

TEMPLETON EMERGING MARKETS INCOME FUND  
Form N-CSR  
October 29, 2015

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-07866

Templeton Emerging Markets Income Fund

(Exact name of registrant as specified in charter)

300 S.E. 2<sup>nd</sup> 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: 8/31/15

**Item 1. Reports to Stockholders.**



**Annual Report**

August 31, 2015

# Templeton Emerging Markets Income Fund

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# Franklin Templeton Investments

Gain From Our Perspective®

At Franklin Templeton Investments, we're dedicated to one goal: delivering exceptional asset management for our clients. By bringing together multiple, world-class investment teams in a single firm, we're able to offer specialized expertise across styles and asset classes, all supported by the strength and resources of one of the world's largest asset managers. This has helped us to become a trusted partner to individual and institutional investors across the globe.

## Focus on Investment Excellence

At the core of our firm, you'll find multiple independent investment teams—each with a focused area of expertise—from traditional to alternative strategies and multi-asset solutions. And because our portfolio groups operate autonomously, their strategies can be combined to deliver true style and asset class diversification.

All of our investment teams share a common commitment to excellence grounded in rigorous, fundamental research and robust, disciplined risk management. Decade after decade, our consistent, research-driven processes have helped Franklin Templeton earn an impressive record of strong, long-term results.

## Global Perspective Shaped by Local Expertise

In today's complex and interconnected world, smart investing demands a global perspective. Franklin Templeton pioneered international investing over 60 years ago, and our expertise in emerging markets spans more than a quarter of a century. Today, our investment professionals are on the ground across the globe, spotting investment ideas and potential risks firsthand. These locally based teams bring in-depth understanding of local companies, economies and cultural nuances, and share their best thinking across our global research network.

## Strength and Experience

Franklin Templeton is a global leader in asset management serving clients in over 150 countries.<sup>1</sup> We run our business with the same prudence we apply to asset management, staying focused on delivering relevant investment solutions, strong long-term results and reliable, personal service. This approach, focused on putting clients first, has helped us to become one of the most trusted names in financial services.

1. As of 12/31/14. Clients are represented by the total number of shareholder accounts.

**Not FDIC Insured | May Lose Value | No Bank Guarantee**

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## Annual Report

### Templeton Emerging Markets Income Fund

Dear Shareholder:

This annual report for Templeton Emerging Markets Income Fund covers the fiscal year ended August 31, 2015.

#### Your Fund's Goals and Main Investments

The Fund seeks high, current income, with a secondary goal of capital appreciation, by investing, under normal market conditions, at least 80% of its net assets in income-producing securities of sovereign or sovereign-related entities and private sector companies in emerging market countries.

#### Performance Overview

For the 12 months under review, the Fund had cumulative total returns of -17.94% based on market price and -8.95% based on net asset value. In comparison, U.S. dollar-denominated emerging market bonds, as measured by the J.P. Morgan (JPM) Emerging Markets Bond Index (EMBI) Global, had a -2.98% cumulative total return for the same period.<sup>1</sup> You can find the Fund's long-term performance data in the Performance Summary beginning on page 5.

#### Economic and Market Overview

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During the period, global financial markets were broadly influenced by the pickup in growth in the U.S., economic moderation in China, quantitative easing (QE) measures from the Bank of Japan (BOJ) and the European Central Bank (ECB), a sharp decline in oil prices, and a protracted depreciation of emerging market currencies. We continued to see differentiation among specific emerging market economies; some had healthy current account and fiscal balances with strong export-driven economies, while others struggled with deficits and economic imbalances. We believed that economies with healthier balances and stronger growth prospects would be in a stronger position to potentially raise rates in conjunction with U.S. Federal Reserve (Fed) rate hikes that could occur in the second half of 2015.

The U.S. dollar broadly strengthened against developed and emerging market currencies during the 12-month period. Global bond yields and spread levels fluctuated, with an overall trend to lower yields in Europe and Asia, and a general increase in yields in Latin America. U.S. Treasury yields shifted throughout the period with the yield on the 10-year U.S. Treasury note beginning the period at 2.35% and rising to 2.63% in September 2014, before declining to a period low of 1.68% in January 2015 and finishing the period at 2.21%. Credit spreads widened in Asia and Latin America over the course of the 12-month period.

1. Source: Morningstar.

The index is unmanaged and includes reinvested interest. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

**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 8.**

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In late October 2014, the BOJ introduced a new round of massive QE with an indefinite time horizon. The annual level of asset purchasing was raised to 80 trillion yen—a level that basically equates to the U.S. Fed's former QE program that ended in the same month. This massive amount of liquidity had significant implications for global markets. Though Japan's QE was positive for global risk assets, it contributed to further depreciation of the yen, which declined 14.28% against the U.S. dollar during the 12-month period.<sup>2</sup>

Risk aversion increased during November and December 2014 as sharp declines in oil prices accelerated. In our view, the market misjudged the underlying forces behind the decline in oil prices, which we considered to have been driven by supply dynamics rather than a loss of demand. Heightened volatility led to a broad decline in yields across the Americas, Europe and Asia, while credit spreads widened. This trend persisted through January 2015 before sharply reversing course in February when credit spreads tightened as risk appetites returned and yields broadly shifted higher across the Americas, Europe and Asia.

In March 2015, the ECB launched QE with the aim of increasing the size of its balance sheet to a level higher than its previous peak. The ECB stated its intentions to continue its asset purchases until it sees a sustained adjustment in the path of inflation, making the program effectively open ended. We anticipated that this would keep interest rates low for a while and that it would put further downward pressure on the euro. The euro depreciated 14.93% against the U.S. dollar over the 12-month period.<sup>2</sup>

In China, we viewed the country's moderation of growth as an inevitable normalization for an economy of its size. Despite the sudden decline of Chinese equity markets in late June and July 2015, we believed growth in China would remain on its expansionary pace and that the economy was fundamentally more stable than markets indicated. However, the devaluation of the Chinese yuan in mid-August by about 3% appeared to raise fears of a deeper, potentially uncontrolled depreciation. We believed that the Chinese authorities would focus on keeping currency depreciation reasonably controlled and that targeted monetary policies were prudent responses to a moderating economy.

In July and August 2015, global volatility increased significantly with sharp declines in the bond markets and currencies of several emerging market countries. In our assessment, the depreciation of several emerging market currencies was excessive, leading to fundamentally cheap valuations. In keeping with our strategy, we look for opportunities to selectively add to our strongest convictions in periods of volatility and believe that global market fundamentals will eventually reemerge. Despite the escalation in near-term volatility, our medium-term convictions remained intact during the period.

2. Source: FactSet.

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



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**Top 10 Countries**

8/31/15

	<b>% of Total Net Assets</b>
Brazil	7.8 %
Ukraine	6.8 %
Sri Lanka	4.9 %
Ecuador	3.9 %
Zambia	3.9 %
Nigeria	3.8 %
Hungary	3.7 %
Iraq	3.6 %
Indonesia	3.5 %
Ghana	3.1 %

**Investment Strategy**

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

**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 at a specific exchange rate on a future date.

**Manager's Discussion**

The core of our strategy during the reporting period remained seeking to position ourselves to navigate a rising interest rate environment. Thus, we continued to maintain low portfolio duration while aiming at a negative correlation with U.S. Treasury rates. We were positioned with negative duration exposure to U.S. Treasuries, and we held select local currencies and local bond positions in specific emerging markets. We also actively sought opportunities that could, in our view, potentially offer positive real yields without taking undue interest rate risk. We favored countries that we believe have solid underlying fundamentals and policymakers who have stayed ahead of the curve regarding fiscal, monetary and financial policy. 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.

**Currency Breakdown\***

8/31/15

	<b>% of Total Net Assets</b>
<b>Americas</b>	<b>99.5 %</b>
U.S. Dollar	86.3 %
Brazilian Real	7.9 %
Mexican Peso	5.3 %

<b>Middle East &amp; Africa</b>	<b>3.6 %</b>
Ghanaian Cedi	3.5 %
Nigerian Naira	0.1 %
<b>Asia Pacific</b>	<b>0.6 %</b>
Sri Lankan Rupee	3.6 %
Indonesian Rupiah	3.5 %
South Korean Won	1.1 %
Indian Rupee	1.1 %
Malaysian Ringgit	0.7 %
Japanese Yen	-9.4 %
<b>Europe</b>	<b>-3.7 %</b>
Serbian Dinar	2.2 %
Polish Zloty	0.8 %
Euro	-6.7 %

\*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.

**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 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).

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During the period, major detractors from the Fund's absolute performance were currency positions followed by credit exposures. Interest rate strategies contributed to absolute return. Credit exposures in Latin America and Africa detracted from absolute performance while those in Europe contributed. Currency positions in Latin America and Asia ex-Japan detracted from absolute return. However, the Fund's net-negative positions in the Japanese yen and the euro, achieved through currency forward contracts, contributed. The Fund maintained a defensive approach regarding interest rates in emerging markets. Select duration exposures in Asia ex-Japan contributed to absolute results, but negative duration exposure to U.S. Treasuries detracted.

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

Sincerely,

*The foregoing information reflects our analysis, opinions and portfolio holdings as of August 31, 2015, 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 August 31, 2015

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 gain distributions, if any, or any realized gains on the sale of Fund shares.

### Share Prices

Symbol: TEI		8/31/15		8/31/14	Change
Net Asset Value (NAV)	\$	12.00	\$	14.39	-\$ 2.39
Market Price (NYSE)	\$	9.97	\$	13.41	-\$ 3.44

### Distributions<sup>1</sup> (9/1/14 - 8/31/15)

	Dividend Income	Long-Term Capital Gain	Total
\$	0.7937	\$ 0.3506	1.1443

### Performance<sup>2</sup>

	Cumulative Total Return <sup>3</sup>		Average Annual Total Return <sup>3</sup>		Average Annual Total Return (9/30/15) <sup>4</sup>	
	Based on	Based on	Based on	Based on	Based on	Based on
	NAV <sup>5</sup>	market price <sup>6</sup>	NAV <sup>5</sup>	market price <sup>6</sup>	NAV <sup>5</sup>	market price <sup>6</sup>
1-Year	-8.95 %	-17.94 %	-8.95 %	-17.94 %	-10.16 %	-15.52 %
5-Year	+17.23 %	-0.78 %	+3.23 %	-0.16 %	+2.08 %	-1.59 %
10-Year	+112.21 %	+92.39 %	+7.81 %	+6.76 %	+7.31 %	+6.21 %

*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.*

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. The Fund's investments in emerging market countries are subject to all of the risks of foreign investing generally, and have additional heightened risks due to these markets' smaller size and lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets, including: delays in settling portfolio securities transactions; currency and capital controls; greater sensitivity to interest rate changes; pervasiveness of corruption and crime; currency exchange rate volatility; and inflation, deflation or currency devaluation. 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.

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**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 and

capital gain.

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.

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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TEMPLETON EMERGING MARKETS INCOME FUND

## Important Notice to Shareholders

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**

	<b>Year Ended August 31,</b>				
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	\$ 14.39	\$ 14.58	\$ 15.91	\$ 16.61	\$ 16.27
Income from investment operations:					
Net investment income <sup>a</sup>	0.93	1.02	1.07	1.08	1.17
Net realized and unrealized gains (losses)	(2.18 )	0.18	(0.54 )	(0.37 )	0.41
Total from investment operations	(1.25 )	1.20	0.53	0.71	1.58
Less distributions from:					
Net investment income and net foreign currency gains	(0.79 )	(1.19 )	(1.44 )	(1.34 )	(1.19 )
Net realized gains	(0.35 )	(0.20 )	(0.42 )	(0.07 )	(0.05 )
Total distributions	(1.14 )	(1.39 )	(1.86 )	(1.41 )	(1.24 )
Net asset value, end of year	\$ 12.00	\$ 14.39	\$ 14.58	\$ 15.91	\$ 16.61
Market value, end of year <sup>b</sup>	\$ 9.97	\$ 13.41	\$ 13.85	\$ 17.01	\$ 17.22
Total return (based on market value per share)	(17.94 )%	6.83 %	(8.75 )%	8.17 %	14.60 %
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates	1.10 %	1.09 %	1.09 %	1.15 %	1.20 %
Expenses net of waiver and payments by affiliates	1.09 %	1.08 %	1.09 % <sup>c</sup>	1.15 %	1.20 % <sup>c</sup>
Net investment income	7.19 %	7.03 %	6.79 %	6.90 %	7.08 %
<b>Supplemental data</b>					
Net assets, end of year (000 s)	\$ 576,069	\$ 690,850	\$ 699,414	\$ 759,024	\$ 789,998
Portfolio turnover rate	23.57 %	28.67 %	14.53 %	16.56 %	24.59 %

<sup>a</sup>Based on average daily shares outstanding.<sup>b</sup>Based on the last sale on the New York Stock Exchange.<sup>c</sup>Benefit of expense reduction rounds to less than 0.01%.





## TEMPLETON EMERGING MARKETS INCOME FUND

**Statement of Investments, August 31, 2015**

	Principal Amount*			Value
<b>Foreign Government and Agency Securities 56.4%</b>				
<b>Bosnia &amp; Herzegovina 0.4%</b>				
aGovernment of Bosnia & Herzegovina, FRN, 0.875%, 12/11/17	4,769,490	DEM	\$	2,509,263
<b>Brazil 7.8%</b>				
Nota Do Tesouro Nacional, 10.00%, 1/01/17		4,980 <sup>b</sup>	BRL	1,308,007
10.00%, 1/01/21		130 <sup>b</sup>	BRL	30,687
<sup>c</sup> Index Linked, 6.00%, 5/15/17	134	b	BRL	97,840
<sup>c</sup> Index Linked, 6.00%, 5/15/19	16,424	b	BRL	11,693,648
<sup>c</sup> Index Linked, 6.00%, 8/15/22	11,920	b	BRL	8,286,997
<sup>c</sup> Index Linked, 6.00%, 5/15/23	13,639	b	BRL	9,487,500
<sup>c</sup> Index Linked, 6.00%, 8/15/24	3,340	b	BRL	2,308,855
<sup>c</sup> Index Linked, 6.00%, 8/15/50	18,020	b	BRL	11,626,455
				44,839,989
<b>Croatia 1.5%</b>				
dGovernment of Croatia, 144A, 6.75%, 11/05/19	7,920,000			8,671,529
<b>Ecuador 3.9%</b>				
dGovernment of Ecuador, senior note, 144A, 7.95%, 6/20/24	31,380,000			22,714,099
<b>El Salvador 0.4%</b>				
dGovernment of El Salvador, 144A, 7.65%, 6/15/35	2,650,000			2,558,655
<b>Ethiopia 1.7%</b>				
dFederal Democratic Republic of Ethiopia, 144A, 6.625%, 12/11/24	10,000,000			9,486,100
<b>Georgia 0.6%</b>				
dGovernment of Georgia, 144A, 6.875%, 4/12/21	3,050,000			3,205,977
<b>Ghana 3.1%</b>				
Government of Ghana, 21.00%, 10/26/15	3,257,000	GHS		826,693
16.90%, 3/07/16	430,000	GHS		105,864
19.24%, 5/30/16	11,875,000	GHS		2,934,206
23.00%, 2/13/17	9,670,000	GHS		2,453,205
25.48%, 4/24/17	230,000	GHS		60,098
24.44%, 5/29/17	3,670,000	GHS		947,001
26.00%, 6/05/17	130,000	GHS		34,261
25.40%, 7/31/17	3,410,000	GHS		893,547
23.00%, 8/21/17	13,160,000	GHS		3,330,324

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23.23%, 2/19/18	2,660,000	GHS	676,138
22.49%, 4/23/18	1,620,000	GHS	405,328
23.47%, 5/21/18	8,220,000	GHS	2,094,930
19.04%, 9/24/18	14,300,000	GHS	3,304,308
			18,065,903

**Hungary 3.7%**

Government of Hungary,