premature public disclosure of confidential employment negotiations, which would again negatively impact the value of the Company's offer when compared to a similar offer by one of its competitors. Losing desirable executive candidates is not in the best interests of the Company and its stockholders.

The Company's severance arrangements are also intended to diminish the inevitable distraction of executives by virtue of the personal uncertainties and risks created by a threatened or pending change in control transaction and to encourage the executive's full attention and dedication to JCPenney currently and in the event of a potential change in control. Such arrangements encourage management neutrality when faced with a potential takeover. Your Board believes that stockholders benefit by having the Company's executive officers focused on enhancing stockholder value in such circumstances rather than being faced with potentially conflicting personal interests.

Your Board believes that the adoption of this proposal would limit JCPenney's ability to design employment arrangements as needed in order to attract and retain the best qualified executives and that decisions regarding compensation arrangements, including severance agreements, should continue to be the primary responsibility of the Board, which, through its Human Resources and Compensation Committee, is in the best position to assess appropriate and competitive compensation practices.

Accordingly, your Board of Directors unanimously recommends that you vote AGAINST this stockholder proposal.

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OTHER BUSINESS MATTERS

Stockholder Proxy Proposal Deadline

Under the rules of the SEC, the date by which proposals of stockholders intended to be presented at the 2008 Annual Meeting of Stockholders must be received by the Company for inclusion in its proxy statement and form of proxy relating to that meeting is December 5, 2008.

Stockholder Business Annual Meeting

Stockholders who wish to introduce an item of business at an annual meeting of stockholders may do so in accordance with JCPenney's Bylaw procedures. These procedures provide, generally, that stockholders desiring to bring a proper subject of business before the meeting, must do so by a written notice timely received (not later than 90 days in advance of such meeting) by the Corporate Secretary of the Company. Any notice of intent to introduce an item of business at an annual meeting of stockholders must contain the name and address of the stockholder, and a representation that the stockholder is a holder of record and that the stockholder intends to appear in person or by proxy at the meeting. Notice of an item of business shall include a brief description of the proposed business and any material interest of the stockholder in such business.

The chair of the annual meeting may refuse to allow the transaction of any business not presented in compliance with the foregoing procedures.

Timing

It is currently expected that the 2009 Annual Meeting of Stockholders will be held on or about May 15, 2009, in which event any advance notice of nominations for directors and items of business (other than proposals intended to be included in the proxy statement and form of proxy, which as noted above must be received by December 5, 2008) must be given by stockholders and received by the Secretary of the Company by February 14, 2009. The Company does, however, retain the right to change this date as it, in its sole discretion, may determine. Notice of any change will be furnished to stockholders prior to the expiration of the 90-day advance notice period referred to above. Copies of the Company's Bylaws are available on our website at www.jcpenney.net or you may request a copy from the Corporate Secretary of the Company.

Jeffrey J. Vawrinek,

Acting Secretary

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JCPenney

WINNING TOGETHER Principles

associates. . . .

We value, develop, and reward the contributions and talents of all associates.

integrity. . . .

We act only with the highest ethical standards.

performance. . . .

We provide coaching and feedback to perform at the highest level.

recognition. . . .

We celebrate the achievements of others.

teamwork. . . .

We win together through leadership, collaboration, open and honest communication, and respect.

quality. . . .

We strive for excellence in our work, products, and services.

innovation. . . .

We encourage creative thinking and intelligent risk taking.

community. . . .

We care about and are involved in our communities.

we do this for our. . .

customers. . . .

We build lasting relationships by offering superior service and value.

shareholders. . . .

We aspire to superior financial performance.

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