

SECURITIES AND EXCHANGE COMMISSION

FORM N-CSRS

Certified semi-annual shareholder report of registered management investment companies filed on
Form N-CSR

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FILER

TEMPLETON INSTITUTIONAL FUNDS

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-06135

Templeton Institutional Funds

(Exact name of registrant as specified in charter)

500 East Broward Blvd., Suite 2100, Fort Lauderdale, FL 33394-3091

(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: 12/31

Date of reporting period: 06/30/08

Item 1. Reports to Stockholders.

JUNE 30, 2008

Foreign Smaller Companies Series

SEMI ANNUAL REPORT

TEMPLETON INSTITUTIONAL FUNDS

(FRANKLIN TEMPLETON INSTITUTIONAL(R) LOGO)

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Semiannual Report

TIF Foreign Smaller Companies Series

YOUR FUND'S GOAL AND MAIN INVESTMENTS: TIF Foreign Smaller Companies Series
Seeks long-term capital growth. Under normal market conditions, the fund invests
at least 80% of its net assets in investments of smaller companies located
outside the U.S., including emerging markets.

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. PLEASE CALL A FRANKLIN TEMPLETON INSTITUTIONAL SERVICES
REPRESENTATIVE AT 1-800/321-8563 FOR MOST RECENT MONTH-END PERFORMANCE.

This semiannual report for Templeton Institutional Funds (TIF) Foreign Smaller
Companies Series (the Fund) covers the period ended June 30, 2008.

PERFORMANCE OVERVIEW

The Fund had a -10.74% cumulative total return for the six-month period ended
June 30, 2008. The Fund performed better than its benchmark, the S&P/Citigroup

Global Equity ex-U.S. less than \$2 Billion Index, which had a -12.07% total return during the same period.(1) Please note that index performance information is provided for reference and we do not attempt to track the index but rather undertake investments on the basis of fundamental research. You can find the Fund's long-term performance data in the Performance Summary beginning on page 6.

(1.) Source: (C) 2008 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. The S&P/Citigroup Global Equity ex-U.S. less than \$2 Billion Index is a free float-adjusted, market capitalization-weighted index designed to measure performance of global developed and emerging market equity securities, excluding the U.S., with market capitalizations less than \$2 billion. The index is unmanaged and includes reinvested dividends. One cannot invest directly in an index, nor is an index 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 10.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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GEOGRAPHIC BREAKDOWN

Based on Total Net Assets as of 6/30/08

(BAR CHART)

<TABLE>	<C>
<S>	
Asia	37.8%
Europe	34.1%
North America	11.2%
Australia & New Zealand	4.9%
Latin America	3.1%
Middle East & Africa	1.0%
Short-Term Investments & Other Net Assets	7.9%

ECONOMIC AND MARKET OVERVIEW

In the first half of 2008, the U.S. economy grew marginally as energy prices rose, housing prices declined, the labor situation and consumer demand softened, and a credit crisis originally related to U.S. subprime loan losses spread globally. Investors remained cautious and continued risk reassessments in the stock, bond and credit markets. Some economists speculated whether the U.S. would enter a recession while others believed one was already under way. Many agreed, however, that the slowing U.S. economy -- which is the world's largest and accounts for roughly 25% of global gross domestic product -- could have a meaningfully negative impact on growth prospects around the world.(2) Nevertheless, growth remained relatively strong in developing economies, particularly in Asia ex-Japan where China-led demand continued to impact commodities' prices and related equities.

In the six months under review, prices increased significantly for oil, natural gas, and most agricultural and industrial commodities, as well as precious metals, adding to global inflationary pressures. Many of the world's monetary authorities faced the choice between lowering short-term interest rates to stimulate growth and raising them to fight inflation, which Merrill Lynch estimated at 5.5% globally, up from 3.5% at the beginning of 2008. The U.S. focused on reigniting its economy through fiscal and monetary policies, but the eurozone made controlling inflation its main goal. Accordingly, while the U.S. Federal Reserve Board (Fed) eased rates aggressively down to 2.00% from 4.25%, the European Central Bank maintained rates at 4.00%. Overall, rising inflation led more than three-quarters of the world's central banks to raise rates as of the end of June, according to Merrill Lynch's estimate. Interest rate differentials pressured the U.S. dollar, particularly in the first quarter, but the greenback regained ground as the Fed paused and implied that its next move could be a rate hike. Indicators also signaled growth was slowing outside the U.S. For the period, however, the U.S. dollar declined versus many of the world's currencies, and the dollar's weakness contributed to higher commodities' prices, as most of these prices are set in U.S. dollars.

Against this challenging economic backdrop, many global equity markets were volatile, and a majority of them declined over the six-month period. Despite negative economic data and an outlook for decelerating corporate earnings and profit margins globally, many companies' balance sheets remained relatively

strong. Many financial institutions were hurt by their subprime loan exposure, but abundant global liquidity sources such as sovereign wealth funds offered some relief with quick recapitalizations during the period.

(2.) Source: Global Insight.

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INVESTMENT STRATEGY

When choosing equity investments, we apply a bottom-up, value-oriented, long-term approach, focusing on the market price of a company's securities relative to our evaluation of the company's potential long-term (typically five years) earnings, asset value and cash flow. We also consider a company's price/earnings ratio, profit margins, liquidation value and other factors.

MANAGER'S DISCUSSION

Several holdings performed well during the period under review. U.K.-based Enodis (bought and sold during the reporting period), a top global equipment supplier to the food service industry, was among the most significant contributors to Fund performance. We believed Enodis was well positioned to benefit from several industry growth trends due to its wide product range, global infrastructure and award-winning technology, particularly in the European and Asian markets. Shares of Enodis rose significantly following the company's acceptance of Manitowoc's \$2.7 billion takeover bid in April. Both boards of directors unanimously approved the transaction.

The Fund also benefited from its position in leading metals and mining company Iluka Resources. The company, headquartered in Australia, also operates in North America, Europe and Asia. Iluka, like many of its industry peers, suffered from declining margins over the past few years. However, recent evidence of tightening supply has led to higher zircon prices, and Iluka, which produces 37% of the world's zircon annually and 20% of the world's titanium dioxide feedstock, benefited from the trend. We believed that the company's recent exploration efforts and promising new zircon development projects strengthened the company's position in the zircon market.

The Fund's position in U.K.-based GAME Group, a major European retailer of computer software, video games, consoles and related products, also aided performance. Our research revealed that GAME Group was fundamentally strong as the company continued to benefit from strength in the video game cycle. The industry's rapid hardware sales growth has driven increased software sales, and we believed the company could improve its gross margins as its sales mix shifted toward software, which typically attracts a higher gross margin percentage than hardware. We also believed GAME Group's 2007 acquisition of GameStation has offered synergies and magnified the positive impact of the current game console cycle as GAME Group gained access to a large, higher margin, pre-owned sales base.

PORTFOLIO BREAKDOWN

Based on Total Net Assets as of 6/30/08

(BAR CHART)

<Table>	<C>
<S>	
Textiles, Apparel & Luxury Goods	8.3%
Commercial Services & Supplies	7.1%
Machinery	6.5%
Commercial Banks	5.2%
Electronic Equipment & Instruments	5.1%
Specialty Retail	4.7%
Food Products	3.4%
Communications Equipment	3.3%
Capital Markets	3.2%
Energy Equipment & Services	3.1%
Leisure Equipment & Products	2.9%
Household Durables	2.9%
Computers & Peripherals	2.3%
Health Care Providers & Services	2.0%
Metals & Mining	2.0%
Electrical Equipment	2.0%
Other	28.1%
Short-Term Investments & Other Net Assets	7.9%

</TABLE>

COMPANY SECTOR/INDUSTRY, COUNTRY	% OF TOTAL NET ASSETS
<S>	<C>
GAME Group PLC SPECIALTY RETAIL, U.K.	2.2%
Iluka Resources Ltd. METALS & MINING, AUSTRALIA	2.0%
Imtech NV CONSTRUCTION & ENGINEERING, NETHERLANDS	1.7%
FKI PLC MACHINERY, U.K.	1.6%
Companhia de Saneamento de Minas Gerais WATER UTILITIES, BRAZIL	1.6%
Giant Manufacturing Co. Ltd. LEISURE EQUIPMENT & PRODUCTS, TAIWAN	1.6%
Bank of Pusan COMMERCIAL BANKS, SOUTH KOREA	1.5%
Lojas Renner SA MULTILINE RETAIL, BRAZIL	1.5%
Pihsiang Machinery Manufacturing Co. Ltd. HEALTH CARE EQUIPMENT & SUPPLIES, TAIWAN	1.5%
Rational AG HOUSEHOLD DURABLES, GERMANY	1.5%

It is important to recognize the effect of currency movements on the Fund's performance. In general, if the value of the U.S. dollar goes up compared with a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer U.S. dollars. This can have a negative effect on Fund performance. Conversely, when the U.S. dollar weakens in relation to a foreign currency, an investment traded in that foreign currency will increase in value, which can contribute to Fund performance. For the six months ended June 30, 2008, the U.S. dollar declined in value relative to most non-U.S. currencies. As a result, the Fund's performance was positively affected by the portfolio's predominant investment in securities with non-U.S. currency exposure. However, one cannot expect the same result in future periods.

The Fund had some underperforming holdings during the six months under review. Shares of Sinotrans, a leading Chinese logistics company, declined in value during the review period due to concerns about the U.S. economic slowdown and its consequences for Asian markets. Although we believed that Sinotrans' volume growth could slow, our analysis indicated that the company's stock price largely reflected market concerns and that its margins should recover. Sinotrans' primary business is arranging logistics and because the company's business model is fee-based and not driven by volume, it has fewer fixed costs than many of its asset-heavy peers as it does not own as many transport assets. In addition, Sinotrans' status as China's dominant freight forwarder should allow the company to negotiate better rates if demand weakens.

Steiner Leisure, a Bahamas-based, leading provider of spa services to the cruise and resort industry, also hindered performance. Although reduced consumer spending on leisure services hurt the company's stock price, our analysis indicated the company was attractively valued on a longer-term basis. Steiner is known for its ability to provide a seamless, high-quality spa experience to its clients' customers while guaranteeing minimum concession fees with little operating risk to the ship owners. Given its strong relationships across the cruise and luxury resort industries, we believed Steiner was poised to benefit from two primary trends -- future worldwide growth in cruising and the continued development of high-end spas at upscale luxury hotels and resorts. In addition, Steiner's management team has a strong track record for being cost-focused operators with a disciplined approach to generating high returns and returning capital to shareholders.

South Korea-based Youngone, a leading original equipment manufacturer of high-end sportswear and casual outerwear such as ski wear, hiking/mountain climbing apparel and anoraks, also detracted from Fund performance. The company's shares declined in value during the review period as a slowing global economy curbed demand for its products. However, for the long

term, we continued to believe the company was attractively valued due to its geographically diversified production base, competitive pricing, high product quality and strong customer relationships. We believed Youngone was well positioned to benefit from growing industry consolidation due to its expanded

production base in lower-cost countries, which has contributed to its strong operating margins and cash flow.

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

[PHOTO OF HARLAN B. HODES]

/s/ Harlan B. Hodes

Harlan B. Hodes, CPA

[PHOTO OF CYNTHIA L. SWEETING]

/s/ Cynthia L. Sweeting

Cynthia L. Sweeting, CFA

Portfolio Management Team
TIF Foreign Smaller Companies Series

THE FOREGOING INFORMATION REFLECTS OUR ANALYSIS, OPINIONS AND PORTFOLIO HOLDINGS AS OF JUNE 30, 2008, 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 6/30/08

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. 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. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses on the sale of Fund shares.

PRICE INFORMATION

<TABLE>			
<CAPTION>			
SYMBOL: TFSCX	CHANGE	6/30/08	12/31/07
-----	-----	-----	-----
<S>	<C>	<C>	<C>
Net Asset Value (NAV)	-\$2.17	\$18.03	\$20.20

PERFORMANCE (1)

UNTIL AUGUST 31, 2008, THE FUND MAY CHARGE A 2% FEE ON REDEMPTIONS MADE WITHIN SEVEN DAYS OF PURCHASE.

<TABLE>				
<CAPTION>				
	6-MONTH	1-YEAR	5-YEAR	INCEPTION (10/21/02)
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Cumulative Total Return(2)	-10.74%	-14.16%	+138.62%	+175.12%
Average Annual Total Return(3)	-10.74%	-14.16%	+19.00%	+19.46%
Value of \$1,000,000 Investment(4)	\$892,567	\$858,425	\$2,386,050	\$2,751,114
Total Annual Operating Expenses(5)				
Without Waiver		1.07%		
With Waiver		0.95%		

PERFORMANCE DATA REPRESENT PAST PERFORMANCE, WHICH DOES NOT GUARANTEE FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE, AND YOU MAY HAVE A GAIN OR LOSS WHEN YOU SELL YOUR SHARES. CURRENT PERFORMANCE MAY DIFFER FROM FIGURES SHOWN. FOR MOST RECENT MONTH-END PERFORMANCE, PLEASE CALL 1-800/321-8563.

THE ADMINISTRATOR HAS CONTRACTUALLY AGREED TO WAIVE OR LIMIT ITS FEES SO THAT

TOTAL FUND ANNUAL OPERATING EXPENSES, EXCLUDING ACQUIRED FUND FEES AND EXPENSES, DO NOT EXCEED 0.95% (OTHER THAN CERTAIN NON-ROUTINE EXPENSES OR COSTS, INCLUDING THOSE RELATING TO LITIGATION, INDEMNIFICATION, REORGANIZATIONS AND LIQUIDATIONS) UNTIL 4/30/09.

ENDNOTES

THE FUND INVESTS IN FOREIGN SECURITIES, WHICH CAN INVOLVE EXPOSURE TO CURRENCY VOLATILITY AND POLITICAL, ECONOMIC AND REGULATORY UNCERTAINTY. EMERGING MARKETS INVOLVE HEIGHTENED RISKS RELATED TO THE SAME FACTORS, IN ADDITION TO THOSE ASSOCIATED WITH THEIR RELATIVELY SMALL SIZE AND LESSER LIQUIDITY. THE FUND'S INVESTMENTS IN SMALLER-COMPANY STOCKS CARRY SPECIAL RISKS AS SUCH STOCKS HAVE HISTORICALLY EXHIBITED GREATER PRICE VOLATILITY THAN LARGE-COMPANY STOCKS, PARTICULARLY OVER THE SHORT TERM. ADDITIONALLY, SMALLER COMPANIES OFTEN HAVE RELATIVELY SMALL REVENUES, LIMITED PRODUCT LINES AND SMALL MARKET SHARE. THE FUND'S PROSPECTUS ALSO INCLUDES A DESCRIPTION OF THE MAIN INVESTMENT RISKS.

- (1.) If the administrator had not waived fees, the Fund's total returns would have been lower.
- (2.) Cumulative total return represents the change in value of an investment over the periods indicated.
- (3.) Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
- (4.) These figures represent the value of a hypothetical \$1,000,000 investment in the Fund over the periods indicated.
- (5.) Figures are as stated in the Fund's prospectus current as of the date of this report.

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Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases and redemption fees; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

ACTUAL FUND EXPENSES

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. OF COURSE, YOUR ACCOUNT VALUE AND EXPENSES WILL DIFFER FROM THOSE IN THIS ILLUSTRATION:

1. Divide your account value by \$1,000.
$$\text{IF AN ACCOUNT HAD AN } \$8,600 \text{ VALUE, THEN } \$8,600 / \$1,000 = 8.6.$$
2. Multiply the result by the number under the heading "Expenses Paid During Period."
$$\text{IF EXPENSES PAID DURING PERIOD WERE } \$7.50, \text{ THEN } 8.6 \times \$7.50 = \$64.50.$$

In this illustration, the estimated expenses paid this period are \$64.50.

HYPOTHETICAL EXAMPLE FOR COMPARISON WITH OTHER FUNDS

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that

Your Fund's Expenses (CONTINUED)

PLEASE NOTE THAT EXPENSES SHOWN IN THE TABLE ARE MEANT TO HIGHLIGHT ONGOING COSTS AND DO NOT REFLECT ANY TRANSACTION COSTS, SUCH AS SALES CHARGES OR REDEMPTION FEES, IF APPLICABLE. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

<TABLE>
<CAPTION>

	BEGINNING ACCOUNT VALUE 1/1/08	ENDING ACCOUNT VALUE 6/30/08	EXPENSES PAID DURING PERIOD* 1/1/08-6/30/08
	-----	-----	-----
<S>	<C>	<C>	<C>
Actual	\$1,000	\$ 892.57	\$4.47
Hypothetical (5% return before expenses)	\$1,000	\$1,020.14	\$4.77

</TABLE>

* Expenses are calculated using the most recent six-month annualized expense ratio, net of expense waiver, of 0.95%, multiplied by the average account value over the period, multiplied by 182/366 to reflect the one-half year period.

Templeton Institutional Funds

FINANCIAL HIGHLIGHTS

FOREIGN SMALLER COMPANIES SERIES

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30, 2008 (UNAUDITED)	YEAR ENDED DECEMBER 31,				
		2007	2006	2005	2004	2003
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$ 20.20	\$ 22.42	\$ 18.18	\$ 17.45	\$ 14.97	\$ 10.10
Income from investment operations(a):						
Net investment income(b)	0.28	0.33	0.30	0.38	0.21	0.17
Net realized and unrealized gains (losses) ..	(2.45)	2.81	4.89	1.74	2.93	4.99
Total from investment operations	(2.17)	3.14	5.19	2.12	3.14	5.16
Less distributions from:						
Net investment income	--	(0.39)	(0.33)	(0.36)	(0.16)	(0.13)
Net realized gains	--	(4.97)	(0.62)	(1.03)	(0.50)	(0.16)
Total distributions	--	(5.36)	(0.95)	(1.39)	(0.66)	(0.29)
Redemption fees	--	-- (c)	-- (c)	-- (c)	--	--
Net asset value, end of period	\$ 18.03	\$ 20.2	\$ 22.42	\$ 18.18	\$ 17.45	\$ 14.97
Total return(d)	(10.74)%	15.09%	28.78%	12.28%	21.28%	51.21%
RATIOS TO AVERAGE NET ASSETS (e)						
Expenses before waiver and payments by affiliates	1.07%	1.07%	1.07%	1.07%	1.16%	1.58%
Expenses net of waiver and payments by affiliates	0.95% (f)	0.95% (f)	0.95% (f)	0.95% (f)	0.95% (f)	0.95% (f)
Net investment income	2.98%	1.34%	1.45%	2.12%	1.34%	1.40%
SUPPLEMENTAL DATA						
Net assets, end of period (000's)	\$122,528	\$135,730	\$170,757	\$131,567	\$97,495	\$33,583
Portfolio turnover rate	13.43%	20.95%	17.30%	24.59%	27.51%	12.58%

</TABLE>

(a) The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned

and/or fluctuating market value of the investments of the Fund.

- (b) Based on average daily shares outstanding.
- (c) Amount rounds to less than \$0.01 per share.
- (d) Total return is not annualized for periods less than one year.
- (e) Ratios are annualized for periods less than one year.
- (f) Benefit of expense reduction rounds to less than 0.01%.

The accompanying notes are an integral part of these financial statements.

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Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED)

<TABLE> <CAPTION> FOREIGN SMALLER COMPANIES SERIES	INDUSTRY	SHARES/UNITS	VALUE
-----	-----	-----	-----
<S>	<C>	<C>	<C>
COMMON STOCKS 90.1%			
AUSTRALIA 4.9%			
Billabong International Ltd.	Textiles, Apparel & Luxury Goods	134,672	\$ 1,393,588
Downer EDI Ltd.	Commercial Services & Supplies	174,936	1,151,515
Iluka Resources Ltd.	Metals & Mining	544,109	2,455,502
PaperlinX Ltd.	Paper & Forest Products	626,803	1,029,980
			6,030,585
BAHAMAS 1.4%			
(a) Steiner Leisure Ltd.	Diversified Consumer Services	61,180	1,734,453
BELGIUM 1.2%			
Barco NV	Electronic Equipment & Instruments	22,360	1,453,036
BRAZIL 3.1%			
Companhia de Saneamento de Minas Gerais	Water Utilities	106,900	1,978,370
Lojas Renner SA	Multiline Retail	93,300	1,855,292
			3,833,662
CANADA 6.3%			
Dorel Industries Inc., B	Household Durables	59,700	1,711,398
(a) GSI Group Inc.	Electronic Equipment & Instruments	113,780	882,933
Linamar Corp.	Auto Components	59,490	728,794
(a) MDS Inc.	Health Care Services	86,890	1,411,052
(a) Mega Brands Inc.	Leisure Equipment & Products	69,800	278,420
(a) Open Text Corp.	Internet Software & Services	36,500	1,167,242
(a) Saxon Energy Services Inc.	Energy Equipment & Services	218,600	1,531,818
			7,711,657
CAYMAN ISLANDS 2.2%			
(a) Ju Teng International Holdings Ltd.	Electronic Equipment & Instruments	2,646,000	1,126,643
Stella International Holdings Ltd.	Textiles, Apparel & Luxury Goods	856,000	1,534,757
			2,661,400
CHINA 4.1%			
(a) AAC Acoustic Technologies Holdings Inc.	Communications Equipment	1,276,000	1,066,981
Bio-Treat Technology Ltd.	Commercial Services & Supplies	2,472,000	508,773
People's Food Holdings Ltd.	Food Products	1,468,000	1,111,426
Sinotrans Ltd., H	Air Freight & Logistics	4,052,000	997,767
Travelsky Technology Ltd., H	IT Services	1,467,000	965,175
Weiqiao Textile Co. Ltd., H	Textiles, Apparel & Luxury Goods	470,500	366,275
			5,016,397
DENMARK 1.2%			
(a) Vestas Wind Systems AS	Electrical Equipment	11,570	1,514,590
FINLAND 3.4%			
Amer Sports OYJ	Leisure Equipment & Products	92,970	1,402,422
(a) Elcoteq SE, A	Communications Equipment	53,770	440,264
Huhtamaki OYJ	Containers & Packaging	126,770	1,085,890

Konecranes OYJ	Machinery	31,300	1,296,195
			4,224,771

</TABLE>

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Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED) (CONTINUED)

<TABLE>

<CAPTION>

FOREIGN SMALLER COMPANIES SERIES

	INDUSTRY	SHARES/UNITS	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS (CONTINUED)			
FRANCE 1.1%			
Sperian Protection	Commercial Services & Supplies	11,680	\$ 1,392,224

GERMANY 3.4%			
Celesio AG	Health Care Providers & Services	25,800	933,961
(a) Jenoptik AG	Electronic Equipment & Instruments	128,600	1,097,515
(a) Logwin AG	Air Freight & Logistics	112,430	285,022
Rational AG	Household Durables	8,920	1,801,327

			4,117,825

HONG KONG 5.3%			
Dah Sing Financial Group	Commercial Banks	103,600	835,736
Fountain Set (Holdings) Ltd.	Textiles, Apparel & Luxury Goods	3,190,000	405,027
Giordano International Ltd.	Specialty Retail	1,276,000	523,672
Hang Lung Group Ltd.	Real Estate Management & Development	267,000	1,186,514
Hopewell Holdings Ltd.	Transportation Infrastructure	289,000	1,026,682
Texwinca Holdings Ltd.	Textiles, Apparel & Luxury Goods	1,095,000	912,822
VTech Holdings Ltd.	Communications Equipment	115,000	693,193
Yue Yuen Industrial Holdings Ltd.	Textiles, Apparel & Luxury Goods	377,500	896,637

			6,480,283

INDIA 1.4%			
HCL Infosystems Ltd.	IT Services	267,850	861,637
Hindustan Petroleum Corp. Ltd.	Oil, Gas & Consumable Fuels	106,787	436,178
Tata Motors Ltd., ADR.	Machinery	38,580	387,729

			1,685,544

INDONESIA 0.5%			
PT Indosat Tbk	Diversified Telecommunication Services	915,400	670,168

JAPAN 5.2%			
Descente Ltd.	Textiles, Apparel & Luxury Goods	276,900	1,481,460
Japan Airport Terminal Co. Ltd.	Transportation Infrastructure	49,900	784,938
MEITEC Corp.	Commercial Services & Supplies	20,000	567,042
Sohgo Security Services Co. Ltd.	Commercial Services & Supplies	102,600	1,243,783
Takuma Co. Ltd.	Machinery	281,000	884,039
USS Co. Ltd.	Specialty Retail	21,540	1,422,271

			6,383,533

NETHERLANDS 7.1%			
Aalberts Industries NV	Machinery	90,788	1,715,457
Draka Holding NV	Electrical Equipment	34,565	926,876
Imtech NV	Construction & Engineering	86,760	2,039,622
OPG Groep NV	Health Care Providers & Services	72,640	1,555,554
Randstad Holding NV	Commercial Services & Supplies	29,673	1,037,253
SBM Offshore NV	Energy Equipment & Services	39,020	1,440,174

			8,714,936

NORWAY 1.0%			
Tomra Systems ASA	Commercial Services & Supplies	181,330	1,203,691

</TABLE>

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Templeton Institutional Funds

<TABLE> <CAPTION> FOREIGN SMALLER COMPANIES SERIES -----	INDUSTRY -----	SHARES/UNITS -----	VALUE -----
<S>	<C>	<C>	<C>
COMMON STOCKS (CONTINUED)			
RUSSIA 0.8%			
(a,b) X 5 Retail Group NV, GDR, Reg S	Food & Staples Retailing	27,518	\$ 927,357
SINGAPORE 1.9%			
Cerebos Pacific Ltd.	Food Products	555,358	1,563,469
Venture Corp. Ltd.	Electronic Equipment & Instruments	99,000	713,874

			2,277,343

SOUTH AFRICA 1.0%			
Foschini Ltd.	Specialty Retail	73,352	276,915
JD Group Ltd.	Specialty Retail	51,840	173,849
Massmart Holdings Ltd.	Food & Staples Retailing	91,956	724,840

			1,175,604

SOUTH KOREA 8.0%			
Bank of Pusan	Commercial Banks	140,160	1,875,050
Bingrae Co. Ltd.	Food Products	44,150	1,522,996
Daegu Bank Co. Ltd.	Commercial Banks	94,590	1,256,379
Halla Climate Control Corp.	Auto Components	134,760	1,339,230
(a) Hansol Paper Co. Ltd.	Paper & Forest Products	39,720	523,780
INTOPS Co. Ltd.	Electronic Equipment & Instruments	25,968	553,355
People & Telecommunication	Communications Equipment	117,936	744,918
Sindo Ricoh Co.	Office Electronics	9,657	704,089
Youngone Corp.	Textiles, Apparel & Luxury Goods	189,680	1,332,201

			9,851,998

SPAIN 0.7%			
Sol Melia SA	Hotels, Restaurants & Leisure	77,030	832,059

SWEDEN 2.6%			
D. Carnegie & Co. AB	Capital Markets	116,060	1,550,960
Niscayah Group AB	Commercial Services & Supplies	732,370	1,592,664

			3,143,624

SWITZERLAND 1.9%			
Verwaltungs- und Privat-Bank AG	Capital Markets	5,090	1,305,512
Vontobel Holding AG	Capital Markets	30,640	1,046,829

			2,352,341

TAIWAN 8.1%			
D-Link Corp.	Communications Equipment	844,358	1,140,536
Giant Manufacturing Co. Ltd.	Leisure Equipment & Products	708,000	1,901,031
KYE Systems Corp.	Computers & Peripherals	975,279	1,275,609
Pihsiang Machinery Manufacturing Co. Ltd.	Health Care Equipment & Supplies	843,000	1,855,250
Simplo Technology Co. Ltd.	Computers & Peripherals	318,500	1,584,473
(a) Ta Chong Bank Ltd.	Commercial Banks	3,036,000	1,015,234
Test-Rite International Co. Ltd.	Distributors	1,980,171	1,193,857

			9,965,990

THAILAND 3.3%			
(a) Bank of Ayudhya Public Co. Ltd., NVDR ...	Commercial Banks	2,145,700	1,412,067
Glow Energy Public Co. Ltd., fgn.	Independent Power Producers & Energy Traders	1,490,900	1,315,631
Total Access Communication Public Co. Ltd., fgn.	Wireless Telecommunication Services	837,800	1,340,480

			4,068,178

</TABLE>

Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED) (CONTINUED)

<TABLE>
<CAPTION>

<S>	<C>	<C>	<C>
COMMON STOCKS (CONTINUED)			
UNITED KINGDOM 9.0%			
(c) Bodycote PLC, 144A	Machinery	26,520	\$ 107,782
Bodycote PLC	Machinery	404,120	1,642,421
Burberry Group PLC	Textiles, Apparel & Luxury Goods	117,890	1,063,945
Electrocomponents PLC	Electronic Equipment & Instruments	158,120	463,071
Fiberweb PLC	Personal Products	246,970	205,421
FKI PLC	Machinery	1,205,250	2,004,968
Future PLC	Media	981,830	513,463
GAME Group PLC	Specialty Retail	466,350	2,698,994
John Wood Group PLC	Energy Equipment & Services	81,340	801,335
Kingfisher PLC	Specialty Retail	308,940	691,191
Yule Catto & Co. PLC	Chemicals	324,690	798,877

			10,991,468

TOTAL COMMON STOCKS (COST \$94,302,490) ..			110,414,717

PREFERRED STOCK (COST \$312,943) 0.7%			
GERMANY 0.7%			
Hugo Boss AG, pfd.	Textiles, Apparel & Luxury Goods	22,130	818,182

MUTUAL FUND (COST \$567,144) 1.3%			
CANADA 1.3%			
North West Company Fund	Diversified Financial Services	102,250	1,655,481

TOTAL INVESTMENTS (COST \$95,182,577)			
92.1%			112,888,380
OTHER ASSETS, LESS LIABILITIES 7.9%			9,639,804

NET ASSETS 100.0%			\$122,528,184
			=====

</TABLE>

SELECTED PORTFOLIO ABBREVIATIONS

ADR - American Depository Receipt

GDR - Global Depository Receipt

NVDR - Non-Voting Depository Receipt

(a) Non-income producing for the twelve months ended June 30, 2008.

(b) Security 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. This security has been deemed liquid under guidelines approved by the Fund's Board of Trustees. At June 30, 2008, the value of this security was \$927,357, representing 0.76% of net assets.

(c) Security 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. This security has been deemed liquid under guidelines approved by the Fund's Board of Trustees. At June 30, 2008, the value of this security was \$107,782, representing 0.09% of net assets.

The accompanying notes are an integral part of these financial statements.

Templeton Institutional Funds

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES

June 30, 2008 (unaudited)

<TABLE>

<CAPTION>

FOREIGN SMALLER
COMPANIES SERIES

<S>

<C>

Assets:

Investments in securities:

Cost	\$ 95,182,577
	=====
Value	\$112,888,380
Foreign currency, at value (cost \$100,065) ..	105,360
Receivables:	
Investment securities sold	8,135,037
Capital shares sold	3,309,263
Dividends	370,108

Total assets	124,808,148

Liabilities:	
Payables:	
Investment securities purchased	110,114
Capital shares redeemed	13,778
Affiliates	84,599
Funds advanced by custodian	2,017,928
Accrued expenses and other liabilities	53,545

Total liabilities	2,279,964

Net assets, at value	\$122,528,184

Net assets consist of:	
Paid-in capital	\$ 90,245,728
Undistributed net investment income	2,164,407
Net unrealized appreciation (depreciation) ..	17,718,718
Accumulated net realized gain (loss)	12,399,331

Net assets, at value	\$122,528,184
	=====
Shares outstanding	6,796,205
	=====
Net asset value per share(a)	\$ 18.03
	=====

</TABLE>

(a) Redemption price is equal to net asset value less redemption fees retained by the Fund.

The accompanying notes are an integral part of these financial statements.

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Templeton Institutional Funds

FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF OPERATIONS

for the six months ended June 30, 2008 (unaudited)

<TABLE>

<CAPTION>

	FOREIGN SMALLER COMPANIES SERIES

<S>	<C>
Investment income:	
Dividends (net of foreign taxes of \$ 248,991)	\$ 2,365,944
Interest	80,703

Total investment income	2,446,647

Expenses	
Management fees (Note 3a)	466,608
Administrative fees (Note 3b)	124,429
Transfer agent fees (Note 3c)	8,980
Custodian fees (Note 4)	30,685
Reports to shareholders	6,719
Registration and filing fees	7,906
Professional fees	15,062
Trustees' fees and expenses	5,073
Other	7,177

Total expenses	672,639
Expense reductions (Note 4)	(3,578)
Expenses waived/paid by affiliates (Note 3d)	(77,742)

Net expenses	591,319

Net investment income	1,855,328

Realized and unrealized gains (losses):

Net realized gain (loss) from:	
Investments	10,189,586
Foreign currency transactions	(512)

Net realized gain (loss).....	10,189,074

Net change in unrealized appreciation (depreciation) on:	
Investments	(26,525,016)
Translation of assets and liabilities denominated in foreign currencies	8,755

Net change in unrealized appreciation (depreciation)	(26,516,261)

Net realized and unrealized gain (loss)	(16,327,187)

Net increase (decrease) in net assets resulting from operations	\$ (14,471,859)
	=====

</TABLE>

The accompanying notes are an integral part of these financial statements.

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Templeton Institutional Funds

FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF CHANGES IN NET ASSETS

<TABLE>

<CAPTION>

	FOREIGN SMALLER COMPANIES SERIES	
	SIX MONTHS ENDED	YEAR ENDED
	JUNE 30, 2008	DECEMBER 31, 2007
	(UNAUDITED)	
	-----	-----
<S>	<C>	<C>
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 1,855,328	\$ 2,005,398
Net realized gain (loss) from investments and foreign currency transactions	10,189,074	30,293,153
Net change in unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies	(26,516,261)	(12,858,499)
	-----	-----
Net increase (decrease) in net assets resulting from operations	(14,471,859)	19,440,052
	-----	-----
Distributions to shareholders from:		
Net investment income	--	(2,190,031)
Net realized gains	--	(27,624,200)
	-----	-----
Total distributions to shareholders	--	(29,814,231)
	-----	-----
Capital share transactions: (Note 2)	1,270,194	(24,652,937)
	-----	-----
Redemption fees	--	10
	-----	-----
Net increase (decrease) in net assets	(13,201,665)	(35,027,106)
Net assets:		
Beginning of period	135,729,849	170,756,955
	-----	-----
End of period	\$122,528,184	\$ 135,729,849
	=====	=====
Undistributed net investment income included in net assets:		
End of period	\$ 2,164,407	\$ 309,079
	=====	=====

</TABLE>

The accompanying notes are an integral part of these financial statements.

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Templeton Institutional Funds

FOREIGN SMALLER COMPANIES SERIES

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Templeton Institutional Funds (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of four separate funds. The Foreign Smaller Companies Series (Fund) included in this report is diversified. The financial statements of the remaining funds in the Trust are presented separately.

The following summarizes the Fund's significant accounting policies.

A. SECURITY VALUATION

Securities listed on a securities exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter securities and listed securities for which there is no reported sale are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Investments in open-end mutual funds are valued at the closing net asset value.

Foreign securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or the NYSE, whichever is earlier. If no sale is reported at that time, the foreign security will be valued within the range of the most recent quoted bid and ask prices. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the day that the value of the foreign security is determined.

The Fund has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available or which may not be reliably priced. Methods for valuing these securities may include: fundamental analysis, matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities. Due to the inherent uncertainty of valuations of such securities, the fair values may differ significantly from the values that would have been used had a ready market for such investments existed. Occasionally, events occur between the time at which trading in a security is completed and the close of the NYSE that might call into question the availability (including the reliability) of the value of a portfolio security held by the Fund. The investment manager monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depository Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services. All security valuation procedures are approved by the Fund's Board of Trustees.

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Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

FOREIGN SMALLER COMPANIES SERIES

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. 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 Fund's Board of Trustees.

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 on 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. FOREIGN CURRENCY CONTRACTS

When the Fund purchases or sells foreign securities it may enter into foreign exchange contracts to minimize foreign exchange risk from the trade date to the settlement date of the transactions. A foreign exchange contract is an agreement between two parties to exchange different currencies at an agreed upon exchange rate at a future date. Realized and unrealized gains and losses on these contracts are included in the Statement of Operations.

The risks of these contracts include movement in the values of the foreign currencies relative to the U.S. dollar and the possible inability of the counterparties to fulfill their obligations under the contracts, which may be in excess of the amount reflected in the Statement of Assets and Liabilities.

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Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

FOREIGN SMALLER COMPANIES SERIES

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. INCOME AND DEFERRED TAXES

No provision has been made for U.S. income taxes because it is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code and to distribute to shareholders substantially all of its taxable income and net realized gains.

Foreign securities held by the Fund may be subject to foreign taxation on dividend and interest income received. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests.

The Fund may be subject to a tax imposed on net realized gains on securities of certain foreign countries. The Fund records an estimated deferred tax liability for net unrealized gains on these securities in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund has reviewed the tax positions, taken on federal income tax returns, for each of the three open tax years and as of June 30, 2008, and has determined that no provision for income tax is required in the Fund's financial statements.

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. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the Fund is notified of the ex-dividend date. 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 accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

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

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Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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.

G. REDEMPTION FEES

A short term trading redemption fee will be imposed, with some exceptions, on any fund shares that are redeemed or exchanged within seven calendar days following their purchase date. The redemption fee is 2% of the amount redeemed. Such fees are retained by the Fund and accounted for as an addition to paid-in capital.

H. GUARANTEES AND INDEMNIFICATIONS

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

2. SHARES OF BENEFICIAL INTEREST

At June 30, 2008, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

<TABLE>

<CAPTION>

	SIX MONTHS ENDED JUNE 30, 2008		YEAR ENDED DECEMBER 31, 2007	
	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>
Shares sold	601,336	\$11,040,525	417,004	\$ 10,235,055
Shares issued in reinvestment of distributions	--	--	1,265,199	24,546,890
Shares redeemed	(523,774)	(9,770,331)	(2,581,541)	(59,434,882)
Net increase (decrease)	77,562	\$ 1,270,194	(899,338)	\$(24,652,937)

</TABLE>

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Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

FOREIGN SMALLER COMPANIES SERIES

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 Trust are also officers and/or directors of the following subsidiaries:

<TABLE>

<CAPTION>

SUBSIDIARY

AFFILIATION

<S>	<C>
Templeton Investment Counsel, LLC (TIC)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

</TABLE>

A. MANAGEMENT FEES

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

ANNUALIZED FEE RATE	NET ASSETS
0.750%	Up to and including \$1 billion
0.730%	Over \$1 billion, up to and including \$5 billion
0.710%	Over \$5 billion, up to and including \$10 billion
0.690%	Over \$10 billion, up to and including \$15 billion
0.670%	Over \$15 billion, up to and including \$20 billion
0.650%	In excess of \$20 billion

B. ADMINISTRATIVE FEES

The Fund pays an administrative fee to FT Services of 0.20% per year of the average daily net assets of the Fund.

C. TRANSFER AGENT FEES

For the period ended June 30, 2008, the Fund paid transfer agent fees of \$8,980 of which \$4,837 was retained by Investor Services.

D. WAIVER AND EXPENSE REIMBURSEMENTS

FT Services has agreed in advance to waive a portion of its respective fees and to assume payment of other expenses through April 30, 2009. Total expenses waived are not subject to reimbursement by the Fund. After April 30, 2009, FT Services may discontinue this waiver at any time upon notice to the Fund's Board of Trustees.

Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

FOREIGN SMALLER COMPANIES SERIES

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 June 30, 2008, the custodian fees were reduced as noted in the Statement of Operations.

5. INCOME TAXES

At June 30, 2008, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$ 95,465,352
Unrealized appreciation	\$ 31,917,390
Unrealized depreciation	(14,494,362)
Net unrealized appreciation (depreciation) ..	\$ 17,423,028

Net investment income differs for financial statement and tax purposes primarily due to differing treatments of foreign currency transactions and passive foreign investment company shares.

Net realized gains (losses) differ for financial statement and tax purposes primarily due to differing treatments of wash sales, foreign currency transactions, and passive foreign investment shares.

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2008, aggregated \$15,808,675 and \$19,181,972, respectively.

7. 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.

Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

FOREIGN SMALLER COMPANIES SERIES

8. FAIR VALUE MEASUREMENTS

The Fund adopted Financial Accounting Standards Board (FASB) issued FASB Statement No. 157, "Fair Value Measurement" (SFAS 157), on January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Fund has determined that the implementation of SFAS 157 did not have a material impact on the Fund's financial statements.

SFAS 157 establishes a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's investments and are summarized in the following fair value hierarchy:

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

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

As of June 30, 2008, all of the Funds' investments in securities carried at fair value were in level 1 inputs.

9. NEW ACCOUNTING PRONOUNCEMENTS

In March 2008, FASB issued FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS 161), which expands disclosures about derivative investments and hedging activities. SFAS 161 is effective for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Fund is currently evaluating the impact, if any, of applying the various provisions of SFAS 161.

Templeton Institutional Funds

SHAREHOLDER INFORMATION

FOREIGN SMALLER COMPANIES SERIES

BOARD REVIEW OF INVESTMENT MANAGEMENT AGREEMENT

At a meeting held February 25, 2008, the Board of Directors (Board), including a majority of non-interested or independent Directors, approved renewal of the investment management agreements for each of the three separate series comprising Templeton Institutional Funds including the Foreign Smaller Companies Series (Fund(s)). In reaching this decision, the Board took into account information furnished throughout the year at regular Board meetings, as well as information prepared specifically in connection with the annual renewal review process. Information furnished and discussed throughout the year included investment performance reports and related financial information for each Fund, as well as periodic reports on shareholder services, legal, compliance, pricing, brokerage commissions and execution and other services provided by the Investment Manager (Manager) and its affiliates. Information furnished specifically in connection with the renewal process included a report for each Fund prepared by Lipper, Inc. (Lipper), an independent organization, as well as a Fund profitability analysis report prepared by management. The Lipper reports compared each Fund's investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper. The Fund profitability analysis report discussed the profitability to Franklin Templeton Investments from its overall U.S. fund operations, as well as on an individual

fund-by-fund basis. Included with such profitability analysis report was information on a fund-by-fund basis listing portfolio managers and other accounts they manage, as well as information on management fees charged by the Manager and its affiliates including management's explanation of differences where relevant and a three-year expense analysis with an explanation for any increase in expense ratios. Additional material accompanying such report was a memorandum prepared by management describing project initiatives and capital investments relating to the services provided to the Funds by the Franklin Templeton Investments organization, as well as a memorandum relating to economies of scale.

In considering such materials, the independent Directors received assistance and advice from and met separately with independent counsel. While the investment management agreements for all Funds were considered at the same Board meeting, the Board dealt with each Fund separately. In approving continuance of the investment management agreement for each Fund, the Board, including a majority of independent Directors, determined that the existing management fee structure was fair and reasonable and that continuance of the investment management agreement was in the best interests of each Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's decision.

NATURE, EXTENT AND QUALITY OF SERVICES. The Board was satisfied with the nature and quality of the overall services provided by the Manager and its affiliates to the Fund and its shareholders. In addition to investment performance and expenses discussed later, the Board's opinion was based, in part, upon periodic reports furnished them showing that the investment policies and restrictions for the Fund were consistently complied with as well as other reports periodically furnished the Board covering matters such as the compliance of portfolio managers

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Templeton Institutional Funds

SHAREHOLDER INFORMATION (CONTINUED)

FOREIGN SMALLER COMPANIES SERIES

BOARD REVIEW OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

and other management personnel with the code of ethics adopted throughout the Franklin Templeton fund complex, the adherence to fair value pricing procedures established by the Board, and the accuracy of net asset value calculations. The Board also noted the extent of benefits provided Fund shareholders from being part of the Franklin Templeton family of funds, including the right to exchange investments between the same class of funds without a sales charge, the ability to reinvest Fund dividends into other funds and the right to combine holdings in other funds to obtain a reduced sales charge. Favorable consideration was given to management's continuous efforts and expenditures in establishing back-up systems and recovery procedures to function in the event of a natural disaster, it being noted that such systems and procedures had functioned smoothly during the Florida hurricanes and blackouts experienced in recent years. Among other factors taken into account by the Board were the Manager's best execution trading policies, including a favorable report by an independent portfolio trading analytical firm. Consideration was also given to the experience of the Fund's portfolio management team, the number of accounts managed and general method of compensation. In this latter respect, the Board noted that a primary factor in management's determination of a portfolio manager's bonus compensation was the relative investment performance of the funds he or she managed and that a portion of such bonus was required to be invested in a predesignated list of funds within such person's fund management area so as to be aligned with the interests of Fund shareholders. The Board also took into account the quality of transfer agent and shareholder services provided Fund shareholders by an affiliate of the Manager, noting continuing expenditures by management to increase and improve the scope of such services, periodic favorable reports on such service conducted by third parties, the high industry ranking given to the Franklin Templeton website, and the firsthand experience of individual Board members who deal with the shareholder services department in their capacities as shareholders in one or more of the various Franklin Templeton funds.

INVESTMENT PERFORMANCE. The Board placed significant emphasis on the investment performance of the Fund in view of its importance to shareholders. While consideration was given to performance reports and discussions with portfolio managers at Board meetings during the year, particular attention in assessing performance was given to the Lipper report furnished for the agreement renewal. The Lipper report prepared for the Fund showed its investment performance in comparison with its Lipper selected performance universe during 2007, as well as during the previous 10 years ended December 31, 2007. The following summarizes the performance results for the Fund.

The Lipper performance universe for the Fund consisted of all retail and

institutional international small/mid-cap core funds as designated by Lipper. This Fund has a history of operations for only five full calendar years and its Lipper report showed its total return during 2007 placed it in the highest quintile of its performance universe, and on an annualized basis placed it in the second-highest quintile of such universe during each of the previous three- and five-year periods. The Board was satisfied with such performance.

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Templeton Institutional Funds

SHAREHOLDER INFORMATION (CONTINUED)

FOREIGN SMALLER COMPANIES SERIES

BOARD REVIEW OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

COMPARATIVE EXPENSES. Consideration was given to a comparative analysis of the management fees and total expense ratios of the Fund compared with those of a group of other funds selected by Lipper as its appropriate Lipper expense group. Prior to making such comparison, the Board relied upon a survey showing that the scope of services covered under the Fund's investment management agreement was similar to those provided by fund managers to other mutual fund groups. In reviewing comparative costs, emphasis was given to the Fund's contractual investment management fee in comparison with the contractual investment management fee that would have been charged by other funds within its Lipper expense group assuming they were similar in size to the Fund, as well as the actual total expenses of the Fund in comparison with those of its Lipper expense group. The Lipper contractual investment management fee analysis includes administrative fees as being part of a management fee. The Lipper report for the Foreign Smaller Companies Series showed its contractual investment management fee rate to be in the second least expensive quintile of its Lipper expense group and its actual total expenses to be in the least expensive quintile of its Lipper expense group. The Board was satisfied with the expenses of the Fund.

MANAGEMENT PROFITABILITY. The Board also considered the level of profits realized by the Manager and its affiliates in connection with the operation of the Fund. In this respect, the Board reviewed the Fund profitability analysis that addresses the overall profitability of Franklin Templeton's U.S. fund business, as well as its profits in providing management and other services to the Fund. Specific attention was given to the methodology followed in allocating costs to the Fund, it being recognized that allocation methodologies are inherently subjective and various allocation methodologies may each be reasonable while producing different results. In this respect, the Board noted that, while being continuously refined and reflecting changes in the Manager's own cost accounting, the cost allocation methodology was consistent with that followed in profitability report presentations for the Fund made in prior years and that the Fund's independent registered public accounting firm had been engaged by the Manager to perform certain procedures on a biennial basis, specified and approved by the Manager and the Fund's Board solely for their purposes and use in reference to the profitability analysis. In reviewing and discussing such analysis, management discussed with the Board its belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to the Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. The Board also took into account management's expenditures in improving shareholder services provided the Fund, as well as the need to meet additional regulatory and compliance requirements resulting from the Sarbanes-Oxley Act and recent SEC and other regulatory requirements. In addition, the Board considered a third-party study comparing the profitability of the Manager's parent on an overall basis as compared to other publicly held managers broken down to show profitability from management operations exclusive of distribution expenses, as well as profitability including distribution expenses. The Board also

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Templeton Institutional Funds

SHAREHOLDER INFORMATION (CONTINUED)

FOREIGN SMALLER COMPANIES SERIES

BOARD REVIEW OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

considered the extent to which the Manager and its affiliates might derive ancillary benefits from fund operations, as well as potential benefits resulting from allocation of fund brokerage and the use of "soft" commission dollars to

pay for research. Based upon its consideration of all these factors, the Board determined that the level of profits realized by the Manager and its affiliates from providing services to the Fund was not excessive in view of the nature, quality and extent of services provided.

ECONOMIES OF SCALE. The Board also considered whether economies of scale are realized by the Manager as the Fund grows larger and the extent to which this is reflected in the level of management fees charged. While recognizing that any precise determination is inherently subjective, the Board noted that based upon the Fund profitability analysis, it appears that as some funds get larger, at some point economies of scale do result in the Manager realizing a larger profit margin on management services provided such a fund. The fees and expenses of the Foreign Smaller Company Series were partially waived or subsidized by management during 2007, and the Board felt no economies of scale existed in the operation of this Fund at its December 31, 2007, asset level of approximately \$136 million.

PROXY VOTING POLICIES AND PROCEDURES

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at 1-954/527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 500 East Broward Boulevard, Suite 1500, Fort Lauderdale, FL 33394, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

QUARTERLY STATEMENT OF INVESTMENTS

The Fund files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling 1-800/SEC-0330.

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New York, NY 10020

SEMIANNUAL REPORT
TEMPLETON INSTITUTIONAL FUNDS
Foreign Smaller Companies Series

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Authorized for distribution only when accompanied or preceded by a prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. Like any investment in securities, the value of the Fund's portfolio will be subject to the risk of loss from market, currency, economic, political, and other factors. The Fund and its investors are not protected from such losses by the investment manager. Therefore, investors who cannot accept this risk should not invest in shares of the Fund. The prospectus contains this and other information; please read it carefully before investing.

To ensure the highest quality of service, telephone calls to or from our service departments may be monitored, recorded and accessed. These calls can be identified by the presence of a regular beeping tone.

ZT458 S2008 08/08

JUNE 30, 2008

Foreign Equity Series

SEMIANNUAL REPORT

TEMPLETON INSTITUTIONAL FUNDS

(FRANKLIN TEMPLETON INSTITUTIONAL(R) LOGO)

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Semiannual Report

TIF Foreign Equity Series

YOUR FUND'S GOAL AND MAIN INVESTMENTS: TIF Foreign Equity Series seeks long-term capital growth. Under normal market conditions, the Fund invests at least 80% Of its net assets in foreign (non-U.S.) equity securities.

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. PLEASE VISIT FTINSTITUTIONAL.COM OR CALL 1-800/321-8563 FOR MOST RECENT MONTH-END PERFORMANCE.

This semiannual report for Templeton Institutional Funds (TIF) Foreign Equity Series (the Fund) covers the six months ended June 30, 2008.

PERFORMANCE OVERVIEW

For the six months under review, the Fund's Primary Shares had a cumulative total return of -14.55%. The Fund underperformed its benchmarks, the Morgan Stanley Capital International (MSCI) All Country (AC) World ex USA Index and the MSCI Europe, Australasia, Far East (EAFE) Index, which had total returns of -9.84% and -10.58% for the same period.(1) Please note that index performance information is provided for reference and that we do

(1.) Source: (C) 2008 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. The MSCI AC World ex USA Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed and emerging markets excluding the U.S. The MSCI EAFE Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets excluding the U.S. and Canada. The indexes are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index 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 11.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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GEOGRAPHIC BREAKDOWN

Based on Total Net Assets as of 6/30/08

(BAR CHART)

<TABLE>

<S>	<C>
Europe	68.8%
Asia	20.4%
North America	2.9%
Latin America	1.4%
Australia & New Zealand	1.0%
Middle East & Africa	0.8%
Short-Term Investments & Other Net Assets	4.7%

</TABLE>

not attempt to track an index but rather undertake investments on the basis of fundamental research. You can find the Fund's long-term performance data in the Performance Summary beginning on page 6.

ECONOMIC AND MARKET OVERVIEW

In the first half of 2008, the U.S. economy grew marginally as energy prices rose, housing prices declined, the labor situation and consumer demand softened, and a credit crisis originally related to U.S. subprime loan losses spread globally. Investors remained cautious and continued risk reassessments in the stock, bond and credit markets. Some economists speculated whether the U.S. would enter a recession while others believed one was already under way. Many agreed, however, that the slowing U.S. economy -- which is the world's largest and accounts for roughly 25% of global gross domestic product -- could have a meaningfully negative impact on growth prospects around the world.⁽²⁾ Nevertheless, growth remained relatively strong in developing economies, particularly in Asia ex-Japan, where China-led demand continued to impact commodities' prices and related equities.

In the six months under review, prices increased significantly for oil, natural gas, and most agricultural and industrial commodities, as well as precious metals, adding to global inflationary pressures. Many of the world's monetary authorities faced the choice between lowering short-term interest rates to stimulate growth and raising them to fight inflation, which Merrill Lynch estimated at 5.5% globally, up from 3.5% at the beginning of 2008. The U.S. focused on reigniting its economy through fiscal and monetary policies, but the eurozone made controlling inflation its main goal. Accordingly, while the U.S. Federal Reserve Board (Fed) eased rates aggressively down to 2.00% from 4.25%, the European Central Bank maintained rates at 4.00%. Overall, rising inflation led more than three-quarters of the world's central banks to raise rates as of the end of June, according to Merrill Lynch's estimate. Interest rate differentials pressured the U.S. dollar, particularly in the first quarter, but the greenback regained ground as the Fed paused and implied that its next move could be a rate hike. Indicators also signaled growth was slowing outside the U.S. For the period, however, the U.S. dollar declined versus many of the world's currencies, and the dollar's weakness contributed to higher commodities' prices, as most of these prices are set in U.S. dollars.

(2). Source: Global Insight.

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Against this challenging economic backdrop, many global equity markets were volatile, and a majority of them declined over the six-month period. Despite negative economic data and an outlook for decelerating corporate earnings and profit margins globally, many companies' balance sheets remained relatively strong. Many financial institutions were hurt by their subprime loan exposure, but abundant global liquidity sources such as sovereign wealth funds offered some relief with quick recapitalizations during the period.

INVESTMENT STRATEGY

We employ a bottom-up, value-oriented, long-term investment strategy. Our in-depth fundamental internal research evaluates a company's potential to grow earnings, asset value and/or cash flow over a five-year horizon. Stocks are selected for purchase or sale utilizing strict valuation parameters, reflecting our focus on individual companies rather than countries or sectors.

MANAGER'S DISCUSSION

The Fund was not immune to stock price declines as reflected in the Fund's negative total return for the period. Although the Fund lagged its benchmarks during the six-month reporting period, the Fund's main goal is to provide excess returns over the longer term. The Fund has always been managed according to our disciplined value strategy. This strategy drives specific sector weightings that may either contribute to, or detract from, relative returns over the short term.

During the period under review, major sectors registered marked variations in returns. Within the MSCI AC World ex USA Index, energy and materials enjoyed strong momentum throughout the reporting period and had positive performance. On the other hand, the financials sector declined significantly, while utilities

and health care, traditionally considered defensive sectors, also finished the period with negative returns.

For the reporting period, the Fund's stock selection and underweighted allocation to the materials sector detracted most from the Fund's performance relative to the index. The Fund maintained relatively low exposure to materials-related equities, which reflected our conviction that the sector was overvalued based

PORTFOLIO BREAKDOWN

Based on Total Net Assets as of 6/30/08

(BAR CHART)

<S>	<C>
Commercial Banks	12.9%
Diversified	
Telecommunication Services	9.9%
Oil, Gas & Consumable Fuels	8.2%
Pharmaceuticals	6.7%
Insurance	5.2%
Industrial Conglomerates	4.2%
Food Products	4.1%
Media	3.9%
Aerospace & Defense	3.4%
Software	3.3%
Semiconductors &	
Semiconductor Equipment	2.8%
Wireless Telecommunication	
Services	2.7%
Electric Utilities	2.6%
Other	25.4%
Short-Term Investments &	
Other Net Assets	4.7%

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TOP 10 EQUITY HOLDINGS
6/30/08

<S>	<C>
COMPANY SECTOR/INDUSTRY, COUNTRY	% OF TOTAL NET ASSETS
-----	-----
E.ON AG, ord. & ADR	2.1%
ELECTRIC UTILITIES, GERMANY	
Telefonica SA, ord. & ADR	2.0%
DIVERSIFIED TELECOMMUNICATION SERVICES, SPAIN	
Novartis AG	1.8%
PHARMACEUTICALS, SWITZERLAND	
France Telecom SA	1.7%
DIVERSIFIED TELECOMMUNICATION SERVICES, FRANCE	
Nestle SA, ord. & ADR	1.7%
FOOD PRODUCTS, SWITZERLAND	
Telenor ASA	1.6%
DIVERSIFIED TELECOMMUNICATION SERVICES, NORWAY	
Siemens AG	1.6%
INDUSTRIAL CONGLOMERATES, GERMANY	
Royal Dutch Shell PLC, B & B, ADR	1.6%
OIL, GAS & CONSUMABLE FUELS, U.K.	
GlaxoSmithKline PLC	1.6%
PHARMACEUTICALS, U.K.	
Housing Development Finance Corp. Ltd.	1.5%
THRIFTS & MORTGAGE FINANCE, INDIA	

on our five-year earnings estimates for individual companies. Stock selection and an underweighted position in the energy sector also hampered the Fund's relative performance. Although energy stocks delivered positive returns for the Fund and the index, the Fund's holdings were primarily in integrated oil and gas companies instead of exploration and production companies, which performed particularly well. Despite certain positive prospects for the exploration companies, our analysts did not believe the industry represented a broad case for long-term undervaluation. In terms of individual holdings, the largest

detractors from performance were concentrated in a few industries. Such detractors included German health care provider Celesio; European industrials holdings Siemens (Germany) and Rolls-Royce Group (U.K.); and Indian financials companies ICICI Bank and Housing Development Finance. Indian financial stocks generally performed well in 2007 but declined in the first half of 2008 as lower earnings expectations amid rising inflation and a slower growth outlook negatively impacted most financial stocks in Asian emerging markets. We did not significantly reallocate assets due to this near-term market behavior largely because we manage the Fund with a long-term horizon.

Contributors to relative performance included the information technology and consumer staples sectors. Specifically, stock selection in information technology and stock selection and an underweighting in consumer staples aided the Fund's results. In terms of individual holdings, top contributors to Fund performance represented an eclectic mix of industries: Taiwanese bank Chinatrust Financial Holding, U.K. food services company Compass Group, Danish wind turbine manufacturer Vestas Wind Systems, Netherlands-based offshore drilling company SBM Offshore and German pharmaceuticals firm Merck. The Fund's cash position also contributed to performance during the period.

It is important to recognize the effect of currency movements on the Fund's performance. In general, if the value of the U.S. dollar goes up compared with a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer U.S. dollars. This can have a negative effect on Fund performance. Conversely, when the U.S. dollar weakens in relation to a foreign currency, an investment traded in that foreign currency will increase in value, which can contribute to Fund performance. For the six months ended June 30, 2008, the U.S. dollar declined in value relative to most non-U.S. currencies. As a result, the Fund's performance was positively affected by the portfolio's investment predominantly in securities with non-U.S. currency exposure. However, one cannot expect the same result in future periods.

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

(PHOTO OF GARY P. MOTYL)

/s/ Gary P. Motyl

Gary P. Motyl, CFA
 Chief Investment Officer -
 Templeton Global Equity Group
 President - Templeton Investment Counsel, LLC

THE FOREGOING INFORMATION REFLECTS OUR ANALYSIS, OPINIONS AND PORTFOLIO HOLDINGS AS OF JUNE 30, 2008, 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 6/30/08

Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities. 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. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses on the sale of Fund shares.

PRICE AND DISTRIBUTION INFORMATION

<TABLE>
 <CAPTION>

PRIMARY SHARES (SYMBOL: TFEQX)	CHANGE	6/30/08	12/31/07
<S>	<C>	<C>	<C>

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

ACTUAL FUND EXPENSES

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. OF COURSE, YOUR ACCOUNT VALUE AND EXPENSES WILL DIFFER FROM THOSE IN THIS ILLUSTRATION:

1. Divide your account value by \$1,000.

IF AN ACCOUNT HAD AN \$8,600 VALUE, THEN $\$8,600 / \$1,000 = 8.6$.

2. Multiply the result by the number under the heading "Expenses Paid During Period."

IF EXPENSES PAID DURING PERIOD WERE \$7.50, THEN $8.6 \times \$7.50 = \64.50 .

In this illustration, the estimated expenses paid this period are \$64.50.

HYPOTHETICAL EXAMPLE FOR COMPARISON WITH OTHER FUNDS

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

Your Fund's Expenses (CONTINUED)

PLEASE NOTE THAT EXPENSES SHOWN IN THE TABLE ARE MEANT TO HIGHLIGHT ONGOING COSTS AND DO NOT REFLECT ANY TRANSACTION COSTS, SUCH AS SALES CHARGES OR REDEMPTION FEES, IF APPLICABLE. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

<TABLE>

<CAPTION>

	BEGINNING ACCOUNT VALUE 1/1/08	ENDING ACCOUNT VALUE 6/30/08	EXPENSES PAID DURING PERIOD* 1/1/08-6/30/08
<S>	<C>	<C>	<C>
PRIMARY SHARES			
Actual	\$1,000	\$ 854.50	\$3.64
Hypothetical (5% return before expenses)	\$1,000	\$1,020.93	\$3.97
SERVICE SHARES			
Actual	\$1,000	\$ 852.00	\$4.33
Hypothetical (5% return before expenses)	\$1,000	\$1,020.19	\$4.72

</TABLE>

* Expenses are calculated using the most recent six-month expense ratio, annualized for each class (Primary Shares: 0.79% and Service Shares: 0.94%), multiplied by the average account value over the period, multiplied by 182/366 to reflect the one-half year period.

FOREIGN EQUITY SERIES

<TABLE> <CAPTION>	SIX MONTHS ENDED JUNE 30, 2008 (UNAUDITED)	YEAR ENDED DECEMBER 31,				
		2007	2006	2005	2004	2003
PRIMARY SHARES						
<S>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE (for a share outstanding throughout the period)						
Net asset value, beginning of period ..	\$ 28.60	\$ 26.67	\$ 22.31	\$ 20.27	\$ 16.95	\$ 12.13
Income from investment operations(a):						
Net investment income(b)	0.52	0.72	0.55	0.42	0.33	0.25
Net realized and unrealized gains (losses)	(4.68)	4.08	5.86	2.32	3.25	4.87
Total from investment operations	(4.16)	4.80	6.41	2.74	3.58	5.12
Less distributions from:						
Net investment income	--	(1.16)	(0.74)	(0.66)	(0.26)	(0.30)
Net realized gains	--	(1.71)	(1.31)	(0.04)	--	--
Total distributions	--	(2.87)	(2.05)	(0.70)	(0.26)	(0.30)
Redemption fees	-- (c)	-- (c)	-- (c)	-- (c)	-- (c)	--
Net asset value, end of period	\$ 24.44	\$ 28.60	\$ 26.67	\$ 22.31	\$ 20.27	\$ 16.95
Total return(d)	(14.55)%	18.45%	29.04%	13.61%	21.25%	42.61%
RATIOS TO AVERAGE NET ASSETS(e)						
Expenses	0.79% (f)	0.78% (f)	0.80% (f)	0.81% (f)	0.82% (f)	0.83%
Net investment income	3.95%	2.46%	2.25%	2.01%	1.89%	1.85%
SUPPLEMENTAL DATA						
Net assets, end of period (000's)	\$7,442,514	\$9,081,511	\$7,311,236	\$6,245,721	\$5,658,170	\$4,642,764
Portfolio turnover rate	4.55%	16.74%	7.59%	12.97%	18.25%	8.93%

</TABLE>

(a) The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

(b) Based on average daily shares outstanding.

(c) Amount rounds to less than \$0.01 per share.

(d) Total return is not annualized for periods less than one year.

(e) Ratios are annualized for periods less than one year.

(f) Benefit of expense reduction rounds to less than 0.01%.

The accompanying notes are an integral part of these financial statements.

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Templeton Institutional Funds

FINANCIAL HIGHLIGHTS (CONTINUED)

FOREIGN EQUITY SERIES

<TABLE> <CAPTION>	SIX MONTHS ENDED JUNE 30, 2008 (UNAUDITED)	YEAR ENDED DECEMBER 31,	
		2007	2006 (a)
SERVICE SHARES			
<S>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE (for a share outstanding throughout the period)			
Net asset value, beginning of period	\$ 28.58	\$ 26.67	\$25.15
Income from investment operations(b):			
Net investment income(c)	0.37	0.36	0.05
Net realized and unrealized gains (losses)	(4.60)	4.42	3.31

Total from investment operations	(4.23)	4.78	3.36
Less distributions from:			
Net investment income	--	(1.16)	(0.66)
Net realized gains	--	(1.71)	(1.18)
Total distributions	--	(2.87)	(1.84)
Redemption fees(d)	--	--	--
Net asset value, end of period	\$ 24.35	\$ 28.58	\$26.67
Total return(e)	(14.80)%	18.37%	13.31%
RATIOS TO AVERAGE NET ASSETS (f)			
Expenses(g)	0.94%	0.92%	0.80%
Net investment income	3.80%	2.32%	2.25%
SUPPLEMENTAL DATA			
Net assets, end of period (000's)	\$ 5,398	\$173,247	\$ 11
Portfolio turnover rate	4.55%	16.74%	7.59%

</TABLE>

(a) For the period September 18, 2006 (effective date) to December 31, 2006.

(b) The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

(c) Based on average daily shares outstanding.

(d) Amount rounds to less than \$0.01 per share.

(e) Total return is not annualized for periods less than one year.

(f) Ratios are annualized for periods less than one year.

(g) Benefit of expense reduction rounds to less than 0.01%.

The accompanying notes are an integral part of these financial statements.

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Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED)

<TABLE>

<CAPTION>

FOREIGN EQUITY SERIES	INDUSTRY	SHARES	VALUE
<S> <C>	<C>	<C>	<C>
COMMON STOCKS 95.3%			
AUSTRALIA 1.0%			
Alumina Ltd.	Metals & Mining	18,009	\$ 81,790
National Australia Bank Ltd.	Commercial Banks	3,035,687	77,079,055
			77,160,845
AUSTRIA 0.9%			
Telekom Austria AG	Diversified Telecommunication Services	2,978,200	64,620,951
BERMUDA 1.4%			
ACE Ltd.	Insurance	1,160,700	63,942,963
Invesco Ltd.	Capital Markets	1,684,580	40,396,229
			104,339,192
BRAZIL 0.7%			
Embraer-Empresa Brasileira de Aeronautica SA, ADR	Aerospace & Defense	2,024,070	53,637,855
CANADA 1.2%			
George Weston Ltd.	Food & Staples Retailing	676,500	31,247,557
Husky Energy Inc.	Oil, Gas & Consumable Fuels	1,157,180	55,366,813
The Jean Coutu Group (PJC) Inc.	Food & Staples Retailing	21,100	170,190
Loblaws Cos. Ltd.	Food & Staples Retailing	8,300	247,369
			87,031,929
CHINA 2.0%			

China Mobile Ltd.	Wireless Telecommunication Services	7,010,500	94,225,579
China Telecom Corp. Ltd., H	Diversified Telecommunication Services	93,366,000	50,770,700

			144,996,279

DENMARK 1.0%			
(a) Vestas Wind Systems AS	Electrical Equipment	588,843	77,083,455

FINLAND 1.3%			
Stora Enso OYJ, R (EUR/FIM Traded)	Paper & Forest Products	1,712,875	16,074,675
Stora Enso OYJ, R (SEK Traded)	Paper & Forest Products	2,880,646	27,018,459
UPM-Kymmene OYJ	Paper & Forest Products	3,367,560	55,146,626

			98,239,760

FRANCE 8.6%			
Accor SA	Hotels, Restaurants & Leisure	517,277	34,559,422
AXA SA	Insurance	2,625,008	77,954,750
(b) AXA SA, 144A	Insurance	11,950	354,879
Compagnie Generale des Etablissements Michelin, B	Auto Components	980,620	70,472,008
France Telecom SA	Diversified Telecommunication Services	4,294,770	126,527,219
Sanofi-Aventis	Pharmaceuticals	1,613,238	107,780,884
Sanofi-Aventis, ADR	Pharmaceuticals	7,073	235,036
Suez SA	Multi-Utilities	778,590	53,010,850
(a) Thomson SA	Household Durables	3,216,240	16,813,448
Total SA, B	Oil, Gas & Consumable Fuels	1,195,532	102,030,674
Valeo SA	Auto Components	2,884	92,639
Vivendi SA	Media	1,267,570	48,101,571

			637,933,380

</TABLE>

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Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED) (CONTINUED)

<TABLE>

<CAPTION>

FOREIGN EQUITY SERIES		INDUSTRY	SHARES	VALUE
<S>	<C>	<C>	<C>	<C>
COMMON STOCKS (CONTINUED)				
GERMANY 11.7%				
	Bayerische Motoren Werke AG	Automobiles	2,161,070	\$ 103,956,180
	Celesio AG	Health Care Providers & Services	2,452,004	88,762,681
	Deutsche Post AG	Air Freight & Logistics	3,993,430	103,941,551
	E.ON AG	Electric Utilities	767,900	154,878,152
	E.ON AG, ADR	Electric Utilities	4,820	323,542
(a)	Infineon Technologies AG	Semiconductors & Semiconductor Equipment	7,040,480	60,529,234
	Merck KGaA	Pharmaceuticals	695,350	98,639,375
	Muenchener Rueckversicherungs-Gesellschaft AG	Insurance	334,217	58,556,740
	SAP AG	Software	1,582,900	82,599,277
	Siemens AG	Industrial Conglomerates	1,090,950	120,452,833

				872,639,565

HONG KONG 1.8%				
	Cheung Kong (Holdings) Ltd.	Real Estate Management & Development	2,662,500	35,888,134
	Cheung Kong (Holdings) Ltd., ADR	Real Estate Management & Development	32,735	438,485
	Hutchison Whampoa Ltd.	Industrial Conglomerates	4,132,350	41,656,059
	Hutchison Whampoa Ltd., ADR	Industrial Conglomerates	4,895	245,974
	Swire Pacific Ltd., A	Real Estate Management & Development	5,685,900	58,155,186
	Swire Pacific Ltd., B	Real Estate Management & Development	159,500	327,295

				136,711,133

INDIA 3.7%				
	Bharat Petroleum Corp. Ltd.	Oil, Gas & Consumable Fuels	3,599,933	19,400,058
	Housing Development Finance Corp. Ltd.	Thriffs & Mortgage Finance	2,473,824	113,082,512
(a)	ICICI Bank Ltd.	Commercial Banks	5,134,600	75,374,445
	Satyam Computer Services Ltd.	IT Services	6,695,072	68,174,953
	Satyam Computer Services Ltd., ADR	IT Services	95,400	2,339,208
	Tata Motors Ltd., ADR	Machinery	1,200	12,060

				278,383,236

ISRAEL 0.8%				

(a) Check Point Software Technologies Ltd.	Software	2,560,120	60,598,040
ITALY 3.5%			
Eni SpA	Oil, Gas & Consumable Fuels	2,544,680	94,962,423
Intesa Sanpaolo SpA	Commercial Banks	9,461,066	54,040,301
Mediaset SpA	Media	7,505,615	49,489,306
UniCredit SpA	Commercial Banks	9,714,419	59,464,463
			257,956,493
JAPAN 4.0%			
Aiful Corp.	Consumer Finance	12,850	148,877
FUJIFILM Holdings Corp.	Electronic Equipment & Instruments	1,107,100	38,062,591
Mitsubishi UFJ Financial Group Inc.	Commercial Banks	3,595,500	31,868,935
NGK Spark Plug Co. Ltd.	Auto Components	3,454,000	39,659,266
Nintendo Co. Ltd.	Software	179,300	101,163,943
Olympus Corp.	Health Care Equipment & Supplies	4,000	135,261
Promise Co. Ltd.	Consumer Finance	7,150	200,024
Sony Corp.	Household Durables	1,071,400	46,826,129

</TABLE>

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Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED) (CONTINUED)

<TABLE>

<CAPTION>

FOREIGN EQUITY SERIES	INDUSTRY	SHARES	VALUE
<S> <C>	<C>	<C>	<C>
COMMON STOCKS (CONTINUED)			
JAPAN (CONTINUED)			
Sony Corp., ADR	Household Durables	7,525	\$ 329,143
Takeda Pharmaceutical Co. Ltd.	Pharmaceuticals	798,800	40,630,340
			299,024,509
MEXICO 0.7%			
Telefonos de Mexico SAB de CV (Telmex), L, ADR	Diversified Telecommunication Services	1,357,714	32,150,668
(a) Telmex Internacional SAB de CV, ADR	Diversified Telecommunication Services	1,357,714	21,859,195
			54,009,863
NETHERLANDS 6.0%			
ING Groep NV	Diversified Financial Services	2,668,023	85,092,656
ING Groep NV, ADR	Diversified Financial Services	13,475	425,136
Koninklijke Philips Electronics NV	Industrial Conglomerates	3,089,051	105,111,470
Koninklijke Philips Electronics NV, N.Y. shs.	Industrial Conglomerates	12,405	419,289
Randstad Holding NV	Commercial Services & Supplies	560,205	19,582,594
Royal Dutch Shell PLC, A, ADR	Oil, Gas & Consumable Fuels	6,990	571,153
SBM Offshore NV	Energy Equipment & Services	2,401,040	88,619,086
Unilever NV	Food Products	3,950,410	112,152,295
Unilever NV, N.Y. shs.	Food Products	19,310	548,404
Wolters Kluwer NV	Media	1,559,735	36,446,429
			448,968,512
NORWAY 1.6%			
Telenor ASA	Diversified Telecommunication Services	6,484,888	122,010,344
PORTUGAL 1.1%			
Portugal Telecom SGPS SA	Diversified Telecommunication Services	6,706,026	76,132,618
ZON Multimedia Servicos de Telecomunicacoes e Multimedia SGPS SA	Media	808,847	6,724,663
			82,857,281
RUSSIA 0.0%(c)			
Gazprom, ADR	Oil, Gas & Consumable Fuels	7,100	411,978
SINGAPORE 2.7%			
DBS Group Holdings Ltd.	Commercial Banks	7,205,185	99,885,912
DBS Group Holdings Ltd., ADR	Commercial Banks	7,805	432,787
(a) Flextronics International Ltd.	Electronic Equipment & Instruments	5,135,950	48,277,930
Singapore Telecommunications Ltd.	Diversified Telecommunication Services	21,023,000	55,939,770
			204,536,399

SOUTH KOREA 3.6%			
Kookmin Bank	Commercial Banks	936,835	55,323,844
Kookmin Bank, ADR	Commercial Banks	231,138	13,523,885
Korea Electric Power Corp.	Electric Utilities	1,192,700	35,045,891
Korea Electric Power Corp., ADR	Electric Utilities	12,395	180,099
LG Electronics Inc.	Household Durables	562,263	63,667,621
Samsung Electronics Co. Ltd.	Semiconductors & Semiconductor Equipment	161,786	96,623,268
SK Telecom Co. Ltd., ADR	Wireless Telecommunication Services	12,830	266,479

			264,631,087

</TABLE>

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Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED) (CONTINUED)

<TABLE>

<CAPTION>

FOREIGN EQUITY SERIES	INDUSTRY	SHARES	VALUE
-----	-----	-----	-----
<S> <C>	<C>	<C>	<C>
COMMON STOCKS (CONTINUED)			
Spain 4.6%			
Banco Santander SA	Commercial Banks	4,818,482	\$ 88,542,415
Repsol YPF SA	Oil, Gas & Consumable Fuels	2,622,107	103,343,109
Telefonica SA	Diversified Telecommunication Services	5,679,039	150,944,592
Telefonica SA, ADR	Diversified Telecommunication Services	9,232	734,683

			343,564,799

SWEDEN 3.1%			
Atlas Copco AB, A	Machinery	6,529,800	96,203,415
Niscayah Group AB	Commercial Services & Supplies	2,004,100	4,358,258
Nordea Bank AB, FDR	Commercial Banks	7,570,408	105,495,230
Securitas AB, B	Commercial Services & Supplies	2,021,380	23,489,201

			229,546,104

SWITZERLAND 7.0%			
Adecco SA	Commercial Services & Supplies	1,072,550	53,233,759
Lonza Group AG	Life Sciences Tools & Services	713,940	99,036,024
Nestle SA	Food Products	2,791,040	126,122,767
Nestle SA, ADR	Food Products	2,310	261,030
Novartis AG	Pharmaceuticals	2,388,370	131,518,172
Swiss Reinsurance Co.	Insurance	1,096,343	73,035,870
Swiss Reinsurance Co., ADR	Insurance	3,295	218,623
(a) UBS AG	Capital Markets	1,656,275	34,222,327

			517,648,572

TAIWAN 2.6%			
(a) Chinatrust Financial Holding Co. Ltd.	Commercial Banks	81,127,000	78,312,559
Chunghwa Telecom Co. Ltd., ADR	Diversified Telecommunication Services	1,317,310	33,420,155
(b) Compal Electronics Inc., GDR, 144A	Computers & Peripherals	4,470,503	23,201,911
(d) Compal Electronics Inc., GDR, Reg S	Computers & Peripherals	1,141,266	5,923,170
Taiwan Semiconductor Manufacturing Co. Ltd.	Semiconductors & Semiconductor Equipment	24,264,000	51,960,597

			192,818,392

THAILAND 0.0% (C)			
Advanced Info Service Public Co. Ltd., fgn.	Wireless Telecommunication Services	46,500	128,664

UNITED KINGDOM 18.4%			
Aviva PLC	Insurance	7,603,360	75,890,453
BAE Systems PLC	Aerospace & Defense	11,819,048	104,193,263
BP PLC	Oil, Gas & Consumable Fuels	9,611,310	111,681,490
BP PLC, ADR	Oil, Gas & Consumable Fuels	11,290	785,445
British Energy Group PLC	Electric Utilities	29,280	415,332
British Sky Broadcasting Group PLC	Media	6,428,333	60,448,320
Cadbury PLC	Food Products	5,018,837	63,242,276
Cadbury PLC, ADR	Food Products	1,120	56,359
Compass Group PLC	Hotels, Restaurants & Leisure	8,280,672	62,606,760
GKN PLC	Auto Components	32,320	143,589
GlaxoSmithKline PLC	Pharmaceuticals	5,329,090	118,165,878
HSBC Holdings PLC	Commercial Banks	5,115,117	79,310,946
HSBC Holdings PLC, ADR	Commercial Banks	3,930	301,431

</TABLE>

Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED) (CONTINUED)

<TABLE> <CAPTION>			
FOREIGN EQUITY SERIES	INDUSTRY	SHARES	VALUE
-----	-----	-----	-----
<S> <C>	<C>	<C>	<C>
COMMON STOCKS (CONTINUED)			
UNITED KINGDOM (CONTINUED)			
Kingfisher PLC	Specialty Retail	6,234,170	\$ 13,947,689
National Grid PLC	Multi-Utilities	4,171,879	54,896,972
Old Mutual PLC	Insurance	20,224,500	37,391,220
Pearson PLC	Media	4,931,080	60,368,141
Premier Foods PLC	Food Products	73,200	139,270
Rentokil Initial PLC	Commercial Services & Supplies	130,470	258,629
Rexam PLC	Containers & Packaging	11,450	88,394
Rolls-Royce Group PLC	Aerospace & Defense	14,152,969	96,290,209
(a) Rolls-Royce Group PLC, B	Aerospace & Defense	1,270,832,820	2,531,817
Royal Bank of Scotland Group PLC	Commercial Banks	14,384,530	61,613,801
Royal Dutch Shell PLC, B	Oil, Gas & Consumable Fuels	13,345	536,783
Royal Dutch Shell PLC, B, ADR	Oil, Gas & Consumable Fuels	1,489,527	119,326,008
Smiths Group PLC	Industrial Conglomerates	2,079,476	44,991,203
Standard Chartered PLC	Commercial Banks	2,824,950	80,480,501
Unilever PLC, ADR	Food Products	3,165	89,918
Vodafone Group PLC	Wireless Telecommunication Services	36,192,270	107,543,198
William Morrison Supermarkets PLC	Food & Staples Retailing	52,720	279,646
Wolseley PLC	Trading Companies & Distributors	6,570	49,281
Yell Group PLC	Media	6,303,800	8,853,916

			1,366,918,138

UNITED STATES 0.3%			
(a) Dr.Pepper Snapple Group Inc.	Beverages	159,471	3,345,702
News Corp., A	Media	1,133,799	17,052,337

			20,398,039

TOTAL COMMON STOCKS BEFORE SHORT TERM INVESTMENTS (COST \$4,919,387,660)			7,098,804,794

</TABLE>			
<TABLE> <CAPTION>			
		PRINCIPAL AMOUNT	

<S> <C>	<C>	<C>	<C>
SHORT TERM INVESTMENTS 4.5%			
U.S. GOVERNMENT AND AGENCY SECURITIES 1.8%			
(e) FFCB, 10/15/08		\$ 12,000,000	11,915,376
FHLB, 2.45%, 9/11/08 - 12/10/08		77,975,000	77,730,083
FHLB, 2.56%, 2/13/09		25,000,000	24,967,775
(e) FHLMC, 11/05/08		15,000,000	14,870,085
(e) FNMA, 8/01/08		4,423,000	4,414,601

TOTAL U.S. GOVERNMENT AND AGENCY SECURITIES (COST \$133,996,833)			133,897,920

TOTAL INVESTMENTS BEFORE MONEY MARKET FUND (COST \$5,053,384,493)			7,232,702,714

</TABLE>

Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED) (CONTINUED)

<TABLE> <CAPTION>			
FOREIGN EQUITY SERIES		SHARES	VALUE

<S> <C>	<C>	<C>
SHORT TERM INVESTMENTS (CONTINUED)		
Money Market Fund (Cost \$196,882,367) 2.7%		
(f) Franklin Institutional Fiduciary Trust Money Market Portfolio, 2.17%	196,882,367	\$ 196,882,367
TOTAL INVESTMENTS		
(COST \$5,250,266,860) 99.8%		7,429,585,081
OTHER ASSETS, LESS LIABILITIES 0.2%		18,327,146
NET ASSETS 100.0%		\$7,447,912,227

</TABLE>

SELECTED PORTFOLIO ABBREVIATIONS

- ADR - American Depository Receipt
- FDR - Foreign Depository Receipt
- FFCB - Federal Farm Credit Bank
- FHLB - Federal Home Loan Bank
- FHLMC - Federal Home Loan Mortgage Corp.
- FNMA - Federal National Mortgage Association
- GDR - Global Depository Receipt

- (a) Non-income producing for the twelve months ended June 30, 2008.
- (b) Security 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 June 30, 2008, the aggregate value of these securities was \$23,556,790, representing 0.32% of net assets.
- (c) Rounds to less than 0.1% of net assets.
- (d) Security 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. This security has been deemed liquid under guidelines approved by the Fund's Board of Trustees. At June 30, 2008, the value of this security was \$5,923,170, representing 0.08% of net assets.
- (e) The security is traded on a discount basis with no stated coupon rate.
- (f) See Note 7 regarding investments in the Franklin Institutional Fiduciary Trust Money Market Portfolio. The rate shown is the annualized seven-day yield at period end.

The accompanying notes are an integral part of these financial statements.

Templeton Institutional Funds

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES
June 30, 2008 (unaudited)

<TABLE>
<CAPTION>

<S>	<C>
Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	\$5,053,384,493
Cost - Sweep Money Fund (Note 7)	196,882,367
Total cost of investments	\$5,250,266,860
Value - Unaffiliated issuers	\$7,232,702,714
Value - Sweep Money Fund (Note 7)	196,882,367
Total value of investments	7,429,585,081
Cash	2,139,115
Foreign currency, at value (cost \$572,540)	572,449
Receivables:	

Capital shares sold	4,406,750
Dividends and interest	22,142,903

Total assets	7,458,846,298

Liabilities:	
Payables:	
Capital shares redeemed	5,705,042
Affiliates	4,815,046
Accrued expenses and other liabilities	413,983

Total liabilities	10,934,071

Net assets, at value	\$7,447,912,227

Net assets consist of:	
Paid-in capital	\$4,849,687,749
Undistributed net investment income	4,361,275
Net unrealized appreciation (depreciation)	2,180,559,599
Accumulated net realized gain (loss)	413,303,604

Net assets, at value	\$7,447,912,227

PRIMARY SHARES:	
Net assets, at value	\$7,442,514,464
	=====
Shares outstanding	304,469,315
	=====
Net asset value per share(a)	\$ 24.44
	=====
SERVICE SHARES:	
Net assets, at value	\$ 5,397,763
	=====
Shares outstanding	221,658
	=====
Net asset value per share(a)	\$ 24.35
	=====

</TABLE>

(a) Redemption price is equal to net asset value less redemption fees retained by the Fund.

The accompanying notes are an integral part of these financial statements.

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Templeton Institutional Funds

FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF OPERATIONS
for the six months ended June 30, 2008 (unaudited)

<TABLE>
<CAPTION>

	FOREIGN EQUITY SERIES

<S>	<C>
Investment income:	
Dividends (net of foreign taxes of \$22,430,084)	
Unaffiliated issuers	\$ 190,815,573
Sweep Money Fund (Note 7)	1,108,429
Interest	3,319,191

Total investment income	195,243,193

Expenses:	
Management fees (Note 3a)	27,651,789
Administrative fees (Note 3b)	3,299,920
Transfer agent fees (Note 3c)	48,625
Sub-transfer agent fees - Service Shares (Note 3c)	78,012
Custodian fees (Note 4)	1,283,115
Reports to shareholders	38,056
Registration and filing fees	57,886
Professional fees	80,220
Trustees' fees and expenses	67,648
Other	85,674

Total expenses	32,690,945
Expense reductions (Note 4)	(32,105)

Net expenses	32,658,840
Net investment income	162,584,353
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	212,830,010
Foreign currency transactions	(2,759,402)
Net realized gain (loss)	210,070,608
Net change in unrealized appreciation (depreciation) on:	
Investments	(1,679,812,686)
Translation of assets and liabilities denominated in foreign currencies	1,842,147
Change in deferred taxes on unrealized appreciation (depreciation).....	2,104,690
Net change in unrealized appreciation (depreciation)	(1,675,865,849)
Net realized and unrealized gain (loss)	(1,465,795,241)
Net increase (decrease) in net assets resulting from operations	\$ (1,303,210,888)

</TABLE>

The accompanying notes are an integral part of these financial statements.

Templeton Institutional Funds

FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF CHANGES IN NET ASSETS

<TABLE>
<CAPTION>

	FOREIGN EQUITY SERIES	
	SIX MONTHS ENDED JUNE 30, 2008 (UNAUDITED)	YEAR ENDED DECEMBER 31, 2007
<S>	<C>	<C>
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 162,584,353	\$ 206,626,441
Net realized gain (loss) from investments and foreign currency transactions	210,070,608	752,853,744
Net change in unrealized appreciation (depreciation) on investments, translation of assets and liabilities denominated in foreign currencies and deferred taxes	(1,675,865,849)	447,476,103
Net increase (decrease) in net assets resulting from operations	(1,303,210,888)	1,406,956,288
Distributions to shareholders from:		
Net investment income:		
Primary Shares	--	(337,298,627)
Service Shares	--	(6,047,617)
Net realized gains:		
Primary Shares	--	(495,682,366)
Service Shares	--	(8,697,904)
Total distributions to shareholders	--	(847,726,514)
Capital share transactions: (Note 2)		
Primary Shares	(345,712,713)	1,208,441,383
Service Shares	(157,945,441)	175,811,194
Total capital share transactions	(503,658,154)	1,384,252,577
Redemption fees	23,608	28,313
Net increase (decrease) in net assets	(1,806,845,434)	1,943,510,664
Net assets:		

Beginning of period	9,254,757,661	7,311,246,997
	-----	-----
End of period	\$ 7,447,912,227	\$9,254,757,661
	=====	=====
Undistributed net investment income (distributions in excess of net investment income) included in net assets:		
End of period	\$ 4,361,275	\$ (158,223,078)
	=====	=====

</TABLE>

The accompanying notes are an integral part of these financial statements.

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Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

FOREIGN EQUITY SERIES

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Templeton Institutional Funds (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of four separate funds. The Foreign Equity Series (Fund) included in this report is diversified. The financial statements of the remaining funds in the Trust are presented separately. The Fund offers two classes of shares: Primary and Service shares. Each class of shares differs by its voting rights on matters affecting a single class.

The following summarizes the Fund's significant accounting policies.

A. SECURITY VALUATION

Securities listed on a securities exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter securities and listed securities for which there is no reported sale are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Investments in open-end mutual funds are valued at the closing net asset value.

Government securities generally trade in the over-the-counter market rather than on a securities exchange. The Fund may utilize independent pricing services, quotations from bond dealers, and information with respect to bond and note transactions, to assist in determining a current market value for each security. The Fund's pricing services may use valuation models or matrix pricing which considers information with respect to comparable bond and note transactions, quotations from bond dealers, or by reference to other securities that are considered comparable in such characteristics as rating, interest rate and maturity date, option adjusted spread models, prepayment projections, interest rate spreads and yield curves, to determine current value.

Foreign securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or the NYSE, whichever is earlier. If no sale is reported at that time, the foreign security will be valued within the range of the most recent quoted bid and ask prices. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the day that the value of the foreign security is determined.

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Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

FOREIGN EQUITY SERIES

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. SECURITY VALUATION (CONTINUED)

The Fund has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available or which may not be reliably priced. Methods for valuing these securities may include: fundamental analysis, matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions

on the disposition of the securities. Due to the inherent uncertainty of valuations of such securities, the fair values may differ significantly from the values that would have been used had a ready market for such investments existed. Occasionally, events occur between the time at which trading in a security is completed and the close of the NYSE that might call into question the availability (including the reliability) of the value of a portfolio security held by the Fund. The investment manager monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depository Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services. All security valuation procedures are approved by the Fund's Board of Trustees.

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. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. 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 Fund's Board of Trustees.

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 on 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.

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Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

FOREIGN EQUITY SERIES

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. FOREIGN CURRENCY CONTRACTS

When the Fund purchases or sells foreign securities it may enter into foreign exchange contracts to minimize foreign exchange risk from the trade date to the settlement date of the transactions. A foreign exchange contract is an agreement between two parties to exchange different currencies at an agreed upon exchange rate at a future date. Realized and unrealized gains and losses on these contracts are included in the Statement of Operations.

The risks of these contracts include movement in the values of the foreign currencies relative to the U.S. dollar and the possible inability of the counterparties to fulfill their obligations under the contracts, which may be in excess of the amount reflected in the Statement of Assets and Liabilities.

D. INCOME AND DEFERRED TAXES

No provision has been made for U.S. income taxes because it is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code and to distribute to shareholders substantially all of its taxable income and net realized gains.

Foreign securities held by the Fund may be subject to foreign taxation on dividend and interest income received. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests.

The Fund may be subject to a tax imposed on net realized gains on securities of certain foreign countries. The Fund records an estimated deferred tax liability for net unrealized gains on these securities in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund has reviewed the tax positions taken on federal income tax returns, for each of the three open tax years and as of June 30, 2008, and has determined that no provision for income tax is required in the Fund's financial statements.

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. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the Fund is notified of the ex-dividend date. 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 accounting principles

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Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

FOREIGN EQUITY SERIES

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. SECURITY TRANSACTIONS, INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS (CONTINUED)

generally accepted in the United States of America. 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.

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

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

F. ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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.

G. REDEMPTION FEES

A short term trading redemption fee will be imposed, with some exceptions, on any Fund shares that are redeemed or exchanged within seven calendar days following their purchase date. The redemption fee is 2% of the amount redeemed. Such fees are retained by the Fund and accounted for as an addition to paid-in capital.

H. GUARANTEES AND INDEMNIFICATIONS

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

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Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

FOREIGN EQUITY SERIES

2. SHARES OF BENEFICIAL INTEREST

At June 30, 2008, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30, 2008		YEAR ENDED DECEMBER 31, 2007	
	Shares	Amount	Shares	Amount
<S>	<C>	<C>	<C>	<C>
PRIMARY SHARES:				
Shares sold	22,567,412	\$ 588,491,519	62,169,907	\$ 1,790,944,002
Shares issued in reinvestment of distributions	--	--	26,528,242	733,703,547
Shares redeemed	(35,637,645)	(934,204,232)	(45,282,230)	(1,316,206,166)
Net increase (decrease)	(13,070,233)	\$(345,712,713)	43,415,919	\$ 1,208,441,383
=====				
SERVICE SHARES:				
Shares sold	463,430	\$ 12,029,216	5,842,118	\$ 170,491,561
Shares issued in reinvestment of distributions	--	--	531,207	14,745,444
Shares redeemed	(6,302,876)	(169,974,657)	(312,618)	(9,425,811)
Net increase (decrease)	(5,839,446)	\$(157,945,441)	6,060,707	\$ 175,811,194
=====				

</TABLE>

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 Trust are also officers and/or directors of the following subsidiaries:

<TABLE>
<CAPTION>

SUBSIDIARY	AFFILIATION
<S>	<C>
Templeton Investment Counsel, LLC (TIC)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

</TABLE>

A. MANAGEMENT FEES

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

<TABLE>
<CAPTION>

ANNUALIZED FEE RATE	NET ASSETS
<S>	<C>
0.700%	Up to and including \$1 billion
0.680%	Over \$1 billion, up to and including \$5 billion
0.660%	Over \$5 billion, up to and including \$10 billion
0.640%	Over \$10 billion, up to and including \$15 billion
0.620%	Over \$15 billion, up to and including \$20 billion
0.600%	In excess of \$ 20 billion

</TABLE>

The Fund pays its allocated share of an administrative fee to FT Services based on the aggregate average daily net assets of certain funds within the Trust as follows:

ANNUALIZED FEE RATE	NET ASSETS
<S>	<C>
0.150%	Up to and including \$200 million
0.135%	Over \$200 million, up to and including \$700 million
0.100%	Over \$700 million, up to and including \$1.2 billion
0.075%	In excess of \$ 1.2 billion

C. TRANSFER AGENT FEES

For the period ended June 30, 2008, the Fund paid transfer agent fees, including sub-transfer agency fees, of \$126,637, of which \$43,331 was retained by Investor Services.

Service Shares may pay up to 0.15% of average daily net assets for sub-transfer agency fees. For the period ended June 30, 2008, the Fund paid \$78,012 for sub-transfer agency fees.

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 June 30, 2008, the custodian fees were reduced as noted in the Statement of Operations.

5. INCOME TAXES

At June 30, 2008, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

	<C>
Cost of investments	\$5,416,745,963
	=====
Unrealized appreciation	\$2,564,302,468
Unrealized depreciation	(551,463,350)

Net unrealized appreciation (depreciation) ...	\$2,012,839,118
	=====

Net investment income differs for financial statement and tax purposes primarily due to differing treatments of foreign currency transactions and passive foreign investment company shares.

Net realized gains (losses) differ for financial statement and tax purposes primarily due to differing treatments of wash sales, foreign currency transactions, and passive foreign investment company shares.

Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

FOREIGN EQUITY SERIES

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2008, aggregated \$370,194,266 and \$2,062,172,258, respectively.

7. INVESTMENTS IN FRANKLIN INSTITUTIONAL FIDUCIARY TRUST MONEY MARKET PORTFOLIO

The Fund may invest in the Franklin Institutional Fiduciary Trust Money Market Portfolio (Sweep Money Fund), an open-end investment company managed by Franklin Advisers, Inc. (an affiliate of the investment manager). Management fees paid by the Fund are reduced on assets invested in the Sweep Money Fund, in an amount not to exceed the management and administrative fees paid by the Sweep Money Fund.

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. FAIR VALUE MEASUREMENTS

The Fund adopted Financial Accounting Standards Board (FASB) issued FASB Statement No. 157, "Fair Value Measurement" (SFAS 157), on January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Fund has determined that the implementation of SFAS 157 did not have a material impact on the Fund's financial statements.

SFAS 157 establishes a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's investments and are summarized in the following fair value hierarchy:

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

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Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

FOREIGN EQUITY SERIES

9. FAIR VALUE MEASUREMENTS (CONTINUED)

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of June 30, 2008, in valuing the Fund's assets carried at fair value:

<TABLE>
<CAPTION>

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
ASSETS:				
Investments in Securities	\$7,292,800,465	\$136,784,616	\$--	\$7,429,585,081

</TABLE>

10. NEW ACCOUNTING PRONOUNCEMENTS

In March 2008, FASB issued FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS 161), which expands disclosures about derivative investments and hedging activities. SFAS 161 is effective for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Fund is currently evaluating the impact, if any, of applying the various provisions of SFAS 161.

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Templeton Institutional Funds

SHAREHOLDER INFORMATION

FOREIGN EQUITY SERIES

BOARD REVIEW OF INVESTMENT MANAGEMENT AGREEMENT

At a meeting held February 25, 2008, the Board of Directors (Board), including a majority of non-interested or independent Directors, approved renewal of the investment management agreements for each of the three separate series comprising Templeton Institutional Funds including the Foreign Equity Series (Fund(s)). In reaching this decision, the Board took into account information furnished throughout the year at regular Board meetings, as well as information prepared specifically in connection with the annual renewal review process. Information furnished and discussed throughout the year included investment

performance reports and related financial information for each Fund, as well as periodic reports on shareholder services, legal, compliance, pricing, brokerage commissions and execution and other services provided by the Investment Manager (Manager) and its affiliates. Information furnished specifically in connection with the renewal process included a report for each Fund prepared by Lipper, Inc. (Lipper), an independent organization, as well as a Fund profitability analysis report prepared by management. The Lipper reports compared each Fund's investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper. The Fund profitability analysis report discussed the profitability to Franklin Templeton Investments from its overall U.S. fund operations, as well as on an individual fund-by-fund basis. Included with such profitability analysis report was information on a fund-by-fund basis listing portfolio managers and other accounts they manage, as well as information on management fees charged by the Manager and its affiliates including management's explanation of differences where relevant and a three-year expense analysis with an explanation for any increase in expense ratios. Additional material accompanying such report was a memorandum prepared by management describing project initiatives and capital investments relating to the services provided to the Funds by the Franklin Templeton Investments organization, as well as a memorandum relating to economies of scale.

In considering such materials, the independent Directors received assistance and advice from and met separately with independent counsel. While the investment management agreements for all Funds were considered at the same Board meeting, the Board dealt with each Fund separately. In approving continuance of the investment management agreement for each Fund, the Board, including a majority of independent Directors, determined that the existing management fee structure was fair and reasonable and that continuance of the investment management agreement was in the best interests of each Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's decision.

NATURE, EXTENT AND QUALITY OF SERVICES. The Board was satisfied with the nature and quality of the overall services provided by the Manager and its affiliates to the Fund and its shareholders. In addition to investment performance and expenses discussed later, the Board's opinion was based, in part, upon periodic reports furnished them showing that the investment policies and restrictions for the Fund were consistently complied with as well as other reports periodically furnished the Board covering matters such as the compliance of portfolio managers

Templeton Institutional Funds

SHAREHOLDER INFORMATION (CONTINUED)

FOREIGN EQUITY SERIES

BOARD REVIEW OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

and other management personnel with the code of ethics adopted throughout the Franklin Templeton fund complex, the adherence to fair value pricing procedures established by the Board, and the accuracy of net asset value calculations. The Board also noted the extent of benefits provided Fund shareholders from being part of the Franklin Templeton family of funds, including the right to exchange investments between the same class of funds without a sales charge, the ability to reinvest Fund dividends into other funds and the right to combine holdings in other funds to obtain a reduced sales charge. Favorable consideration was given to management's continuous efforts and expenditures in establishing back-up systems and recovery procedures to function in the event of a natural disaster, it being noted that such systems and procedures had functioned smoothly during the Florida hurricanes and blackouts experienced in recent years. Among other factors taken into account by the Board were the Manager's best execution trading policies, including a favorable report by an independent portfolio trading analytical firm. Consideration was also given to the experience of the Fund's portfolio management team, the number of accounts managed and general method of compensation. In this latter respect, the Board noted that a primary factor in management's determination of a portfolio manager's bonus compensation was the relative investment performance of the funds he or she managed and that a portion of such bonus was required to be invested in a predesignated list of funds within such person's fund management area so as to be aligned with the interests of Fund shareholders. The Board also took into account the quality of transfer agent and shareholder services provided Fund shareholders by an affiliate of the Manager, noting continuing expenditures by management to increase and improve the scope of such services, periodic favorable reports on such service conducted by third parties, the high industry ranking given to the Franklin Templeton website, and the firsthand experience of individual Board members who deal with the shareholder services department in their capacities as shareholders in one or more of the various Franklin Templeton funds.

INVESTMENT PERFORMANCE. The Board placed significant emphasis on the investment

performance of the Fund in view of its importance to shareholders. While consideration was given to performing reports and discussions with portfolio managers at Board meetings during the year, particular attention in assessing performance was given to the Lipper reports furnished for the agreement renewals. The Lipper reports prepared for the Fund showed its investment performance in comparison with its Lipper selected performance universe during 2007, as well as during the previous 10 years ended December 31, 2007. The following summarizes the performance results for the Fund.

The Lipper performance universe for the Fund consisted of all retail and institutional international multi-cap core funds as designated by Lipper. The Lipper report for this Fund showed its total return during 2007 placed it in the highest quintile of its performance universe and on an annualized basis was also in the highest quintile of such universe for each of the previous three-, five- and 10-year periods. The Board was satisfied with such performance.

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Templeton Institutional Funds

SHAREHOLDER INFORMATION (CONTINUED)

FOREIGN EQUITY SERIES

BOARD REVIEW OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

COMPARATIVE EXPENSES. Consideration was given to a comparative analysis of the management fees and total expense ratios of the Fund compared with those of a group of other funds selected by Lipper as its appropriate Lipper expense group. Prior to making such comparison, the Board relied upon a survey showing that the scope of services covered under the Fund's investment management agreement was similar to those provided by fund managers to other mutual fund groups. In reviewing comparative costs, emphasis was given to the Fund's contractual investment management fee in comparison with the contractual investment management fee that would have been charged by other funds within its Lipper expense group assuming they were similar in size to the Fund, as well as the actual total expenses of the Fund in comparison with those of its Lipper expense group. The Lipper contractual investment management fee analysis includes administrative fees as being part of a management fee. The Lipper report for the Foreign Equity Series showed the Fund's contractual investment management fee rate to be at the median of its expense group, but that its actual total expenses were in the least expensive quintile of its expense group. The Board was satisfied with the expenses of the Fund.

MANAGEMENT PROFITABILITY. The Board also considered the level of profits realized by the Manager and its affiliates in connection with the operation of the Fund. In this respect, the Board reviewed the Fund profitability analysis that addresses the overall profitability of Franklin Templeton's U.S. fund business, as well as its profits in providing management and other services to the Fund. Specific attention was given to the methodology followed in allocating costs to the Fund, it being recognized that allocation methodologies are inherently subjective and various allocation methodologies may each be reasonable while producing different results. In this respect, the Board noted that, while being continuously refined and reflecting changes in the Manager's own cost accounting, the cost allocation methodology was consistent with that followed in profitability report presentations for the Fund made in prior years and that the Fund's independent registered public accounting firm had been engaged by the Manager to perform certain procedures on a biennial basis, specified and approved by the Manager and the Fund's Board solely for their purposes and use in reference to the profitability analysis. In reviewing and discussing such analysis, management discussed with the Board its belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to the Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. The Board also took into account management's expenditures in improving shareholder services provided the Fund, as well as the need to meet additional regulatory and compliance requirements resulting from the Sarbanes-Oxley Act and recent SEC and other regulatory requirements. In addition, the Board considered a third-party study comparing the profitability of the Manager's parent on an overall basis as compared to other publicly held managers broken down to show profitability from management operations exclusive of distribution expenses, as well as profitability including distribution expenses. The Board also

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Templeton Institutional Funds

FOREIGN EQUITY SERIES

BOARD REVIEW OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

considered the extent to which the Manager and its affiliates might derive ancillary benefits from fund operations, as well as potential benefits resulting from allocation of fund brokerage and the use of "soft" commission dollars to pay for research. Based upon its consideration of all these factors, the Board determined that the level of profits realized by the Manager and its affiliates from providing services to the Fund was not excessive in view of the nature, quality and extent of services provided.

ECONOMIES OF SCALE. The Board also considered whether economies of scale are realized by the Manager as the Fund grows larger and the extent to which this is reflected in the level of management fees charged. While recognizing that any precise determination is inherently subjective, the Board noted that based upon the Fund profitability analysis, it appears that as some funds get larger, at some point economies of scale do result in the Manager realizing a larger profit margin on management services provided such a fund. The Foreign Equity Series' management advisory fee schedule is at the rate of 0.70% on the first \$1 billion of Fund net assets; 0.68% on the next \$4 billion of Fund net assets; 0.66% on the next \$5 billion of Fund net assets; 0.64% on the next \$5 billion of Fund net assets; 0.62% on the next \$5 billion of Fund net assets; and 0.60% on net assets in excess of \$20 billion. This Fund is also charged a separate fee for administrative services that starts at 0.15% on the first \$200 million of Fund net assets, and declines through breakpoints to a fixed rate of 0.075% after net assets reach the \$1.2 billion level. At the end of 2007, this Fund's net assets were approximately \$9 billion, and to the extent economies of scale may be realized by the manager and its affiliates, the Board believes the schedules of management advisory and administrative fees provides a sharing of benefits with this Fund and its shareholders.

PROXY VOTING POLICIES AND PROCEDURES

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at 1-954/527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 500 East Broward Boulevard, Suite 1500, Fort Lauderdale, FL 33394, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

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Templeton Institutional Funds

SHAREHOLDER INFORMATION (CONTINUED)

FOREIGN EQUITY SERIES

QUARTERLY STATEMENT OF INVESTMENTS

The Fund files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling 1-800/SEC-0330.

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(FRANKLIN TEMPLETON INSTITUTIONAL(R) LOGO) 600 Fifth Avenue
New York, NY 10020

SEMIANNUAL REPORT

TEMPLETON INSTITUTIONAL FUNDS

Foreign Equity Series

INVESTMENT MANAGER

Templeton Investment Counsel, LLC

DISTRIBUTOR
Franklin Templeton Distributors, Inc.
One Franklin Parkway
San Mateo, CA 94403-1906

FRANKLIN TEMPLETON INSTITUTIONAL SERVICES
(800) 321-8563
ftinstitutional.com

Authorized for distribution only when accompanied or preceded by a prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. Like any investment in securities, the value of the Fund's portfolio will be subject to the risk of loss from market, currency, economic, political and other factors. The Fund and its investors are not protected from such losses by the investment manager. Therefore, investors who cannot accept this risk should not invest in shares of the Fund. The prospectus contains this and other information; please read it carefully before investing.

To ensure the highest quality of service, telephone calls to or from our service departments may be monitored, recorded and accessed. These calls can be identified by the presence of a regular beeping tone.

ZT454 S2008 08/08

JUNE 30, 2008

Emerging Markets Series

SEMI ANNUAL REPORT

TEMPLETON INSTITUTIONAL FUNDS

(FRANKLIN TEMPLETON INSTITUTIONAL (R) LOGO)

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Semiannual Report

TIF Emerging Markets Series

YOUR FUND'S GOAL AND MAIN INVESTMENTS: TIF Emerging Markets Series seeks long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in securities issued by emerging market companies.

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. PLEASE VISIT FTINSTITUTIONAL.COM OR CALL A FRANKLIN TEMPLETON INSTITUTIONAL SERVICES REPRESENTATIVE AT 1-800/321-8563 FOR MOST RECENT MONTH-END PERFORMANCE.

This semiannual report for Templeton Institutional Funds (TIF) Emerging Markets Series (the Fund) covers the period ended June 30, 2008.

PERFORMANCE OVERVIEW

TIF Emerging Markets Series had a -16.49% cumulative total return for the six months ended June 30, 2008. The Fund underperformed the Standard & Poor's/International Finance Corporation Investable (S&P/IFCI) Composite Index and the Morgan Stanley Capital International (MSCI) Emerging Markets (EM) Index, which had total returns of -12.26% and -11.64% during the same period.(1)

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this information. The S&P/IFCI Composite Index is a free float-adjusted, market capitalization-weighted index designed to measure equity performance of global emerging markets. The MSCI EM Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global emerging markets. The indexes are unmanaged and include reinvested dividends. One cannot invest directly in an index, nor is an index 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 9.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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WHAT IS A CARRY TRADE?

Carry trade is a strategy in which an investor sells a certain currency with a relatively low interest rate and uses the funds to purchase a different currency yielding a higher interest rate. A trader using this strategy attempts to capture the difference between the rates, which can often be substantial, depending on the amount of leverage the investor chooses to use.

GEOGRAPHIC BREAKDOWN

Based on Total Net Assets as of 6/30/08

(BAR CHART)

<TABLE>	<C>
<S>	
Asia	36.2%
Europe	28.2%
Latin America	25.2%
Middle East & Africa	6.3%
Short-Term Investments & Other Net Assets	4.1%

ECONOMIC AND MARKET OVERVIEW

Emerging markets gave back some of last year's strong gains in the first quarter of 2008. Concerns of a U.S. recession, the unwinding of the Japanese yen carry trade and the bailout of Bear Stearns by JPMorgan Chase pushed global stock markets down in the first quarter. In the second quarter, markets recorded mixed results, as Latin America and Eastern Europe registered positive returns while Asian markets declined.

Latin American markets were the top performers in the six-month reporting period due to stronger currencies, higher investor confidence and rising commodity prices for exports. Brazil and Argentina were among the region's top performing countries. In Europe, Russia and the Czech Republic outperformed their regional peers while Turkey underperformed. Strong economic growth and high commodity prices continued to support the Russian stock market, while investor confidence in Turkey suffered due to political uncertainty despite higher-than-expected gross domestic product growth. Fears of a prolonged U.S. economic downturn and its impact on Asia, coupled with overheating and inflationary concerns, pressured Asian markets to end the period in negative territory.

INVESTMENT STRATEGY

Our investment strategy employs a bottom-up, value-oriented, long-term approach. We focus on the market price of a company's securities relative to our evaluation of the company's long-term earnings, asset value and cash flow potential. As we look for investments, we focus on specific companies and undertake in-depth research to construct an "action list" from which we make our buy decisions. Before we make a purchase, we generally look at the company's price/earnings ratio, profit margins and liquidation value. During our analysis, we also consider the company's position in its sector, the economic framework and political environment.

MANAGER'S DISCUSSION

For the six months under review, sectors that had a negative impact on the Fund's absolute performance were banks, energy and telecommunication services. (2) Geographically, our investments in China, South Korea and Turkey also hurt Fund performance. Concerns about high inflation and an overheating economy led Chinese stock prices to decline, while political uncertainty had

(2.) The banks sector comprises commercial banks in the SOI. The energy sector comprises energy equipment and services; and oil, gas and consumable fuels in the SOI. The telecommunication services sector comprises diversified telecommunication services and wireless telecommunication services in the

a negative impact on Turkey's stock market. The largest individual detractors included Akbank, one of Turkey's largest commercial banks, Chalco (Aluminum Corp. of China), China's leading alumina and aluminum products manufacturer, and SK Energy, South Korea's largest oil refiner. Based on our research, we believed the Fund's investments in these sectors and countries were well positioned in their respective markets to benefit over the longer term from developments in emerging markets.

On the other hand, the largest contributor to absolute performance was the Fund's exposure to Brazil. Brazil's sovereign debt attained investment grade status for the first time from two major international ratings agencies, Standard & Poor's and Fitch Ratings, which boosted international confidence in the country's stock market. By industry, food and staples retailing contributed to Fund returns. Among the Fund's top individual stock contributors were three Brazilian holdings, Petrobras (Petroleo Brasileiro), the national oil and gas company, Vale (Companhia Vale do Rio Doce), one of the world's largest iron ore producers that also engages in various other mining activities, and Usiminas (Usinas Siderurgicas de Minas Gerais), the country's major flat steel producer.

During the reporting period, we increased the Fund's investments in Taiwan, Pakistan and South Africa, as market corrections allowed us to purchase undervalued stocks trading at what we considered attractive valuations. We also initiated investments in companies in select frontier markets, which are markets we believe have potential to grow at a fast pace and could become tomorrow's emerging markets. We made select purchases in Qatar, United Arab Emirates, Kuwait, Ukraine and Panama, and as of period-end, the Fund had 1.2% of total net assets in frontier markets.

From a sector perspective, we made purchases in semiconductors, diversified banking, oil and gas refining and marketing, marine, and electronic equipment manufacturing companies. (3) The largest purchases during the period included shares of China Mobile, the country's dominant mobile services provider, TSMC (Taiwan Semiconductor Manufacturing), the world's biggest independent integrated circuit foundry, and MOL (MOL Hungarian Oil and Gas), an integrated oil and gas company with significant exposure to Central and Eastern European markets.

To raise funds for redemptions during the reporting period, we sold a number of holdings. These sales also allowed the Fund to focus on stocks we considered relatively more attractively valued within our investment universe. We sold

(3.) The semiconductors industry is part of semiconductors and semiconductor equipment in the SOI. The diversified banking industry is part of commercial banks in the SOI. The oil and gas refining and marketing industry is part of oil, gas and consumable fuels in the SOI. The electronic equipment manufacturing industry is part of electronic equipment and instruments in the SOI.

TOP 10 COUNTRIES

6/30/08

<TABLE>

<CAPTION>

	% OF TOTAL NET ASSETS -----
<S>	<C>
Brazil	20.1%
China	12.5%
Russia	12.1%
Turkey	6.5%
South Korea	6.1%
Taiwan	6.1%
Mexico	5.0%
South Africa	4.9%
India	4.3%
U.K.	3.9%

</TABLE>

TOP 10 EQUITY HOLDINGS

6/30/08

<TABLE>

<CAPTION>

COMPANY % OF TOTAL

SECTOR/INDUSTRY, COUNTRY	NET ASSETS
<S>	<C>
Vale (Companhia Vale do Rio Doce), ADR, pfd., A METALS & MINING, BRAZIL	7.2%
Petrobras (Petroleo Brasileiro SA), ADR, pfd. OIL, GAS & CONSUMABLE FUELS, BRAZIL	6.9%
Norilsk Nickel (Mining and Metallurgical Co. Norilsk Nickel) METALS & MINING, RUSSIA	3.3%
Anglo American PLC METALS & MINING, U.K.	3.1%
China Mobile Ltd. WIRELESS TELECOMMUNICATION SERVICES, CHINA	2.6%
Gazprom, ADR OIL, GAS & CONSUMABLE FUELS, RUSSIA	2.3%
Chalco (Aluminum Corp. of China Ltd.), H METALS & MINING, CHINA	2.2%
Akbank TAS COMMERCIAL BANKS, TURKEY	2.1%
SK Energy Co. Ltd. OIL, GAS & CONSUMABLE FUELS, SOUTH KOREA	2.1%
MOL (MOL Hungarian Oil and Gas Nyrt.) OIL, GAS & CONSUMABLE FUELS, HUNGARY	2.1%

</TABLE>

some positions as stocks reached sale price targets. As a result, the Fund reduced allocations to Russia, Brazil and China (via Hong Kong-listed China H and Red Chip shares). (4) Key sales included UES (Unified Energy Systems), an electricity production group that would be split into individual companies due to restructuring in Russia's power sector, China Telecom, the country's leading integrated telecommunication services provider, and America Movil, a major wireless telecommunication provider in Mexico and Latin America. We also reduced the Fund's exposure to telecommunication services and electric utilities companies.

Although this reporting period was challenging for emerging markets, we believe they are in a stronger position than in the past to weather the effects of a U.S. economic slowdown because many emerging markets hold large fiscal reserves. We are also excited about frontier markets, which we consider to be the younger generation of emerging markets, and the potential investment opportunities they offer.

We thank you for your continued participation in the Fund and look forward to serving your future investment needs.

(PHOTO OF MARK MOBIUS)

/s/ Mark Mobius
Mark Mobius
Executive Chairman
Templeton Asset Management Ltd.

(4.) "China H" denotes shares of China-incorporated, Hong Kong-listed companies with most businesses in China. "Red Chip" denotes shares of Hong Kong-listed companies with significant exposure to China. China H and Red Chip shares are traded on the Hong Kong Stock Exchange.

THE FOREGOING INFORMATION REFLECTS OUR ANALYSIS, OPINIONS AND PORTFOLIO HOLDINGS AS OF JUNE 30, 2008, THE END OF THE REPORTING PERIOD. THE WAY WE IMPLEMENT OUR MAIN INVESTMENT STRATEGIES AND THE RESULTING PORTFOLIO HOLDINGS MAY CHANGE DEPENDING ON FACTORS SUCH AS MARKET AND ECONOMIC CONDITIONS. THESE OPINIONS MAY NOT BE RELIED UPON AS INVESTMENT ADVICE OR AN OFFER FOR A PARTICULAR SECURITY. THE INFORMATION IS NOT A COMPLETE ANALYSIS OF EVERY ASPECT OF ANY MARKET, COUNTRY, INDUSTRY, SECURITY OR THE FUND. STATEMENTS OF FACT ARE FROM SOURCES CONSIDERED RELIABLE, BUT THE INVESTMENT MANAGER MAKES NO REPRESENTATION OR WARRANTY AS TO THEIR COMPLETENESS OR ACCURACY. ALTHOUGH HISTORICAL PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS, THESE INSIGHTS MAY HELP YOU UNDERSTAND OUR INVESTMENT MANAGEMENT PHILOSOPHY.

Performance Summary as of 6/30/08

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. 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. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses on the sale of Fund shares.

PRICE INFORMATION

<TABLE>
<CAPTION>

SYMBOL: TEEMX	CHANGE	6/30/08	12/31/07
<S>	<C>	<C>	<C>
Net Asset Value (NAV)	-\$3.50	\$17.73	\$21.23

</TABLE>

PERFORMANCE (1)

UNTIL AUGUST 31, 2008, THE FUND MAY CHARGE A 2% FEE ON REDEMPTIONS MADE WITHIN SEVEN DAYS OF PURCHASE.

<TABLE>
<CAPTION>

	6-MONTH	1-YEAR	5-YEAR	10-YEAR
<S>	<C>	<C>	<C>	<C>
Cumulative Total Return(2)	-16.49%	-5.54%	+203.70%	+261.84%
Average Annual Total Return(3)	-16.49%	-5.54%	+24.88%	+13.72%
Value of \$1,000,000 Investment(4)	\$835,139	\$944,644	\$3,037,063	\$3,618,391
Total Annual Operating Expenses(5)	1.41%			

</TABLE>

PERFORMANCE DATA REPRESENT PAST PERFORMANCE, WHICH DOES NOT GUARANTEE FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE, AND YOU MAY HAVE A GAIN OR LOSS WHEN YOU SELL YOUR SHARES. CURRENT PERFORMANCE MAY DIFFER FROM FIGURES SHOWN. FOR MOST RECENT MONTH-END PERFORMANCE, PLEASE VISIT FTINSTITUTIONAL.COM OR CALL 1-800/321-8563.

ENDNOTES

THE FUND INVESTS IN FOREIGN SECURITIES, WHICH CAN INVOLVE EXPOSURE TO CURRENCY VOLATILITY AND POLITICAL, ECONOMIC AND REGULATORY UNCERTAINTY. EMERGING MARKETS INVOLVE HEIGHTENED RISKS RELATED TO THE SAME FACTORS, IN ADDITION TO THOSE ASSOCIATED WITH THEIR RELATIVELY SMALL SIZE AND LESSER LIQUIDITY. THE FUND'S PROSPECTUS ALSO INCLUDES A DESCRIPTION OF THE MAIN INVESTMENT RISKS.

- (1.) Past expense reductions by the Fund's manager and administrator increased the Fund's total returns. If the manager and administrator had not taken this action, the Fund's total returns would have been lower.
- (2.) Cumulative total return represents the change in value of an investment over the periods indicated.
- (3.) Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
- (4.) These figures represent the value of a hypothetical \$1,000,000 investment in the Fund over the periods indicated.
- (5.) Figures are as stated in the Fund's prospectus current as of the date of this report.

Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases and redemption fees; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

ACTUAL FUND EXPENSES

The first line (Actual) of the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. OF COURSE, YOUR ACCOUNT VALUE AND EXPENSES WILL DIFFER FROM THOSE IN THIS ILLUSTRATION:

1. Divide your account value by \$1,000.
IF AN ACCOUNT HAD AN \$8,600 VALUE, THEN $\$8,600 / \$1,000 = 8.6$.
2. Multiply the result by the number under the heading "Expenses Paid During Period."
IF EXPENSES PAID DURING PERIOD WERE \$7.50, THEN $8.6 \times \$7.50 = \64.50 .

In this illustration, the estimated expenses paid this period are \$64.50.

HYPOTHETICAL EXAMPLE FOR COMPARISON WITH OTHER FUNDS

Information in the second line (Hypothetical) of the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the Fund's actual expense ratio and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

Your Fund's Expenses (CONTINUED)

PLEASE NOTE THAT EXPENSES SHOWN IN THE TABLE ARE MEANT TO HIGHLIGHT ONGOING COSTS AND DO NOT REFLECT ANY TRANSACTION COSTS, SUCH AS SALES CHARGES OR REDEMPTION FEES. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

<TABLE>
<CAPTION>

	BEGINNING ACCOUNT VALUE 1/1/08	ENDING ACCOUNT VALUE 6/30/08	EXPENSES PAID DURING PERIOD* 1/1/08-6/30/08
	-----	-----	-----
<S>	<C>	<C>	<C>
Actual	\$1,000	\$ 835.10	\$6.43
Hypothetical (5% return before expenses)	\$1,000	\$1,017.85	\$7.07

</TABLE>

* Expenses are calculated using the most recent annualized six-month expense ratio of 1.41%, multiplied by the average account value over the period, multiplied by 182/366 to reflect the one-half year period.

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FINANCIAL HIGHLIGHTS

EMERGING MARKETS SERIES

<TABLE>
<CAPTION>

	SIX MONTHS ENDED	YEAR ENDED DECEMBER 31,				
	JUNE 30, 2008 (UNAUDITED)	2007	2006	2005	2004	2003
	-----	-----	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>	<C>	<C>
PER SHARE OPERATING PERFORMANCE (for a share outstanding throughout the period)						
Net asset value, beginning of period ..	\$ 21.23	\$ 20.86	\$ 18.93	\$ 15.09	\$ 12.18	\$ 8.10
Income from investment operations(a):						
Net investment income(b)	0.14	0.50	0.44	0.33	0.21	0.24
Net realized and unrealized gains (losses)	(3.64)	5.31	4.96	3.89	2.97	4.10

Total from investment operations	(3.50)	5.81	5.40	4.22	3.18	4.34
Less distributions from:						
Net investment income	--	(0.79)	(0.54)	(0.38)	(0.27)	(0.26)
Net realized gains	--	(4.65)	(2.93)	--	--	--
Total distributions	--	(5.44)	(3.47)	(0.38)	(0.27)	(0.26)
Redemption fees	-- (c)	-- (c)	-- (c)	-- (c)	-- (c)	--
Net asset value, end of period	\$ 17.73	\$ 21.23	\$ 20.86	\$ 18.93	\$ 15.09	\$ 12.18
Total return(d)	(16.49)%	30.10%	29.07%	28.09%	26.40%	53.84%
RATIOS TO AVERAGE NET ASSETS (e)						
Expenses	1.41% (f)	1.41% (f)	1.42% (f)	1.42% (f)	1.45% (f)	1.46%
Net investment income	1.43%	2.18%	2.09%	1.98%	1.62%	2.52%
SUPPLEMENTAL DATA						
Net assets, end of period (000's)	\$2,596,695	\$3,184,512	\$3,209,602	\$2,841,536	\$2,063,532	\$2,092,229
Portfolio turnover rate	30.79%	87.26%	40.84%	36.42%	52.07%	46.83%

</TABLE>

(a) The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

(b) Based on average daily shares outstanding.

(c) Amount rounds to less than \$0.01 per share.

(d) Total return is not annualized for periods less than one year.

(e) Ratios are annualized for periods less than one year.

(f) Benefit of expense reduction rounds to less than 0.01%.

The accompanying notes are an integral part of these financial statements.

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Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED)

<TABLE>

<CAPTION>

EMERGING MARKETS SERIES		INDUSTRY	SHARES	VALUE
<S>	<C>	<C>	<C>	<C>
COMMON STOCKS 77.4%				
AUSTRIA 1.5%				
(a)	Erste Bank der oesterreichischen Sparkassen AG	Commercial Banks	9,470	\$ 589,599
(a)	IMMOEAST AG	Real Estate Management & Development	510,220	4,523,100
(a)	Meinl European Land Ltd.	Real Estate Management & Development	167,655	1,887,525
	OMV AG	Oil, Gas & Consumable Fuels	286,269	22,474,853
	Wienerberger AG	Building Products	215,400	9,045,633
				38,520,710
BRAZIL 1.8%				
	AES Tiete SA	Independent Power Producers & Energy Traders	1,062,185	12,912,915
	American Banknote SA	Commercial Services & Supplies	53,322	548,786
	Banco Itau Holdings Financeira SA, ADR	Commercial Banks	13,150	267,076
	Companhia de Bebidas das Americas (AmBev)	Beverages	58,834	3,537,673
	Natura Cosméticos SA	Personal Products	632,041	6,504,913
	Souza Cruz SA	Tobacco	848,835	24,196,457
				47,967,820
CHINA 12.5%				
	Aluminum Corp. of China Ltd., H	Metals & Mining	49,083,000	56,591,256
	China Construction Bank Corp., H	Commercial Banks	12,310,000	9,914,624
	China International Marine Containers (Group) Co. Ltd., B	Machinery	665,451	793,702
	China Life Insurance Co. Ltd., H	Insurance	1,395,000	4,884,222
	China Mengniu Dairy Co. Ltd.	Food Products	359,000	1,017,525
	China Mobile Ltd.	Wireless Telecommunication Services	4,983,500	66,981,410
	China Petroleum and Chemical Corp., H	Oil, Gas & Consumable Fuels	46,200,000	43,253,711
	China Shipping Container Lines Co. Ltd., H	Marine	7,776,000	3,041,688
	China Shipping Development Co. Ltd., H	Marine	344,000	1,032,364
	China Telecom Corp. Ltd., H	Diversified Telecommunication Services	4,242,000	2,306,721

	CNOOC Ltd.	Oil, Gas & Consumable Fuels	21,876,000	37,651,213
	Denway Motors Ltd.	Automobiles	29,401,000	11,349,772
	Dongfeng Motor Corp., H	Automobiles	26,652,000	10,664,560
	FerroChina Ltd.	Metals & Mining	474,832	425,811
(a)	Honghua Group Ltd.	Energy Equipment & Services	721,000	309,769
	Industrial and Commercial Bank of China, H	Commercial Banks	8,922,000	6,098,850
	Jiangxi Copper Co. Ltd., H	Metals & Mining	3,364,000	6,600,943
	Nine Dragons Paper Holdings Ltd.	Paper & Forest Products	2,455,000	1,914,316
	PetroChina Co. Ltd., H	Oil, Gas & Consumable Fuels	38,476,000	49,839,059
	Shanghai Industrial Holdings Ltd.	Industrial Conglomerates	2,779,000	8,161,737
	Shenzhen Investment Ltd., fgn.	Real Estate Management & Development	562,000	202,536
	Sinotrans Ltd., H	Air Freight & Logistics	956,000	235,406
	Soho China Ltd.	Real Estate Management & Development	1,715,500	935,057

				324,206,252

	EGYPT 0.1%			
	Telecom Egypt	Diversified Telecommunication Services	667,065	2,053,375

</TABLE>

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Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED) (CONTINUED)

<TABLE>

<CAPTION>		INDUSTRY	SHARES	VALUE
EMERGING MARKETS SERIES				
<S>	<C>	<C>	<C>	<C>
	COMMON STOCKS (CONTINUED)			
	HONG KONG 1.0%			
	Cheung Kong (Holdings) Ltd.	Real Estate Management & Development	363,000	\$ 4,892,917
	China Infrastructure Machinery Holdings Ltd.	Machinery	254,000	236,173
	Citic Pacific Ltd.	Industrial Conglomerates	662,000	2,440,925
	Dairy Farm International Holdings Ltd.	Food & Staples Retailing	2,009,619	9,726,556
	GOME Electrical Appliances Holdings Ltd.	Specialty Retail	9,712,000	4,608,599
	VTech Holdings Ltd.	Communications Equipment	788,000	4,749,880

				26,655,050

	HUNGARY 2.2%			
(a)	Magyar Telekom PLC	Diversified Telecommunication Services	965,479	4,707,921
	MOL Hungarian Oil and Gas Nyrt.	Oil, Gas & Consumable Fuels	395,070	53,235,352

				57,943,273

	INDIA 4.3%			
(a)	Ashok Leyland Ltd.	Machinery	2,269,000	1,514,252
	Dr. Reddy's Laboratories Ltd.	Pharmaceuticals	1,200	18,744
	Gail India Ltd.	Gas Utilities	1,236,599	9,590,628
	Great Eastern Shipping Co. Ltd.	Oil, Gas & Consumable Fuels	4,500	38,999
(a)	Hindalco Industries Ltd.	Metals & Mining	2,288,234	7,574,145
	Hindustan Unilever Ltd.	Household Products	1,598,700	7,675,101
(a)	Idea Cellular Ltd.	Wireless Telecommunication Services	237,312	514,646
	Infosys Technologies Ltd.	IT Services	266,800	10,781,069
	National Aluminium Co. Ltd.	Metals & Mining	772,939	6,293,520
	Oil & Natural Gas Corp. Ltd.	Oil, Gas & Consumable Fuels	1,118,353	21,223,438
	Reliance Industries Ltd.	Oil, Gas & Consumable Fuels	322,000	15,700,594
	Satyam Computer Services Ltd.	IT Services	120,026	1,222,207
	Shipping Corp. of India Ltd.	Marine	527,442	2,671,611
	Tata Consultancy Services Ltd.	IT Services	767,872	15,361,017
(a)	Tata Steel Ltd.	Metals & Mining	664,200	11,268,811

				111,448,782

	INDONESIA 0.4%			
	PT Astra International Tbk	Automobiles	817,000	1,705,775
	PT Bank Central Asia Tbk	Commercial Banks	13,770,000	3,696,394
	PT Telekomunikasi Indonesia, B	Diversified Telecommunication Services	5,676,000	4,494,013

				9,896,182

	ISRAEL 0.3%			
(a)	Taro Pharmaceutical Industries Ltd.	Pharmaceuticals	717,520	6,780,564

	JORDAN 0.0% (b)			
	Arab Bank PLC	Commercial Banks	17,055	522,193

	KENYA 0.0% (b)			

(a,c) Safaricom Ltd., Reg S	Wireless Telecommunication Services	4,665,750	529,143

KUWAIT 0.2%			
National Bank of Kuwait	Commercial Banks	765,000	5,253,169
(d) National Mobile Telecommunications Co.	Wireless Telecommunication Services	10,000	86,025

			5,339,194

</TABLE>

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Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED) (CONTINUED)

<TABLE>

<CAPTION>		INDUSTRY	SHARES	VALUE
EMERGING MARKETS SERIES		-----	-----	-----
<S>	<C>	<C>	<C>	<C>
COMMON STOCKS (CONTINUED)				
MALAYSIA 0.1%				
(a)	Sime Darby Berhad	Industrial Conglomerates	658,300	\$ 1,863,588

MEXICO 4.9%				
	Alfa SAB de CV	Industrial Conglomerates	975,501	6,975,296
	America Movil SAB de CV, L, ADR	Wireless Telecommunication Services	690,378	36,417,440
	Consortio ARA SAB de CV	Household Durables	2,524,151	2,329,835
	Fomento Economico Mexicano SAB de CV, ADR	Beverages	176,766	8,044,621
	Grupo Televisa SA	Media	4,589,959	21,730,434
	Kimberly Clark de Mexico SAB de CV, A	Household Products	5,848,737	23,816,846
	Telefonos de Mexico SAB de CV (Telmex), L, ADR	Diversified Telecommunication Services	738,358	17,484,317
(a)	Telmex Internacional SAB de CV, ADR	Diversified Telecommunication Services	730,858	11,766,814

				128,565,603

PAKISTAN 1.6%				
	Fauji Fertilizer Co. Ltd.	Chemicals	1,278,911	2,481,312
	MCB Bank Ltd.	Commercial Banks	3,362,043	16,089,496
	Oil & Gas Development Co. Ltd.	Oil, Gas & Consumable Fuels	5,679,400	10,356,161
	Pakistan Telecommunications Corp., A	Diversified Telecommunication Services	20,428,833	11,574,342

				40,501,311

PANAMA 0.0%(b)				
	Copa Holdings SA	Airlines	25,200	709,632

PHILIPPINES 0.3%				
	San Miguel Corp., B	Beverages	8,709,745	7,962,973

POLAND 0.8%				
(a)	Grupa Lotos SA	Oil, Gas & Consumable Fuels	73,000	907,790
(a)	Polski Koncern Naftowy Orlen SA	Oil, Gas & Consumable Fuels	1,287,056	20,619,470

				21,527,260

QATAR 0.6%				
	Qatar National Bank	Commercial Banks	236,780	14,829,238

RUSSIA 12.1%				
	Bank of Moscow	Commercial Banks	24,228	1,125,964
	Gazprom, ADR	Oil, Gas & Consumable Fuels	1,014,900	58,889,573
	Gazprom, ADR (London Exchange)	Oil, Gas & Consumable Fuels	590,600	34,313,860
	LUKOIL, ADR	Oil, Gas & Consumable Fuels	367,520	36,301,788
	LUKOIL, ADR (London Exchange)	Oil, Gas & Consumable Fuels	234,100	23,105,670
	Mining and Metallurgical Co. Norilsk Nickel	Metals & Mining	341,010	85,934,520
	Mobile TeleSystems, ADR	Wireless Telecommunication Services	33,600	2,574,096
	OAO TMK, GDR	Energy Equipment & Services	36,000	1,416,240
	Sberbank RF	Commercial Banks	3,844,590	12,148,905
(a)	TGC-5 JSC	Independent Power Producers & Energy Traders	88,569,970	66,870
	TNK-BP	Oil, Gas & Consumable Fuels	13,003,973	28,803,800
(a,f)	Unified Energy Systems	Electric Utilities	29,782,700	30,378,354

				315,059,640

</TABLE>

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED) (CONTINUED)

<TABLE>

<CAPTION>

EMERGING MARKETS SERIES		INDUSTRY	SHARES	VALUE
<S>	<C>	<C>	<C>	<C>
COMMON STOCKS (CONTINUED)				
SINGAPORE 1.3%				
	ComfortDelGro Corp. Ltd.	Road & Rail	5,735,306	\$ 6,323,613
	DBS Group Holdings Ltd.	Commercial Banks	360,000	4,990,701
	Fraser and Neave Ltd.	Industrial Conglomerates	4,580,139	15,250,858
	Keppel Corp. Ltd.	Industrial Conglomerates	711,388	5,825,177
	Singapore Airlines Ltd.	Airlines	124,000	1,339,851
				33,730,200
SOUTH AFRICA 4.8%				
	ABSA Group Ltd.	Commercial Banks	71,400	748,069
	Barloworld Ltd.	Industrial Conglomerates	483,090	4,937,362
(a)	Egstra Holdings Ltd.	Machinery	1,335,969	2,141,988
	Foschini Ltd.	Specialty Retail	2,459,939	9,286,643
(a)	Impala Platinum Holdings Ltd.	Metals & Mining	17,280	682,149
	Imperial Holdings Ltd.	Distributors	1,335,969	9,003,177
	JD Group Ltd.	Specialty Retail	1,607,279	5,390,108
	Lewis Group Ltd.	Specialty Retail	2,050,146	8,643,222
	MTN Group Ltd.	Wireless Telecommunication Services	1,759,821	27,990,765
	Naspers Ltd., N	Media	210,000	4,587,672
	Remgro Ltd.	Diversified Financial Services	1,297,201	31,139,453
	Sasol	Oil, Gas & Consumable Fuels	46,080	2,713,878
(a)	Standard Bank Group Ltd.	Commercial Banks	1,254,137	12,224,932
	Steinhoff International Holdings Ltd.	Household Durables	1,176,000	2,391,813
	Telkom South Africa Ltd.	Diversified Telecommunication Services	228,780	4,135,723
	Tiger Brands Ltd.	Food Products	1,740	31,343
				126,048,297
SOUTH KOREA 6.1%				
(a)	CJ Corp.	Industrial Conglomerates	7,710	456,780
	Daewoo Shipbuilding & Marine Engineering Co. Ltd. ..	Machinery	39,520	1,544,547
	GS Holdings Corp.	Oil, Gas & Consumable Fuels	292,200	11,168,657
	Hanjin Heavy Industries & Construction Holding	Machinery	23,102	993,397
	Kangwon Land Inc.	Hotels, Restaurants & Leisure	534,978	11,706,638
	LG Electronics Inc.	Household Durables	38,900	4,404,826
	POSCO	Metals & Mining	27,450	14,269,278
	Samsung Electronics Co. Ltd.	Semiconductors & Semiconductor Equipment	36,671	21,900,979
	Samsung Heavy Industries Co. Ltd.	Machinery	581,100	20,711,925
	Shinhan Financial Group Co. Ltd.	Commercial Banks	106,500	4,813,617
	SK Energy Co. Ltd.	Oil, Gas & Consumable Fuels	496,155	55,233,691
	SK Telecom Co. Ltd.	Wireless Telecommunication Services	367	66,807
	SKC Co. Ltd.	Household Durables	54,000	903,010
	STX Pan Ocean Co. Ltd.	Marine	4,638,100	9,196,424
				157,370,576
SWEDEN 1.0%				
	Oriflame Cosmetics SA, SDR	Personal Products	394,553	25,380,449

</TABLE>

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED) (CONTINUED)

<TABLE>

<CAPTION>

EMERGING MARKETS SERIES		INDUSTRY	SHARES	VALUE
<S>	<C>	<C>	<C>	<C>
COMMON STOCKS (CONTINUED)				
TAIWAN 6.1%				
	Acer Inc.	Computers & Peripherals	3,036,000	\$ 5,981,379
	Advantech Co. Ltd.	Computers & Peripherals	496,000	1,274,602
	Asustek Computer Inc.	Computers & Peripherals	532,000	1,447,738
	AU Optronics Corp.	Electronic Equipment & Instruments	5,136,000	8,071,268
	Catcher Technology Co. Ltd.	Computers & Peripherals	541,000	1,541,742
	Compal Communications Inc.	Communications Equipment	2,307,000	2,789,408

Compal Electronics Inc.	Computers & Peripherals	5,373,000	5,806,161
Delta Electronics Inc.	Electronic Equipment & Instruments	1,638,000	4,560,044
KYE Systems Corp.	Computers & Peripherals	24,000	31,391
MediaTek Inc.	Semiconductors & Semiconductor Equipment	1,461,000	16,846,770
Merry Electronics Co. Ltd.	Household Durables	1,792,000	3,188,087
Novatek Microelectronics Corp. Ltd.	Semiconductors & Semiconductor Equipment	4,018,428	11,676,782
President Chain Store Corp.	Food & Staples Retailing	11,075,010	36,852,239
Shin Zu Shing Co. Ltd.	Machinery	267,000	1,411,837
Siliconware Precision Industries Co.	Semiconductors & Semiconductor Equipment	12,992,497	19,155,083
Sunplus Technology Co. Ltd.	Semiconductors & Semiconductor Equipment	4,650,173	4,504,170
(a) Taiwan Semiconductor Manufacturing Co. Ltd.	Semiconductors & Semiconductor Equipment	15,017,640	32,159,806
			157,298,507
THAILAND 2.5%			
Kasikornbank Public Co. Ltd., fgn.	Commercial Banks	5,898,400	12,703,703
Precious Shipping Public Co. Ltd., fgn.	Marine	479,908	342,956
PTT Aromatics & Refining Public Co. Ltd., fgn.	Oil, Gas & Consumable Fuels	3,025,885	2,094,495
PTT Public Co. Ltd., fgn.	Oil, Gas & Consumable Fuels	1,424,500	13,209,542
Siam Cement Public Co. Ltd., fgn.	Construction Materials	3,653,994	21,751,266
Siam Commercial Bank Public Co. Ltd., fgn.	Commercial Banks	1,417,400	3,285,926
Thai Beverages Co. Ltd., fgn.	Beverages	64,279,000	11,575,842
			64,963,730
TURKEY 6.5%			
Akbank TAS	Commercial Banks	16,050,087	55,575,638
Anadolu Efes Biracilik Ve Malt Sanayii AS	Beverages	1,131,222	9,792,530
Arcelik AS, Br.	Household Durables	4,681,920	16,364,734
Haci Omer Sabanci Holding AS	Diversified Financial Services	100,000	341,364
(a) KOC Holding AS	Industrial Conglomerates	254,580	694,403
(a) Trakya Cam Sanayii AS	Building Products	832,160	897,061
Tupras-Turkiye Petrol Rafineleri AS	Oil, Gas & Consumable Fuels	1,901,384	43,866,148
(a) Turk Hava Yollari Anonim Ortakligi	Airlines	3,391,000	13,846,468
Turkcell Iletisim Hizmetleri AS	Wireless Telecommunication Services	2,132,261	12,189,324
Turkiye Is Bankasi (Isbank), C	Commercial Banks	550,000	1,796,652
Turkiye Vakiflar Bankasi T.A.O., D	Commercial Banks	9,756,815	12,669,119
			168,033,441
UKRAINE 0.2%			
Kernel Holding SA	Food Products	133,500	2,305,397
(a,e) MHP SA, GDR, 144A	Food Products	119,767	2,185,748
			4,491,145

</TABLE>

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Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED) (CONTINUED)

<TABLE>

<CAPTION>		INDUSTRY	SHARES	VALUE
EMERGING MARKETS SERIES				
<S>	<C>	<C>	<C>	<C>
COMMON STOCKS (CONTINUED)				
UNITED ARAB EMIRATES 0.3%				
	Aldar Properties PJSC.	Real Estate Management & Development	1,361,000	\$ 4,631,709
	Sorouh Real Estate Co.	Real Estate Management & Development	283,000	713,462
	Union National Bank	Commercial Banks	895,081	2,232,189
(a)	Union Properties	Real Estate Management & Development	307,000	431,282
				8,008,642
UNITED KINGDOM 3.9%				
	Anglo American PLC	Metals & Mining	1,163,719	81,471,480
	HSBC Holdings PLC	Commercial Banks	1,220,732	18,928,020
				100,399,500
TOTAL COMMON STOCKS (COST \$1,670,954,743)				
				2,008,606,270
PREFERRED STOCKS 18.5%				
BRAZIL 18.2%				
	Banco Bradesco SA, ADR, pfd.	Commercial Banks	1,902,806	38,931,411
	Companhia Vale do Rio Doce, ADR, pfd., A	Metals & Mining	6,278,830	187,360,287
	Itausa - Investimentos Itau SA, pfd.	Commercial Banks	408,700	2,592,614
	Petroleo Brasileiro SA, ADR, pfd.	Oil, Gas & Consumable Fuels	3,074,740	178,181,183
	Tam SA, pfd.	Airlines	29,300	554,127

Unibanco - Uniao de Bancos Brasileiros SA, GDR, pfd.	Commercial Banks	320,100	40,630,293
Usinas Siderurgicas de Minas Gerais SA, pfd., A	Metals & Mining	515,611	25,407,478

			473,657,393

CHILE 0.3%			
Embotelladora Andina SA, pfd., A	Beverages	2,872,988	6,843,485

TOTAL PREFERRED STOCKS (COST \$143,496,809)			480,500,878

TOTAL INVESTMENTS BEFORE SHORT TERM INVESTMENT (COST \$1,814,451,552)			2,489,107,148

</TABLE>

<TABLE>

<CAPTION>

	PRINCIPAL AMOUNT	

<S>	<C>	<C>
SHORT TERM INVESTMENT 1.7%		
U.S. GOVERNMENT AND AGENCY SECURITIES (COST \$44,198,490) 1.7%		
(g) FHLB, 7/01/08 - 8/20/08	\$44,269,000	44,202,346

TOTAL INVESTMENTS (COST \$1,858,650,042) 97.6%		2,533,309,494
OTHER ASSETS, LESS LIABILITIES 2.4%		63,385,190

NET ASSETS 100.0%		\$2,596,694,684
		=====

</TABLE>

The accompanying notes are an integral part of these financial statements.

Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED) (CONTINUED)

EMERGING MARKETS SERIES

SELECTED PORTFOLIO ABBREVIATIONS

ADR - American Depository Receipt

FHLB - Federal Home Loan Bank

GDR - Global Depository Receipt

SDR - Swedish Depository Receipt

(a) Non-income producing for the twelve months ended June 30, 2008.

(b) Rounds to less than 0.1% of net assets.

(c) Security 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. The security has been deemed liquid under guidelines approved by the Fund's Board of Trustees. At June 30, 2008, the value of this security was \$529,143, representing 0.02% of net assets.

(d) A portion or all of the security purchased on a delayed delivery basis. See Note 1(c).

(e) Security 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. This security has been deemed liquid under guidelines approved by the Fund's Board of Trustees. At June 30, 2008, the value of this security was \$2,185,748, representing 0.08% of net assets.

(f) See Note 8 regarding restricted securities.

(g) The security is traded on a discount basis with no stated coupon rate.

Templeton Institutional Funds

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES
June 30, 2008 (unaudited)

<TABLE>
<CAPTION>

	EMERGING MARKETS SERIES -----
<S>	<C>
Assets:	
Investments in securities:	
Cost	\$1,858,650,042
	=====
Value	\$2,533,309,494
Cash	32,739,454
Foreign currency, at value (cost \$275,584)	267,216
Receivables:	
Investment securities sold	36,431,202
Capital shares sold	173,656
Dividends	6,610,425
Foreign tax	117,945

Total assets	2,609,649,392

Liabilities:	
Payables:	
Investment securities purchased	3,366,215
Capital shares redeemed	5,570,422
Affiliates	2,929,469
Custodian fees	917,732
Accrued expenses and other liabilities	170,870

Total liabilities	12,954,708

Net assets, at value	\$2,596,694,684
	=====
Net assets consist of:	
Paid-in capital	\$1,804,036,718
Distributions in excess of net investment income ...	(5,253,806)
Net unrealized appreciation (depreciation)	674,660,009
Accumulated net realized gain (loss)	123,251,763

Net assets, at value	\$2,596,694,684
	=====
Shares outstanding	146,420,904
	=====
Net asset value per share(a)	\$ 17.73
	=====

</TABLE>

(a) Redemption price is equal to net asset value less redemption fees retained by the Fund.

The accompanying notes are an integral part of these financial statements.

Templeton Institutional Funds

FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF OPERATIONS
for the six months ended June 30, 2008 (unaudited)

<TABLE>
<CAPTION>

	EMERGING MARKETS SERIES -----
<S>	<C>
Investment income:	

Dividends (net of foreign taxes of \$3,922,114)	\$ 39,806,264
Interest (net of foreign taxes of \$1,255)	652,787

Total investment income	40,459,051

Expenses:	
Management fees (Note 3a)	17,358,773
Administrative fees (Note 3b)	1,141,283
Transfer agent fees (Note 3c)	3,051
Custodian fees (Note 4)	1,331,481
Reports to shareholders	24,133
Registration and filing fees	118,523
Professional fees	94,523
Trustees' fees and expenses	17,373
Other	34,785

Total expenses	20,123,925
Expense reductions (Note 4)	(12,205)

Net expenses	20,111,720

Net investment income	20,347,331

Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	31,373,871
Foreign currency transactions	540,067

Net realized gain (loss)	31,913,938

Net change in unrealized appreciation (depreciation) on:	
Investments	(567,454,532)
Translation of assets and liabilities denominated in foreign currencies	(381,844)
Change in deferred taxes on unrealized appreciation (depreciation)	1,661,836

Net change in unrealized appreciation (depreciation)	(566,174,540)

Net realized and unrealized gain (loss)	(534,260,602)

Net increase (decrease) in net assets resulting from operations	\$ (513,913,271)
	=====

</TABLE>

The accompanying notes are an integral part of these financial statements.

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Templeton Institutional Funds

FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF CHANGES IN NET ASSETS

<TABLE>

<CAPTION>

	EMERGING MARKETS SERIES	
	SIX MONTHS ENDED JUNE 30, 2008 (UNAUDITED)	YEAR ENDED DECEMBER 31, 2007
	-----	-----
<S>	<C>	<C>
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 20,347,331	\$ 71,536,151
Net realized gain (loss) from investments, foreign currency transactions, and swap agreements	31,913,938	664,392,365
Net change in unrealized appreciation (depreciation) on investments, translation of assets and liabilities denominated in foreign currencies, and deferred taxes ...	(566,174,540)	105,503,414
	-----	-----
Net increase (decrease) in net assets resulting from operations	(513,913,271)	841,431,930
	-----	-----
Distributions to shareholders from:		
Net investment income	--	(101,637,203)
Net realized gain	--	(587,388,696)
	-----	-----
Total distributions to shareholders	--	(689,025,899)
	-----	-----
Capital share transactions: (Note 2)	(73,910,720)	(177,501,570)
	-----	-----
Redemption fees	6,684	5,283
	-----	-----

Net increase (decrease) in net assets	(587,817,307)	(25,090,256)
Net assets:		
Beginning of period	3,184,511,991	3,209,602,247
End of period	\$2,596,694,684	\$3,184,511,991
	=====	=====
Distributions in excess of net investment income included in net assets:		
End of period	\$ (5,253,806)	\$ (25,601,137)
	=====	=====

</TABLE>

The accompanying notes are an integral part of these financial statements.

Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

EMERGING MARKETS SERIES

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Templeton Institutional Funds (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of four separate funds. The Emerging Markets Series (Fund) included in this report is diversified. The financial statements of the remaining funds in the Trust are presented separately.

The following summarizes the Fund's significant accounting policies.

A. SECURITY VALUATION

Securities listed on a securities exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter securities and listed securities for which there is no reported sale are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market.

Foreign securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or the NYSE, whichever is earlier. If no sale is reported at that time, the foreign security will be valued within the range of the most recent quoted bid and ask prices. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the day that the value of the foreign security is determined.

The Fund has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available or which may not be reliably priced. Methods for valuing these securities may include: fundamental analysis, matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities. Due to the inherent uncertainty of valuations of such securities, the fair values may differ significantly from the values that would have been used had a ready market for such investments existed. Occasionally, events occur between the time at which trading in a security is completed and the close of the NYSE that might call into question the availability (including the reliability) of the value of a portfolio security held by the Fund. The investment manager monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depository Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services. All security valuation procedures are approved by the Fund's Board of Trustees.

Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

EMERGING MARKETS SERIES

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. 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 Fund's Board of Trustees.

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 on 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. SECURITIES PURCHASED ON A WHEN-ISSUED OR DELAYED DELIVERY BASIS

The Fund may purchase securities on a when-issued or delayed delivery basis, with payment and delivery scheduled for a future date. These transactions are subject to market fluctuations and are subject to the risk that the value at delivery may be more or less than the trade date purchase price. Although the Fund will generally purchase these securities with the intention of holding the securities, it may sell the securities before the settlement date. Sufficient assets have been segregated for these securities.

D. FOREIGN CURRENCY CONTRACTS

When the Fund purchases or sells foreign securities it may enter into foreign exchange contracts to minimize foreign exchange risk from the trade date to the settlement date of the transactions. A foreign exchange contract is an agreement between two parties to exchange different currencies at an agreed upon exchange rate at a future date. Realized and unrealized gains and losses on these contracts are included in the Statement of Operations.

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Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

EMERGING MARKETS SERIES

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. FOREIGN CURRENCY CONTRACTS (CONTINUED)

The risks of these contracts include movement in the values of the foreign currencies relative to the U.S. dollar and the possible inability of the counterparties to fulfill their obligations under the contracts, which may be in excess of the amount reflected in the Statement of Assets and Liabilities.

E. INCOME AND DEFERRED TAXES

No provision has been made for U.S. income taxes because it is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code and to distribute to shareholders substantially all of its taxable income and net realized gains.

Foreign securities held by the Fund may be subject to foreign taxation on dividend and interest income received. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invest.

The Fund may be subject to a tax imposed on net realized gains on securities of certain foreign countries. The Fund records an estimated deferred tax liability for net unrealized gains on these securities in an amount that would be payable if the securities were disposed of on the valuation date.

The Fund has reviewed the tax positions, taken on federal income tax returns, for each of the three open tax years and as of June 30, 2008, and has determined

that no provision for income tax is required in the Fund's financial statements.

F. SECURITY TRANSACTIONS, INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the Fund is notified of the ex-dividend date. 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 accounting principles generally accepted in the United States of America. 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.

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Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

EMERGING MARKETS SERIES

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. SECURITY TRANSACTIONS, INVESTMENT INCOME, EXPENSES AND DISTRIBUTIONS (CONTINUED)

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

G. ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

H. REDEMPTION FEES

A short term trading redemption fee will be imposed, with some exceptions, on any fund shares that are redeemed or exchanged within seven calendar days following their purchase date. The redemption fee is 2% of the amount redeemed. Such fees are retained by the funds and accounted for as an addition to paid-in capital.

I. GUARANTEES AND INDEMNIFICATIONS

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

2. SHARES OF BENEFICIAL INTEREST

At June 30, 2008, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

<TABLE>
<CAPTION>

	SIX MONTHS ENDED JUNE 30, 2008		YEAR ENDED DECEMBER 31, 2007	
	SHARES	AMOUNT	SHARES	AMOUNT
<S>	<C>	<C>	<C>	<C>
Shares sold	18,844,324	\$ 348,948,995	11,076,340	\$ 251,491,312
Shares issued in reinvestment of distributions	--	--	32,231,074	647,171,797
Shares redeemed	(22,431,607)	(422,859,715)	(47,192,244)	(1,076,164,679)
Net increase (decrease)	(3,587,283)	\$ (73,910,720)	(3,884,830)	\$ (177,501,570)

Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

EMERGING MARKETS SERIES

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
Templeton Asset Management Ltd. (TAML)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

A. MANAGEMENT FEES

Effective March 1, 2008, the Fund pays an investment management fee to TAML based on the average daily net assets of the Fund as follows:

ANNUALIZED FEE RATE	NET ASSETS
1.250%	Up to and including \$1 billion
1.200%	Over \$1 billion, up to and including \$5 billion
1.150%	Over \$5 billion, up to and including \$7.5 billion
1.125%	Over \$7.5 billion, up to and including \$10 billion
1.100%	Over \$10 billion, up to and including \$15 billion
1.050%	Over \$15 billion, up to and including \$20 billion
1.000%	In excess of \$20 billion

Prior to March 1, 2008, the Fund paid fees to TAML based on the average daily net assets of the Fund as follows:

ANNUALIZED FEE RATE	NET ASSETS
1.250%	Up to and including \$1 billion
1.200%	Over \$1 billion, up to and including \$5 billion
1.150%	Over \$5 billion, up to and including \$10 billion
1.100%	Over \$10 billion, up to and including \$15 billion
1.050%	Over \$15 billion, up to and including \$20 billion
1.000%	In excess of \$20 billion

B. ADMINISTRATIVE FEES

The Fund pays its allocated share of an administrative fee to FT Services based on the aggregate average daily net assets of certain funds within the Trust as follows:

ANNUALIZED FEE RATE	NET ASSETS
0.150%	Up to and including \$200 million
0.135%	Over \$200 million, up to and including \$700 million
0.100%	Over \$700 million, up to and including \$1.2 billion
0.075%	In excess of \$1.2 billion

Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

EMERGING MARKETS SERIES

3. TRANSACTIONS WITH AFFILIATES (CONTINUED)

C. TRANSFER AGENT FEES

For the period ended June 30, 2008, the Fund paid transfer agent fees of \$3,051, of which \$2,108 was retained by Investor Services.

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 June 30, 2008, the custodian fees were reduced as noted in the Statement of Operations.

5. INCOME TAXES

For tax purposes, realized currency losses occurring subsequent to October 31, may be deferred and treated as occurring on the first day of the following fiscal year. At December 31, 2007, the Fund deferred realized currency losses of \$1,680,746.

At June 30, 2008, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

<S>	<C>
Cost of investments	\$1,900,250,239
	=====
Unrealized appreciation	\$ 835,670,377
Unrealized depreciation	(202,611,122)

Net unrealized appreciation (depreciation) ...	\$ 633,059,255
	=====

Net investment income differs for financial statement and tax purposes primarily due to differing treatments of foreign currency transactions, passive foreign investment company shares, and foreign taxes paid on net realized gains.

Net realized gains (losses) differ for financial statement and tax purposes primarily due to differing treatments of wash sales, foreign currency transactions, passive foreign investment company shares, and foreign taxes paid on net realized gains.

Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

EMERGING MARKETS SERIES

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2008, aggregated \$863,383,190 and \$995,257,604 respectively.

7. 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.

8. RESTRICTED SECURITIES

The Fund may invest in securities that are restricted under the Securities Act of 1933 (1933 Act) or which are subject to legal, contractual, or other agreed

upon restrictions on resale. Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Fund may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At June 30, 2008, the Fund held investments in restricted securities, excluding 144A securities deemed to be liquid, valued in accordance with procedures approved by the Fund's Board of Trustees as reflecting fair value, as follows:

<TABLE>
<CAPTION>

SHARES	ISSUER	ACQUISITION DATE	COST	VALUE
<S>	<C>	<C>	<C>	<C>
29,782,700	Unified Energy Systems	7/30/1996	\$35,631,961	\$30,378,354
TOTAL RESTRICTED SECURITIES (1.17% of Net Assets) ...				\$30,378,354

</TABLE>

9. FAIR VALUE MEASUREMENTS

The Fund adopted Financial Accounting Standards Board (FASB) issued FASB Statement No. 157, "Fair Value Measurement" (SFAS 157), on January 1, 2008. SFAS 157 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. The Fund has determined that the implementation of SFAS 157 did not have a material impact on the Fund's financial statements.

Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

EMERGING MARKETS SERIES

9. FAIR VALUE MEASUREMENTS (CONTINUED)

SFAS 157 establishes a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's investments and are summarized in the following fair value hierarchy:

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

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of June 30, 2008, in valuing the Fund's assets carried at fair value:

<TABLE>
<CAPTION>

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<S>	<C>	<C>	<C>	<C>
ASSETS:				
Investments in Securities ...	\$2,458,728,794	\$44,202,346	\$30,378,354	\$2,533,309,494

</TABLE>

At June 30, 2008, the reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value, is as follows:

<TABLE>
<CAPTION>

	INVESTMENTS IN SECURITIES	
<S>	<C>	
Beginning Balance - January 1, 2008	\$	--
Net realized gain (loss)		--
Net change in unrealized appreciation		

(depreciation)	--
Net purchases (sales)	--
Transfers in and/or out of Level 3	30,378,354

Ending Balance	\$30,378,354
	=====

</TABLE>

10. NEW ACCOUNTING PRONOUNCEMENTS

In March 2008, FASB issued FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS 161), which expands disclosures about derivative investments and hedging activities. SFAS 161 is effective for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Fund is currently evaluating the impact, if any, of applying the various provisions of SFAS 161.

Templeton Institutional Funds

SHAREHOLDER INFORMATION

EMERGING MARKETS SERIES

BOARD REVIEW OF INVESTMENT MANAGEMENT AGREEMENT

At a meeting held February 25, 2008, the Board of Directors (Board), including a majority of non-interested or independent Directors, approved renewal of the investment management agreements for each of the three separate series comprising Templeton Institutional Funds including the Emerging Market Series (Fund(s)). In reaching this decision, the Board took into account information furnished throughout the year at regular Board meetings, as well as information prepared specifically in connection with the annual renewal review process. Information furnished and discussed throughout the year included investment performance reports and related financial information for each Fund, as well as periodic reports on shareholder services, legal, compliance, pricing, brokerage commissions and execution and other services provided by the Investment Manager (Manager) and its affiliates. Information furnished specifically in connection with the renewal process included a report for each Fund prepared by Lipper, Inc. (Lipper), an independent organization, as well as a Fund profitability analysis report prepared by management. The Lipper reports compared each Fund's investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper. The Fund profitability analysis report discussed the profitability to Franklin Templeton Investments from its overall U.S. fund operations, as well as on an individual fund-by-fund basis. Included with such profitability analysis report was information on a fund-by-fund basis listing portfolio managers and other accounts they manage, as well as information on management fees charged by the Manager and its affiliates including management's explanation of differences where relevant and a three-year expense analysis with an explanation for any increase in expense ratios. Additional material accompanying such report was a memorandum prepared by management describing project initiatives and capital investments relating to the services provided to the Funds by the Franklin Templeton Investments organization, as well as a memorandum relating to economies of scale.

In considering such materials, the independent Directors received assistance and advice from and met separately with independent counsel. While the investment management agreements for all Funds were considered at the same Board meeting, the Board dealt with each Fund separately. In approving continuance of the investment management agreement for each Fund, the Board, including a majority of independent Directors, determined that the existing management fee structure was fair and reasonable and that continuance of the investment management agreement was in the best interests of each Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's decision.

NATURE, EXTENT AND QUALITY OF SERVICES. The Board was satisfied with the nature and quality of the overall services provided by the Manager and its affiliates to the Fund and its shareholders. In addition to investment performance and expenses discussed later, the Board's opinion was based, in part, upon periodic reports furnished them showing that the investment

Templeton Institutional Funds

SHAREHOLDER INFORMATION (CONTINUED)

BOARD REVIEW OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

policies and restrictions for the Fund were consistently complied with as well as other reports periodically furnished the Board covering matters such as the compliance of portfolio managers and other management personnel with the code of ethics adopted throughout the Franklin Templeton fund complex, the adherence to fair value pricing procedures established by the Board, and the accuracy of net asset value calculations. The Board also noted the extent of benefits provided Fund shareholders from being part of the Franklin Templeton family of funds, including the right to exchange investments between the same class of funds without a sales charge, the ability to reinvest Fund dividends into other funds and the right to combine holdings in other funds to obtain a reduced sales charge. Favorable consideration was given to management's continuous efforts and expenditures in establishing back-up systems and recovery procedures to function in the event of a natural disaster, it being noted that such systems and procedures had functioned smoothly during the Florida hurricanes and blackouts experienced in recent years. Among other factors taken into account by the Board were the Manager's best execution trading policies, including a favorable report by an independent portfolio trading analytical firm. Consideration was also given to the experience of the Fund's portfolio management team, the number of accounts managed and general method of compensation. In this latter respect, the Board noted that a primary factor in management's determination of a portfolio manager's bonus compensation was the relative investment performance of the funds he or she managed and that a portion of such bonus was required to be invested in a predesignated list of funds within such person's fund management area so as to be aligned with the interests of Fund shareholders. The Board also took into account the quality of transfer agent and shareholder services provided Fund shareholders by an affiliate of the Manager, noting continuing expenditures by management to increase and improve the scope of such services, periodic favorable reports on such service conducted by third parties, the high industry ranking given to the Franklin Templeton website, and the firsthand experience of individual Board members who deal with the shareholder services department in their capacities as shareholders in one or more of the various Franklin Templeton funds.

INVESTMENT PERFORMANCE. The Board placed significant emphasis on the investment performance of the Fund in view of its importance to shareholders. While consideration was given to performance reports and discussions with portfolio managers at Board meetings during the year, particular attention in assessing performance was given to the Lipper reports furnished for the agreement renewals. The Lipper report prepared for the Fund showed its investment performance in comparison with its Lipper selected performance universe during 2007, as well as during the previous 10 years ended December 31, 2007. The following summarizes the performance results for the Fund.

The Lipper performance universe for the Fund consisted of all retail and institutional emerging market funds as designated by Lipper. The Fund's total return during 2007 as shown in the Lipper report placed it in the lowest quintile of this performance universe and on an annualized

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Templeton Institutional Funds

SHAREHOLDER INFORMATION (CONTINUED)

EMERGING MARKETS SERIES

BOARD REVIEW OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

basis placed it in the lowest quintile of such universe for the previous three-year period, the second-lowest quintile of such performance universe during the previous five-year period, and the upper half of such universe during the previous 10-year period. The Board found such performance to be acceptable in light of the Fund's absolute level of total return, which exceeded 30% in 2007, and on an annualized basis exceeded 29% and 33%, respectively, for the previous three- and five-year periods as shown in the Lipper report.

COMPARATIVE EXPENSES. Consideration was given to a comparative analysis of the management fees and total expense ratios of the Fund compared with those of a group of other funds selected by Lipper as its appropriate Lipper expense group. Prior to making such comparison, the Board relied upon a survey showing that the scope of services covered under the Fund's investment management agreement was similar to those provided by fund managers to other mutual fund groups. In reviewing comparative costs, emphasis was given to the Fund's contractual investment management fee in comparison with the contractual investment management fee that would have been charged by other funds within its Lipper expense group assuming they were similar in size to the Fund, as well as the actual total expenses of the Fund in comparison with those of its Lipper expense group. The Lipper contractual investment management fee analysis includes

administrative fees as being part of a management fee. The Lipper report for the Emerging Market Series showed that the Fund's contractual investment management fee rate was nine basis points above the median of its Lipper expense group but that its actual total expense rate was below the median for such expense group. The Board found such expense to be acceptable.

MANAGEMENT PROFITABILITY. The Board also considered the level of profits realized by the Manager and its affiliates in connection with the operation of the Fund. In this respect, the Board reviewed the Fund profitability analysis that addresses the overall profitability of Franklin Templeton's U.S. fund business, as well as its profits in providing management and other services to the Fund. Specific attention was given to the methodology followed in allocating costs to the Fund, it being recognized that allocation methodologies are inherently subjective and various allocation methodologies may each be reasonable while producing different results. In this respect, the Board noted that, while being continuously refined and reflecting changes in the Manager's own cost accounting, the cost allocation methodology was consistent with that followed in profitability report presentations for the Fund made in prior years and that the Fund's independent registered public accounting firm had been engaged by the Manager to perform certain procedures on a biennial basis, specified and approved by the Manager and the Fund's Board solely for their purposes and use in reference to the profitability analysis. In reviewing and discussing such analysis, management discussed with the Board its belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to the Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and

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Templeton Institutional Funds

SHAREHOLDER INFORMATION (CONTINUED)

EMERGING MARKETS SERIES

BOARD REVIEW OF INVESTMENT MANAGEMENT AGREEMENT (CONTINUED)

efficiencies initiated by management. The Board also took into account management's expenditures in improving shareholder services provided the Fund, as well as the need to meet additional regulatory and compliance requirements resulting from the Sarbanes-Oxley Act and recent SEC and other regulatory requirements. In addition, the Board considered a third-party study comparing the profitability of the Manager's parent on an overall basis as compared to other publicly held managers broken down to show profitability from management operations exclusive of distribution expenses, as well as profitability including distribution expenses. The Board also considered the extent to which the Manager and its affiliates might derive ancillary benefits from fund operations, as well as potential benefits resulting from allocation of fund brokerage and the use of "soft" commission dollars to pay for research. Based upon its consideration of all these factors, the Board determined that the level of profits realized by the Manager and its affiliates from providing services to the Fund was not excessive in view of the nature, quality and extent of services provided.

ECONOMIES OF SCALE. The Board also considered whether economies of scale are realized by the Manager as the Fund grows larger and the extent to which this is reflected in the level of management fees charged. While recognizing that any precise determination is inherently subjective, the Board noted that based upon the Fund profitability analysis, it appears that as some funds get larger, at some point economies of scale do result in the Manager realizing a larger profit margin on management services provided such a fund. The Emerging Market Series' management advisory fee schedule provided a rate of 1.25% on the first \$1 billion of Fund net assets; 1.20% on the next \$4 billion of Fund net assets; 1.15% on the next \$5 billion of Fund net assets; 1.1% on the next \$5 billion of Fund net assets; 1.05% on the next \$5 billion of Fund net assets; and 1% on net assets in excess of \$20 billion, and the Board decided to add an additional breakpoint of 1.125% on Fund net assets between the \$7.5 billion and \$10 billion levels effective March 1, 2008. This Fund is also charged a separate fee for administrative services that starts at 0.15% on the first \$200 million of Fund net assets, and declines through breakpoints to a fixed rate of 0.075% after net assets reach the \$1.2 billion level. At the end of 2007, this Fund's net assets were approximately \$3.2 billion, and to the extent economies of scale may be realized by the Manager and its affiliates, the Board believes the schedules of management advisory and administrative fees provides a sharing of benefits with this Fund and its shareholders.

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SHAREHOLDER INFORMATION (CONTINUED)

EMERGING MARKETS SERIES

PROXY VOTING POLICIES AND PROCEDURES

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at 1-954/527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 500 East Broward Boulevard, Suite 1500, Fort Lauderdale, FL 33394, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

QUARTERLY STATEMENT OF INVESTMENTS

The Fund files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling 1-800/SEC-0330.

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(FRANKLIN TEMPLETON INSTITUTIONAL (R) LOGO) 600 Fifth Avenue
New York, NY 10020

SEMIANNUAL REPORT

TEMPLETON INSTITUTIONAL FUNDS
Emerging Markets Series

INVESTMENT MANAGER
Templeton Asset Management Ltd.

DISTRIBUTOR
Franklin Templeton Distributors, Inc.
One Franklin Parkway
San Mateo, CA 94403-1906

FRANKLIN TEMPLETON INSTITUTIONAL SERVICES
(800) 321-8563
ftinstitutional.com

Authorized for distribution only when accompanied or preceded by a prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. Like any investment in securities, the value of the Fund's portfolio will be subject to the risk of loss from market, currency, economic, political, and other factors. The Fund and its investors are not protected from such losses by the investment manager. Therefore, investors who cannot accept this risk should not invest in shares of the Fund. The prospectus contains this and other information; please read it carefully before investing.

To ensure the highest quality of service, telephone calls to or from our service departments may be monitored, recorded and accessed. These calls can be identified by the presence of a regular beeping tone.

JUNE 30, 2008

Global Equity Series

SEMIANNUAL REPORT

TEMPLETON INSTITUTIONAL FUNDS

(FRANKLIN TEMPLETON INSTITUTIONAL (R) LOGO)

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Semiannual Report

TIF Global Equity Series

YOUR FUND'S GOAL AND MAIN INVESTMENTS: TIF Global Equity Series seeks long-term capital growth. Under normal market conditions, the Fund invests at least 80% of its net assets in equity securities of companies located anywhere in the world, including emerging markets.

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. PLEASE VISIT FTINSTITUTIONAL.COM OR CALL 1-800/321-8563 FOR MOST RECENT MONTH-END PERFORMANCE.

This inaugural semiannual report for Templeton Institutional Funds (TIF) Global Equity Series (the Fund) covers the period since inception on March 31, 2008, through June 30, 2008.

PERFORMANCE OVERVIEW

For the period under review, the Fund had a -5.90% cumulative total return. The Fund underperformed its benchmark, the Morgan Stanley Capital International (MSCI) All Country (AC) World Index, which had a -1.36% total return for the same period.(1) Please note that index performance information is provided for reference and that we do not attempt to track an index but rather undertake investments on the basis of fundamental research. You can find the Fund's performance data in the Performance Summary beginning on page 5.

(1.) Source: (C) 2008 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. The MSCI AC World Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed and emerging markets. The index is unmanaged and includes reinvested dividends. One cannot invest directly in an index, nor is an index 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 9.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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GEOGRAPHIC BREAKDOWN

Based on Total Net Assets as of 6/30/08

(BAR CHART)

<TABLE>	
<S>	<C>
Europe	47.0%
North America	32.5%
Asia	12.8%
Latin America & Caribbean	1.5%
Australia & New Zealand	0.8%
Middle East & Africa	0.6%
Short-Term Investments & Other Net Assets	4.8%
</TABLE>	

ECONOMIC AND MARKET OVERVIEW

During the period under review, the U.S. economy grew marginally as energy prices rose, housing prices declined, the labor situation and consumer demand softened, and a credit crisis originally related to U.S. subprime loan losses spread globally. Investors remained cautious and continued risk reassessments in the stock, bond and credit markets. Some economists speculated whether the U.S. would enter a recession while others believed one was already under way. Many agreed, however, that the slowing U.S. economy -- which is the world's largest and accounts for roughly 25% of global gross domestic product -- could have a meaningfully negative impact on growth prospects around the world.(2) Nevertheless, growth remained relatively strong in developing economies, particularly in Asia ex-Japan where China-led demand continued to impact commodities' prices and related equities.

In the three months under review, prices increased significantly for oil, natural gas, and most agricultural and industrial commodities, adding to global inflationary pressures. Many of the world's monetary authorities faced the choice between lowering short-term interest rates to stimulate growth and raising them to fight inflation, which Merrill Lynch estimated at 5.5% globally, up from 3.5% at the beginning of 2008. The U.S. focused on reigniting its economy through fiscal and monetary policies, but the eurozone made controlling inflation its main goal. Accordingly, while the U.S. Federal Reserve Board (Fed) eased rates down to 2.00% from 2.25% as part of an aggressive series of cuts begun in mid-2007, the European Central Bank maintained rates at 4.00% during the period. Overall, rising inflation led more than three-quarters of the world's central banks to raise rates thus far in 2008, according to Merrill Lynch's estimate. Interest rate differentials pressured the U.S. dollar in early 2008, but the greenback regained ground against several currencies during the reporting period as the Fed paused and implied that its next move could be a rate hike. Indicators also signaled growth was slowing outside the U.S.

Against this challenging economic backdrop, many global equity markets were volatile, and a majority of them declined over the three-month period. Despite negative economic data and an outlook for decelerating corporate earnings and profit margins globally, many companies' balance sheets remained relatively strong. Many financial institutions were hurt by their subprime loan exposure, but abundant global liquidity sources such as sovereign wealth funds offered some relief with quick recapitalizations during the period.

(2.) Source: Global Insight.

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INVESTMENT STRATEGY

We employ a bottom-up, value-oriented, long-term investment strategy. Our in-depth fundamental internal research evaluates a company's potential to grow earnings, asset value and/or cash flow over a five-year horizon. Stocks are selected for purchase or sale utilizing strict valuation parameters, reflecting our focus on individual companies rather than countries or sectors.

MANAGER'S DISCUSSION

The Fund began operations on March 31, 2008. Uncertainty and market turmoil may not seem like ideal conditions to initiate new investments in the stock market, but much of the outcome could be tied to one's time horizon and discipline. Our investment philosophy seeks to unlock value over the long term by acquiring investments below what we consider fair value and preferably at deep discounts. Although this can happen at any time, our experience has shown that periods of extreme and widespread pessimism can offer excellent environments for bargain hunting.

During the three months since its inception, the Fund was not immune to the markets' persistent pressures and ended the period with a negative return below that of its benchmark, the MSCI AC World Index. The Fund's investments were selected from a pool of global stocks we considered undervalued based on our investment strategy. The resulting sector weightings are a byproduct of our analysts' recommendations.

The Fund's performance relative to the MSCI AC World Index was hindered by an underweighting and stock selection in the materials sector, which outperformed the index.(2) Our weighting reflected our belief that the sector was overvalued based on our five-year earnings estimates for individual companies. Our underweighted energy sector allocation also hurt relative results.(3) Although returns for the Fund's energy sector holdings were positive, they were primarily in integrated oil and gas companies, and not the exploration and production companies that performed particularly well. Despite certain positive prospects for exploration companies, our analysts did not believe the industry represented a broad case for long-term undervaluation. In terms of individual holdings, the largest detractors from performance included U.S. insurer American International Group, French

(2.) The materials sector comprises chemicals, containers and packaging, and

metals and mining in the SOI.

(3.) The energy sector comprises energy equipment and services; and oil, gas and consumable fuels in the SOI.

PORTFOLIO BREAKDOWN

Based on Total Net Assets as of 6/30/08

(BAR CHART)

<TABLE>

<S>	<C>
Pharmaceuticals	11.9%
Oil, Gas & Consumable Fuels	11.1%
Diversified Telecommunication Services	8.8%
Multi-Utilities	6.9%
Insurance	5.7%
Software	5.4%
Semiconductors & Semiconductor Equipment	3.8%
Media	3.4%
Commercial Banks	3.3%
Food Products	2.8%
Industrial Conglomerates	2.4%
Wireless Telecommunication Services	2.4%
Health Care Equipment & Supplies	2.3%
Aerospace & Defense	2.1%
Health Care Providers & Services	2.1%
Electric Utilities	2.0%
Other	18.8%
Short-Term Investments & Other Net Assets	4.8%

</TABLE>

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TOP 10 EQUITY HOLDINGS

6/30/08

<TABLE>

<CAPTION>

COMPANY SECTOR/INDUSTRY, COUNTRY	% OF TOTAL NET ASSETS
-----	-----
<S>	<C>
Microsoft Corp. SOFTWARE, U.S.	2.4%
Total SA, B OIL, GAS & CONSUMABLE FUELS, FRANCE	2.3%
Royal Dutch Shell PLC, B, ADR OIL, GAS & CONSUMABLE FUELS, U.K.	2.3%
Taiwan Semiconductor Manufacturing Co. Ltd. SEMICONDUCTORS & SEMICONDUCTOR EQUIPMENT, TAIWAN	2.1%
BP PLC OIL, GAS & CONSUMABLE FUELS, U.K.	2.0%
Vodafone Group PLC WIRELESS TELECOMMUNICATION SERVICES, U.K.	1.9%
France Telecom SA DIVERSIFIED TELECOMMUNICATION SERVICES, FRANCE	1.8%
Novartis AG PHARMACEUTICALS, SWITZERLAND	1.8%
Telefonica SA, ADR DIVERSIFIED TELECOMMUNICATION SERVICES, SPAIN	1.8%
GlaxoSmithKline PLC PHARMACEUTICALS, U.K.	1.8%

</TABLE>

tire manufacturer Compagnie Generale des Etablissements Michelin, U.S.
industrial conglomerate General Electric, U.S. media company News Corp. and
Brazilian aircraft manufacturer Embraer-Empresa Brasileira de Aeronautica.

Since the Fund's inception, a significantly underweighted position in the poorly performing financials sector helped relative performance.(4) Although certain U.S. financial stocks began to look attractive from a valuation standpoint, we believed the risk of holding them outweighed the potential reward. We believe several factors need to change, including improving balance sheets and reconfiguring business models, before a more credible earnings picture can emerge; and we continue to monitor the situation closely. Stock selection in the information technology sector also helped the Fund's relative performance.(5) In terms of individual holdings, four of the top contributors to performance were energy companies Royal Dutch Shell (U.K.), Total (France), El Paso Corp. (U.S.) and BP (U.K.), which underscores the sector's strong results during the period.

Thank you for your participation in TIF Global Equity Series. We look forward to

servicing your future investment needs.

(PHOTO OF NEIL DEVLIN)

/s/ Neil Devlin
Neil Devlin, CFA
Portfolio Manager
TIF Global Equity Series

- (4.) The financials sector comprises capital markets, commercial banks, diversified financial services, insurance, and real estate management and development in the SOI.
- (5.) The information technology sector comprises communications equipment, computers and peripherals, electronic equipment and instruments, IT services, office electronics, semiconductors and semiconductor equipment, and software in the SOI.

THE FOREGOING INFORMATION REFLECTS OUR ANALYSIS, OPINIONS AND PORTFOLIO HOLDINGS AS OF JUNE 30, 2008, 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 6/30/08

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. 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. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses on the sale of Fund shares.

PRICE INFORMATION

<TABLE>
<CAPTION>

SYMBOL: TGESX	CHANGE	6/30/08	3/31/08
<S>	<C>	<C>	<C>
Net Asset Value (NAV)	-\$0.59	\$9.41	\$10.00

</TABLE>

PERFORMANCE (1)

UNTIL AUGUST 31, 2008, THE FUND MAY CHARGE A 2% FEE ON REDEMPTIONS MADE WITHIN SEVEN DAYS OF PURCHASE.

<TABLE>
<CAPTION>

	INCEPTION (3/31/08)	
<S>	<C>	<C>
Cumulative Total Return(2)		-5.90%
Aggregate Total Return(3)		-5.90%
Value of \$1,000,000 Investment(4)		\$941,000
Total Annual Operating Expenses(5)		
Without Waiver	1.18%	
With Waiver	0.81%	

</TABLE>

PERFORMANCE DATA REPRESENT PAST PERFORMANCE, WHICH DOES NOT GUARANTEE FUTURE RESULTS. INVESTMENT RETURN AND PRINCIPAL VALUE WILL FLUCTUATE, AND YOU MAY HAVE A GAIN OR LOSS WHEN YOU SELL YOUR SHARES. CURRENT PERFORMANCE MAY DIFFER FROM FIGURES SHOWN. FOR MOST RECENT MONTH-END PERFORMANCE, PLEASE VISIT FTINSTITUTIONAL.COM OR CALL 1-800/321-8563.

THE INVESTMENT MANAGER AND ADMINISTRATOR HAVE CONTRACTUALLY AGREED TO WAIVE OR LIMIT THEIR RESPECTIVE FEES AND TO ASSUME AS THEIR OWN EXPENSE CERTAIN EXPENSES OTHERWISE PAYABLE BY THE FUND SO THAT TOTAL ANNUAL FUND OPERATING EXPENSES, EXCLUDING ACQUIRED FUND FEES AND EXPENSES, DO NOT EXCEED 0.81% (OTHER THAN

CERTAIN NON-ROUTINE EXPENSE OR COSTS, INCLUDING THOSE RELATING TO LITIGATION, INDEMNIFICATION, REORGANIZATIONS AND LIQUIDATIONS) UNTIL 4/30/09.

ENDNOTES

SPECIAL RISKS ARE ASSOCIATED WITH FOREIGN INVESTING, INCLUDING CURRENCY FLUCTUATIONS, ECONOMIC INSTABILITY AND POLITICAL DEVELOPMENTS. INVESTMENTS IN DEVELOPING MARKETS INVOLVE HEIGHTENED RISKS RELATED TO THE SAME FACTORS, IN ADDITION TO THESE MARKETS' SMALLER SIZE AND LESSER LIQUIDITY. THE FUND'S PROSPECTUS ALSO INCLUDES A DESCRIPTION OF THE MAIN INVESTMENT RISKS.

1. If the manager had not waived fees, the Fund's total return would have been lower.
2. Cumulative total return represents the change in value of an investment over the period indicated.
3. Aggregate total return represents the change in value of an investment over the period indicated. Because the Fund has existed for less than one year, average annual total returns are not available.
4. These figures represent the value of a hypothetical \$1,000,000 investment in the Fund over the period indicated.
5. Figures are as stated in the Fund's prospectus current as of the date of this report.

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Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases, if applicable, and redemption fees; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, if applicable, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

ACTUAL FUND EXPENSES

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. OF COURSE, YOUR ACCOUNT VALUE AND EXPENSES WILL DIFFER FROM THOSE IN THIS ILLUSTRATION:

1. Divide your account value by \$1,000.
IF AN ACCOUNT HAD AN \$8,600 VALUE, THEN $\$8,600 / \$1,000 = 8.6$.
2. Multiply the result by the number under the heading "Expenses Paid During Period."
IF EXPENSES PAID DURING PERIOD WERE \$7.50, THEN $8.6 \times \$7.50 = \64.50 .

In this illustration, the estimated expenses paid this period are \$64.50.

HYPOTHETICAL EXAMPLE FOR COMPARISON WITH OTHER FUNDS

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

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Your Fund's Expenses (CONTINUED)

PLEASE NOTE THAT EXPENSES SHOWN IN THE TABLE ARE MEANT TO HIGHLIGHT ONGOING COSTS AND DO NOT REFLECT ANY TRANSACTION COSTS, SUCH AS SALES CHARGES OR REDEMPTION FEES. Therefore, the second line of the table is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

	BEGINNING ACCOUNT VALUE		ENDING ACCOUNT VALUE 6/30/08	EXPENSES PAID DURING PERIOD*	
	ACTUAL 3/31/08	HYPOTHETICAL 1/1/08		ACTUAL 3/31/08-6/30/08	HYPOTHETICAL 1/1/08-6/30/08
<S>	<C>		<C>	<C>	
Actual	\$1,000		\$ 941.00	\$1.95	
Hypothetical (5% return before expenses)	\$1,000		\$1,020.84	\$4.07	

* Expenses are calculated using the annualized expense ratio, net of expense waiver, of 0.81%, multiplied by the average account value over the period, multiplied by 182/366 (Hypothetical) to reflect the one-half year period. For actual expenses, the multiplier is 91/366 to reflect the number of days since inception.

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Templeton Institutional Funds

FINANCIAL HIGHLIGHTS

GLOBAL EQUITY SERIES

	PERIOD ENDED JUNE 30, 2008 (a) (UNAUDITED)
<S>	<C>
PER SHARE OPERATING PERFORMANCE (for a share outstanding throughout the period)	
Net asset value, beginning of period.....	\$ 10.00
Income from investment operations(b):	
Net investment income(c).....	0.09
Net realized and unrealized gains (losses)....	(0.68)
Total from investment operations.....	(0.59)
Net asset value, end of period.....	\$ 9.41
Total return(d).....	(5.90)%
RATIOS TO AVERAGE NET ASSETS(e)	
Expenses before waiver and payments by affiliates.....	1.14%
Expenses net of waiver and payments by affiliates.....	0.81%
Net investment income.....	3.63%
SUPPLEMENTAL DATA	
Net assets, end of period (000's).....	\$118,286
Portfolio turnover rate.....	2.90%

(a) For the period March 31, 2008 (commencement of operations) to June 30, 2008.

(b) The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

(c) Based on average daily shares outstanding.

(d) Total return is not annualized for periods less than one year.

(e) Ratios are annualized for periods less than one year.

The accompanying notes are an integral part of these financial statements.

Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED)

<TABLE>

<CAPTION>

GLOBAL EQUITY SERIES	INDUSTRY	SHARES	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS 94.9%			
AUSTRALIA 0.8%			
Alumina Ltd.	Metals & Mining	207,960	\$ 944,477
AUSTRIA 1.6%			
Telekom Austria AG	Diversified Telecommunication Services	86,420	1,875,140
BERMUDA 0.8%			
ACE Ltd.	Insurance	17,590	969,033
BRAZIL 1.2%			
Companhia Vale do Rio Doce, ADR	Metals & Mining	18,580	665,536
Embraer-Empresa Brasileira de Aeronautica SA, ADR	Aerospace & Defense	27,230	721,595
			1,387,131
CANADA 0.2%			
George Weston Ltd.	Food & Staples Retailing	5,800	267,902
CHINA 0.6%			
China Telecom Corp. Ltd., H	Diversified Telecommunication Services	1,426,000	775,432
FRANCE 8.8%			
AXA SA	Insurance	32,090	952,975
France Telecom SA	Diversified Telecommunication Services	74,100	2,183,043
Compagnie Generale des Etablissements Michelin, B	Auto Components	9,140	656,844
Sanofi-Aventis	Pharmaceuticals	30,260	2,021,679
Suez SA	Multi-Utilities	9,670	658,389
Total SA, B	Oil, Gas & Consumable Fuels	32,340	2,760,003
Vivendi SA	Media	30,050	1,140,333
			10,373,266
GERMANY 7.4%			
Bayerische Motoren Werke AG	Automobiles	5,770	277,560
Celesio AG	Health Care Providers & Services	12,790	462,999
Deutsche Post AG	Air Freight & Logistics	62,520	1,627,279
E.ON AG	Electric Utilities	5,060	1,020,554
(a) Infineon Technologies AG	Semiconductors & Semiconductor Equipment	154,470	1,328,028
Merck KGaA	Pharmaceuticals	12,890	1,828,520
SAP AG	Software	26,510	1,383,352
Siemens AG	Industrial Conglomerates	7,240	799,375
			8,727,667
HONG KONG 0.7%			
Cheung Kong (Holdings) Ltd.	Real Estate Management & Development	62,000	835,705
INDIA 0.6%			
(a) ICICI Bank Ltd., ADR	Commercial Banks	24,860	714,974
ISRAEL 0.6%			
(a) Check Point Software Technologies Ltd.	Software	28,080	664,654
ITALY 2.0%			
Eni SpA	Oil, Gas & Consumable Fuels	48,217	1,799,363
UniCredit SpA	Commercial Banks	86,198	527,640
			2,327,003

</TABLE>

Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED) (CONTINUED)

<TABLE> <CAPTION> GLOBAL EQUITY SERIES			
	INDUSTRY	SHARES	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS (CONTINUED)			
JAPAN 5.5%			
EBARA Corp.	Machinery	301,000	\$ 935,619
FUJIFILM Holdings Corp.	Electronic Equipment & Instruments	17,600	605,096
Konica Minolta Holdings Ltd.	Office Electronics	11,000	185,777
Mitsubishi UFJ Financial Group Inc.	Commercial Banks	6,400	56,727
NGK Spark Plug Co. Ltd.	Auto Components	15,000	172,232
Nintendo Co. Ltd.	Software	1,400	789,903
NOK Corp.	Auto Components	9,300	147,868
Olympus Corp.	Health Care Equipment & Supplies	22,000	743,936
Takeda Pharmaceutical Co. Ltd.	Pharmaceuticals	19,000	966,420
Toyota Motor Corp.	Automobiles	11,400	537,974
USS Co. Ltd.	Specialty Retail	20,900	1,380,012

			6,521,564

NETHERLANDS 2.0%			
ING Groep NV	Diversified Financial Services	20,440	651,904
Koninklijke Philips Electronics NV	Industrial Conglomerates	21,240	722,736
SBM Offshore NV	Energy Equipment & Services	20,100	741,863
Unilever NV	Food Products	9,710	275,667

			2,392,170

NORWAY 1.6%			
Telenor ASA	Diversified Telecommunication Services	103,590	1,949,001

PORTUGAL 0.3%			
Portugal Telecom SGPS SA	Diversified Telecommunication Services	28,140	319,470

RUSSIA 0.9%			
Gazprom, ADR	Oil, Gas & Consumable Fuels	19,100	1,109,710

SINGAPORE 1.8%			
DBS Group Holdings Ltd.	Commercial Banks	43,000	596,112
(a) Flextronics International Ltd.	Electronic Equipment & Instruments	34,420	323,548
Singapore Telecommunications Ltd.	Diversified Telecommunication Services	447,000	1,189,415

			2,109,075

SOUTH KOREA 1.2%			
(b) Hyundai Motor Co., GDR, 144A	Automobiles	5,800	196,751
Kookmin Bank, ADR	Commercial Banks	8,410	492,069
Samsung Electronics Co. Ltd.	Semiconductors & Semiconductor Equipment	1,205	719,661

			1,408,481

SPAIN 2.3%			
Iberdrola SA, Br.	Electric Utilities	21,208	284,184
Repsol YPF SA	Oil, Gas & Consumable Fuels	9,528	375,520
Telefonica SA, ADR	Diversified Telecommunication Services	26,140	2,080,221

			2,739,925

SWITZERLAND 5.0%			
Adecco SA	Commercial Services & Supplies	2,770	137,483
Lonza Group AG	Life Sciences Tools & Services	7,370	1,022,349
Nestle SA	Food Products	24,300	1,098,079
Novartis AG	Pharmaceuticals	38,590	2,125,000

</TABLE>

Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED) (CONTINUED)

<TABLE> <CAPTION> GLOBAL EQUITY SERIES			
	INDUSTRY	SHARES	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS (CONTINUED)			
SWITZERLAND (CONTINUED)			
Swiss Reinsurance Co.	Insurance	18,080	\$ 1,204,448
(a) UBS AG	Capital Markets	14,002	289,281

			5,876,640

TAIWAN 2.4%			
Compal Electronics Inc.	Computers & Peripherals	308,000	332,830
Taiwan Semiconductor Manufacturing Co. Ltd.	Semiconductors & Semiconductor Equipment	1,154,000	2,471,255
			2,804,085

TURKEY 0.4%			
Turkcell Iletisim Hizmetleri AS, ADR	Wireless Telecommunication Services	37,100	539,805

UNITED KINGDOM 14.7%			
Aviva PLC	Insurance	53,060	529,601
BAE Systems PLC	Aerospace & Defense	203,210	1,791,440
BP PLC	Oil, Gas & Consumable Fuels	205,450	2,387,288
British Energy Group PLC	Electric Utilities	75,490	1,070,812
Cadbury PLC	Food Products	95,019	1,197,333
Compass Group PLC	Hotels, Restaurants & Leisure	49,490	374,173
G4S PLC	Commercial Services & Supplies	111,040	447,969
GlaxoSmithKline PLC	Pharmaceuticals	93,440	2,071,915
HSBC Holdings PLC	Commercial Banks	11,490	177,577
Old Mutual PLC	Insurance	72,190	133,465
Premier Foods PLC	Food Products	75,280	143,228
Rexam PLC	Containers & Packaging	77,070	594,978
Royal Bank of Scotland Group PLC	Commercial Banks	233,432	999,868
Royal Dutch Shell PLC, B, ADR	Oil, Gas & Consumable Fuels	33,670	2,697,304
Unilever PLC	Food Products	19,050	542,339
Vodafone Group PLC	Wireless Telecommunication Services	763,070	2,267,417
			17,426,707

UNITED STATES 31.5%			
Accenture Ltd., A	IT Services	26,800	1,091,296
American International Group Inc.	Insurance	42,440	1,122,962
(a) Amgen Inc.	Biotechnology	35,360	1,667,578
(a) Aquila Inc.	Multi-Utilities	461,850	1,741,174
Bank of America Corp.	Diversified Financial Services	9,670	230,823
Bristol-Myers Squibb Co.	Pharmaceuticals	34,540	709,106
Chevron Corp.	Oil, Gas & Consumable Fuels	4,360	432,207
(a) Cisco Systems Inc.	Communications Equipment	15,240	354,482
CMS Energy Corp.	Multi-Utilities	109,200	1,627,080
Comcast Corp., A	Media	30,050	563,738
Cooper Cos. Inc.	Health Care Equipment & Supplies	21,470	797,610
Covidien Ltd.	Health Care Equipment & Supplies	25,000	1,197,250
Cytec Industries Inc.	Chemicals	6,700	365,552
(a) Dr. Pepper Snapple Group Inc.	Beverages	48,673	1,021,160
E. I. du Pont de Nemours and Co.	Chemicals	7,800	334,542
El Paso Corp.	Oil, Gas & Consumable Fuels	70,940	1,542,236
General Electric Co.	Industrial Conglomerates	49,930	1,332,632
JPMorgan Chase & Co.	Diversified Financial Services	2,910	99,842
(a) Lexmark International Inc., A	Computers & Peripherals	9,920	331,626

</TABLE>

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Templeton Institutional Funds

STATEMENT OF INVESTMENTS, JUNE 30, 2008 (UNAUDITED) (CONTINUED)

<TABLE>

<CAPTION>

GLOBAL EQUITY SERIES	INDUSTRY	SHARES	VALUE
<S>	<C>	<C>	<C>
COMMON STOCKS (CONTINUED)			
UNITED STATES (CONTINUED)			
Merck & Co. Inc.	Pharmaceuticals	38,930	\$ 1,467,272
Microsoft Corp.	Software	104,740	2,881,397
News Corp., A	Media	58,810	884,502
NiSource Inc.	Multi-Utilities	113,650	2,036,608
(a) Oracle Corp.	Software	32,220	676,620
Pfizer Inc.	Pharmaceuticals	88,470	1,545,571
PG&E Corp.	Multi-Utilities	52,150	2,069,833
Progressive Corp.	Insurance	58,810	1,100,923
Quest Diagnostics Inc.	Health Care Providers & Services	40,750	1,975,152
Seagate Technology	Computers & Peripherals	43,810	838,085
Target Corp.	Multiline Retail	14,830	689,447
Time Warner Inc.	Media	54,170	801,716
Torchmark Corp.	Insurance	12,310	721,982
Tyco Electronics Ltd.	Electronic Equipment & Instruments	10,480	375,394
United Parcel Service Inc., B	Air Freight & Logistics	9,950	611,627

(a) Viacom Inc., B	Media	19,070	582,398
(a) Watson Pharmaceuticals Inc.	Pharmaceuticals	50,530	1,372,900

			37,194,323

TOTAL COMMON STOCKS			
(COST \$117,856,865)			112,253,340

PREFERRED STOCK (COST \$365,279) 0.3%			
BRAZIL 0.3%			
Banco Bradesco SA, ADR, pfd.	Commercial Banks	17,420	356,413

TOTAL INVESTMENTS BEFORE SHORT TERM			
INVESTMENTS (COST \$118,222,144)			112,609,753

</TABLE>

<TABLE>
<CAPTION>

		PRINCIPAL	
		AMOUNT	

<S>		<C>	<C>
SHORT TERM INVESTMENT 8.8%			
TIME DEPOSIT (COST \$10,385,000) 8.8%			
UNITED STATES 8.8%			
Royal Bank of Scotland Group PLC, 2.50%, 7/01/08		\$10,385,000	10,385,000

TOTAL INVESTMENTS (COST \$128,607,144) 104.0%			122,994,753
OTHER ASSETS, LESS LIABILITIES (4.0)%			(4,709,157)

NET ASSETS 100.0%			\$118,285,596
			=====

</TABLE>

SELECTED PORTFOLIO ABBREVIATIONS

ADR - American Depository Receipt

GDR - Global Depository Receipt

(a) Non-income producing for the twelve months ended June 30, 2008.

(b) Security 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. This security has been deemed liquid under guidelines approved by the Fund's Board of Trustees. At June 30, 2008, the value of this security was \$196,751, representing 0.17% of net assets.

The accompanying notes are an integral part of these financial statements.

Templeton Institutional Funds

FINANCIAL STATEMENTS

STATEMENT OF ASSETS AND LIABILITIES
June 30, 2008 (unaudited)

<TABLE>
<CAPTION>

	GLOBAL	
	EQUITY SERIES	

<S>		<C>
Assets:		
Investments in securities:		
Cost	\$128,607,144	

Value	\$122,994,753	
Cash	10,385,897	
Foreign currency, at value (cost \$26,100)	26,210	
Receivables:		
Dividends	75,725	
Offering costs	39,035	

Total assets	133,521,620	

Liabilities:

Payables:	
Investment securities purchased	15,148,173
Affiliates	41,354
Accrued expenses and other liabilities	46,497

Total liabilities	15,236,024

Net assets, at value	\$118,285,596

Net assets consist of:	
Paid-in capital	\$123,463,228
Undistributed net investment income	648,780
Net unrealized appreciation (depreciation).....	(5,643,269)
Accumulated net realized gain (loss)	(183,143)

Net assets, at value	\$118,285,596
	=====
Shares outstanding	12,566,025
	=====
Net asset value per share(a)	\$ 9.41
	=====

</TABLE>

(a) Redemption price is equal to net asset value less redemption fees retained by the Fund.

The accompanying notes are an integral part of these financial statements.

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Templeton Institutional Funds

FINANCIAL STATEMENTS (CONTINUED)

STATEMENT OF OPERATIONS
for the period March 31, 2008 (commencement of operations) to June 30, 2008
(unaudited)

<TABLE>

<CAPTION>

	GLOBAL EQUITY SERIES

<S>	<C>
Investment income:	
Dividends (net of foreign taxes of \$134,219).....	\$ 752,308
Interest.....	41,172

Total investment income.....	793,480

Expenses:	
Management fees (Note 3a).....	125,049
Administrative fees (Note 3b).....	35,728
Transfer agent fees (Note 3c).....	1,790
Custodian fees (Note 4).....	2,984
Reports to shareholders.....	14,758
Registration and filing fees.....	1,865
Professional fees.....	8,718
Trustees' fees and expenses.....	248
Amortization of offering costs.....	12,965
Other.....	249

Total expenses.....	204,354
Expenses waived/paid by affiliates (Note 3d).....	(59,654)

Net expenses.....	144,700

Net investment income.....	648,780

Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments.....	7,622
Foreign currency transactions.....	(190,765)

Net realized gain (loss).....	(183,143)

Net change in unrealized appreciation (depreciation) on:	
Investments.....	(5,612,390)
Translation of assets and liabilities denominated in foreign currencies.....	(30,879)

Net change in unrealized appreciation	

(depreciation).....	(5,643,269)
Net realized and unrealized gain (loss).....	(5,826,412)
Net increase (decrease) in net assets resulting from operations	\$ (5,177,632)
	=====

</TABLE>

The accompanying notes are an integral part of these financial statements.

Templeton Institutional Funds

FINANCIAL STATEMENTS (CONTINUED)

STATEMENTS OF CHANGES IN NET ASSETS

<TABLE>

<CAPTION>

	GLOBAL EQUITY SERIES PERIOD ENDED JUNE 30, 2008 (a) (UNAUDITED)

<S>	<C>
Increase (decrease) in net assets:	
Operations:	
Net investment income	\$ 648,780
Net realized gain (loss) from investments and foreign currency transactions	(183,143)
Net change in unrealized appreciation (depreciation) on investments and translation of assets and liabilities denominated in foreign currencies	(5,643,269)

Net increase (decrease) in net assets resulting from operations	(5,177,632)

Capital share transactions: (Note 2)	123,463,228

Net increase (decrease) in net assets	118,285,596
Net assets:	
Beginning of period	--

End of period	\$118,285,596

Undistributed net investment income included in net assets:	
End of period	\$ 648,780
	=====

</TABLE>

(a) For the period March 31, 2008 (commencement of operations) to June 30, 2008.

The accompanying notes are an integral part of these financial statements.

Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

GLOBAL EQUITY SERIES

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES

Templeton Institutional Funds (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of four separate funds. The Global Equity Series (Fund) included in this report is diversified. The financial statements of the remaining funds in the Trust are presented separately.

The following summarizes the Fund's significant accounting policies.

A. SECURITY VALUATION

Securities listed on a securities exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Over-the-counter securities and listed securities for which there is no reported sale are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Time deposits are valued at cost.

Foreign securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or the NYSE, whichever is earlier. If no sale is reported at that time, the foreign security will be valued within the range of the most recent quoted bid and ask prices. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE on the day that the value of the foreign security is determined.

The Fund has procedures to determine the fair value of individual securities and other assets for which market prices are not readily available or which may not be reliably priced. Methods for valuing these securities may include: fundamental analysis, matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities. Due to the inherent uncertainty of valuations of such securities, the fair values may differ significantly from the values that would have been used had a ready market for such investments existed. Occasionally, events occur between the time at which trading in a security is completed and the close of the NYSE that might call into question the availability (including the reliability) of the value of a portfolio security held by the Fund. The investment manager monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depository Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services. All security valuation procedures are approved by the Fund's Board of Trustees.

Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

GLOBAL EQUITY SERIES

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. 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 Fund's Board of Trustees.

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 on 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. FOREIGN CURRENCY CONTRACTS

When the Fund purchases or sells foreign securities it may enter into foreign exchange contracts to minimize foreign exchange risk from the trade date to the settlement date of the transactions. A foreign exchange contract is an agreement between two parties to exchange different currencies at an agreed upon exchange rate at a future date. Realized and unrealized gains and losses on these contracts are included in the Statement of Operations.

The risks of these contracts include movement in the values of the foreign currencies relative to the U.S. dollar and the possible inability of the counterparties to fulfill their obligations under the contracts, which may be in excess of the amount reflected in the Statement of Assets and Liabilities.

D. INCOME TAXES

No provision has been made for U.S. income taxes because it is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code and to distribute to shareholders substantially all of its taxable income and net realized gains.

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Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

GLOBAL EQUITY SERIES

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. INCOME TAXES (CONTINUED)

Foreign securities held by the Fund may be subject to foreign taxation on dividend and interest income received. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Fund invests.

The Fund has reviewed the tax position as of June 30, 2008, and has determined that no provision for income tax is required in the Fund's financial statements.

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. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the Fund is notified of the ex-dividend date. 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 accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

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

F. OFFERING COSTS

Offering costs are amortized on a straight line basis over twelve months.

G. ACCOUNTING ESTIMATES

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America 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 Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

GLOBAL EQUITY SERIES

1. ORGANIZATION AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. REDEMPTION FEES

A short term trading redemption fee will be imposed, with some exceptions, on any Fund shares that are redeemed or exchanged within seven calendar days following their purchase date. The redemption fee is 2% of the amount redeemed. Such fees are retained by the Fund and accounted for as an addition to paid-in capital.

I. GUARANTEES AND INDEMNIFICATIONS

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

2. SHARES OF BENEFICIAL INTEREST

At June 30, 2008, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

<TABLE>
<CAPTION>

	PERIOD ENDED JUNE 30, 2008(a)	
	SHARES	AMOUNT
<S>	<C>	<C>
Shares sold	12,589,711	\$123,703,228
Shares redeemed	(23,686)	(240,000)
Net increase (decrease)	12,566,025	\$123,463,228

</TABLE>

(a) For the period March 31, 2008 (commencement of operations) to June 30, 2008.

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 Trust are also officers and/or directors of the following subsidiaries:

<TABLE>
<CAPTION>

SUBSIDIARY	AFFILIATION
<S>	<C>
Templeton Investment Counsel, LLC (TIC)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

</TABLE>

Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

GLOBAL EQUITY SERIES

3. TRANSACTIONS WITH AFFILIATES (CONTINUED)

A. MANAGEMENT FEES

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

<TABLE>
<CAPTION>

ANNUALIZED FEE RATE	NET ASSETS
<S>	<C>
0.700%	Up to and including \$1 billion
0.680%	Over \$1 billion, up to and including \$5 billion
0.660%	Over \$5 billion, up to and including \$10 billion

0.640%	Over \$10 billion, up to and including \$15 billion
0.620%	Over \$15 billion, up to and including \$20 billion
0.600%	In excess of \$ 20 billion

</TABLE>

B. ADMINISTRATIVE FEES

The Fund pays an administrative fee to FT Services of 0.20% per year of the average daily net assets of the Fund.

C. TRANSFER AGENT FEES

For the period ended June 30, 2008, the Fund paid transfer agent fees of \$1,790, of which \$26 was retained by Investor Services.

D. WAIVER AND EXPENSE REIMBURSEMENTS

FT Services and TIC have agreed in advance to waive a portion of their respective fees and to assume payment of other expenses through April 30, 2009. Total expenses waived are not subject to reimbursement by the Fund. After April 30, 2009, FT Services and TIC may discontinue this waiver at any time upon notice to the Fund's Board of Trustees.

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 June 30, 2008, there were no credits earned.

Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

GLOBAL EQUITY SERIES

5. INCOME TAXES

At June 30, 2008, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

<TABLE>	
<S>	<C>
Cost of investments	\$128,607,144
	=====
Unrealized appreciation	1,794,702
Unrealized depreciation	(7,407,093)

Net unrealized appreciation (depreciation)	\$ (5,612,391)
	=====

</TABLE>

6. INVESTMENT TRANSACTIONS

Purchases and sales of investments (excluding short term securities) for the period ended June 30, 2008, aggregated \$119,210,568 and \$996,050, respectively.

7. 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.

8. FAIR VALUE MEASUREMENTS

Financial Accounting Standards Board (FASB) Statement No. 157, "Fair Value Measurement" establishes a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Fund's own market assumptions (unobservable inputs). These inputs are used in determining the value of the Fund's investments and are summarized in the following fair value hierarchy:

- Level 1 - quoted prices in active markets for identical securities
- Level 2 - other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speed, credit risk, etc.)

- Level 3 - significant unobservable inputs (including the Fund's own assumptions in determining the fair value of investments)

Templeton Institutional Funds

NOTES TO FINANCIAL STATEMENTS (UNAUDITED) (CONTINUED)

GLOBAL EQUITY SERIES

8. FAIR VALUE MEASUREMENTS (CONTINUED)

The inputs or methodology used for valuing securities are not an indication of the risk associated with investing in those securities.

The following is a summary of the inputs used as of June 30, 2008, in valuing the Fund's assets carried at fair value:

<TABLE>
<CAPTION>

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
ASSETS:				
Investments in Securities	\$112,609,753	\$10,385,000	\$ --	\$122,994,753

</TABLE>

9. NEW ACCOUNTING PRONOUNCEMENTS

In March 2008, FASB issued FASB Statement No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133" (SFAS 161), which expands disclosures about derivative investments and hedging activities. SFAS 161 is effective for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Fund is currently evaluating the impact, if any, of applying the various provisions of SFAS 161.

Templeton Institutional Funds

SHAREHOLDER INFORMATION

GLOBAL EQUITY SERIES

PROXY VOTING POLICIES AND PROCEDURES

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at 1-954/527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 500 East Broward Boulevard, Suite 1500, Fort Lauderdale, FL 33394, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

QUARTERLY STATEMENT OF INVESTMENTS

The Fund files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling 1-800/SEC-0330.

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600 Fifth Avenue
New York, NY 10020

SEMIANNUAL REPORT

TEMPLETON INSTITUTIONAL FUNDS
Global Equity Series

INVESTMENT MANAGER
Templeton Investment Counsel, LLC

DISTRIBUTOR
Franklin Templeton Distributors, Inc.
One Franklin Parkway
San Mateo, CA 94403-1906

FRANKLIN TEMPLETON INSTITUTIONAL SERVICES
(800) 321-8563
ftinstitutional.com

Authorized for distribution only when accompanied or preceded by a prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. Like any investment in securities, the value of the Fund's portfolio will be subject to the risk of loss from market, currency, economic, political and other factors. The Fund and its investors are not protected from such losses by the investment manager. Therefore, investors who cannot accept this risk should not invest in shares of the Fund. The prospectus contains this and other information; please read it carefully before investing.

To ensure the highest quality of service, telephone calls to or from our service departments may be monitored, recorded and accessed. These calls can be identified by the presence of a regular beeping tone.

ZT442 S2008 08/08

Item 2. Code of Ethics.

(a) The Registrant has adopted a code of ethics that applies to its principal executive officers and principal financial and accounting officer.

(c) N/A

(d) N/A

(f) Pursuant to Item 12(a)(1), the Registrant is attaching as an exhibit a copy of its code of ethics that applies to its principal executive officers and principal financial and accounting officer.

Item 3. Audit Committee Financial Expert.

(a)(1) The Registrant has an audit committee financial expert serving on its audit committee.

(2) The audit committee financial expert is David W. Niemiec and he is "independent" as defined under the relevant Securities and Exchange Commission Rules and Releases.

Item 4. Principal Accountant Fees and Services. N/A

Item 5. Audit Committee of Listed Registrants. N/A

Item 6. Schedule of Investments. N/A

Item 7. Disclosure of Proxy Voting Policies and Procedures for
Closed-End Management Investment Companies. N/A

Item 8. Portfolio Managers of Closed-End Management Investment Companies. N/A

Item 9. Purchases of Equity Securities by Closed-End Management Investment
Company and Affiliated Purchasers. N/A

Item 10. Submission of Matters to a Vote of Security Holders.

There have been no changes to the procedures by which shareholders may recommend

nominees to the Registrant's Board of Trustees that would require disclosure herein.

Item 11. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures. The Registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 is recorded, processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Registrant's management, including the principal executive officer and the principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Within 90 days prior to the filing date of this Shareholder Report on Form N-CSR, the Registrant had carried out an evaluation, under the supervision and with the participation of the Registrant's management, including the Registrant's principal executive officer and the Registrant's principal financial officer, of the effectiveness of the design and operation of the Registrant's disclosure controls and procedures. Based on such evaluation, the Registrant's principal executive officer and principal financial officer concluded that the Registrant's disclosure controls and procedures are effective.

(b) Changes in Internal Controls. There have been no significant changes in the Registrant's internal controls or in other factors that could significantly affect the internal controls subsequent to the date of their evaluation in connection with the preparation of this Shareholder Report on Form N-CSR.

Item 12. Exhibits.

(a) (1) Code of Ethics

(a) (2) Certifications pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 of Galen G. Vetter, Chief Executive Officer - Finance and Administration, and Laura F. Ferguson, Chief Financial Officer and Chief Accounting Officer

(b) Certifications pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 of Galen G. Vetter, Chief Executive Officer - Finance and Administration, and Laura F. Ferguson, Chief Financial Officer and Chief Accounting Officer

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TEMPLETON INSTITUTIONAL FUNDS

By /s/GALEN G. VETTER

Galen G. Vetter
Chief Executive Officer -
Finance and Administration
Date August 27, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By /s/GALEN G. VETTER

Galen G. Vetter
Chief Executive Officer -
Finance and Administration

Date August 27, 2008

By /s/LAURA F. FERGERSON

Laura F. Ferguson
Chief Financial Officer and
Chief Accounting Officer
Date August 27, 2008

CODE OF ETHICS FOR PRINCIPAL EXECUTIVES & SENIOR FINANCIAL OFFICERS

PROCEDURES Revised March 06, 2008

FRANKLIN TEMPLETON FUNDS
CODE OF ETHICS FOR PRINCIPAL EXECUTIVE AND
SENIOR FINANCIAL OFFICERS

I. Covered Officers and Purpose of the Code

This code of ethics (the "Code") applies to the Principal Executive Officers, Principal Financial Officer and Principal Accounting Officer (the "Covered Officers," each of whom is set forth in Exhibit A) of each investment company advised by a Franklin Resources subsidiary and that is registered with the United States Securities & Exchange Commission ("SEC") (collectively, "FT Funds") for the purpose of promoting:

- o Honest and ethical conduct, including the ethical resolution of actual or apparent conflicts of interest between personal and professional relationships;
- o Full, fair, accurate, timely and understandable disclosure in reports and documents that a registrant files with, or submits to, the SEC and in other public communications made by or on behalf of the FT Funds;
- o Compliance with applicable laws and governmental rules and regulations;
- o The prompt internal reporting of violations of the Code to an appropriate person or persons identified in the Code; and
- o Accountability for adherence to the Code.

Each Covered Officer will be expected to adhere to a high standard of business ethics and must be sensitive to situations that may give rise to actual as well as apparent conflicts of interest.

II. Other Policies and Procedures

This Code shall be the sole code of ethics adopted by the Funds for purposes of Section 406 of the Sarbanes-Oxley Act and the rules and forms applicable to registered investment companies thereunder.

Franklin Resources, Inc. has separately adopted the CODE OF ETHICS AND BUSINESS CONDUCT ("Business Conduct"), which is applicable to all officers, directors and employees of Franklin Resources, Inc., including Covered Officers. It summarizes the values, principles and business practices that guide the employee's business conduct and also provides a set of basic principles to guide officers, directors and employees regarding the minimum ethical requirements expected of them. It supplements the values, principles and business conduct identified in the Code and other existing employee policies.

Additionally, the Franklin Templeton Funds have separately adopted the CODE OF ETHICS AND POLICY STATEMENT ON INSIDER TRADING governing personal securities trading and other related matters. The Code for Insider Trading provides for separate requirements that apply to the Covered Officers and others, and therefore is not part of this Code.

Insofar as other policies or procedures of Franklin Resources, Inc., the Funds, the Funds' adviser, principal underwriter, or other service providers govern or purport to govern the behavior or activities of the Covered Officers who are subject to this Code, they are superceded by this Code to the extent that they overlap or conflict with the provisions of this Code. Please review these other documents or consult with the Legal Department if have questions regarding the applicability of these policies to you.

III. Covered Officers Should Handle Ethically Actual and Apparent Conflicts of Interest

OVERVIEW. A "conflict of interest" occurs when a Covered Officer's private interest interferes with the interests of, or his or her service to, the FT Funds. For example, a conflict of interest would arise if a Covered Officer, or a member of his family, receives improper personal benefits as a result of opposition with the FT Funds.

Certain conflicts of interest arise out of the relationships between Covered Officers and the FT Funds and already are subject to conflict of interest provisions in the Investment Company Act of 1940 ("Investment Company Act") and the Investment Advisers Act of 1940 ("Investment Advisers Act"). For example, Covered Officers may not individually engage in certain transactions (such as the purchase or sale of securities or other property) with the FT Funds because of their status as "affiliated persons" of the FT Funds. The FT Funds' and the investment advisers' compliance programs and procedures are designed to prevent, or identify and correct, violations of these provisions. This Code does not, and is not intended to, repeat or replace these programs and procedures, and such conflicts fall outside of the parameters of this Code.

Although typically not presenting an opportunity for improper personal benefit, conflicts arise from, or as a result of, the contractual relationship

between the FT Funds, the investment advisers and the fund administrator of which the Covered Officers are also officers or employees. As a result, this Code recognizes that the Covered Officers will, in the normal course of their duties (whether formally for the FT Funds, for the adviser, the administrator, or for all three), be involved in establishing policies and implementing decisions that will have different effects on the adviser, administrator and the FT Funds. The participation of the Covered Officers in such activities is inherent in the contractual relationship between the FT Funds, the adviser, and the administrator and is consistent with the performance by the Covered Officers of their duties as officers of the FT Funds. Thus, if performed in conformity with the provisions of the Investment Company Act and the Investment Advisers Act, such activities will be deemed to have been handled ethically. In addition, it is recognized by the FT Funds' Boards of Directors ("Boards") that the Covered Officers may also be officers or employees of one or more other investment companies covered by this or other codes.

Other conflicts of interest are covered by the Code, even if such conflicts of interest are not subject to provisions in the Investment Company Act and the Investment Advisers Act. The following list provides examples of conflicts of interest under the Code, but Covered Officers should keep in mind that these examples are not exhaustive. The overarching principle is that the personal interest of a Covered Officer should not be placed improperly before the interest of the FT Funds.

Each Covered Officer must:

- o Not use his or her personal influence or personal relationships improperly to influence investment decisions or financial reporting by the FT Funds whereby the Covered Officer would benefit personally to the detriment of the FT Funds;
- o Not cause the FT Funds to take action, or fail to take action, for the individual personal benefit of the Covered Officer rather than the benefit the FT Funds;
- o Not retaliate against any other Covered Officer or any employee of the FT Funds or their affiliated persons for reports of potential violations that are made in good faith;
- o Report at least annually the following affiliations or other relationships:
 - o all directorships for public companies and all companies that are required to file reports with the SEC;
 - o any direct or indirect business relationship with any independent directors of the FT Funds;
 - o any direct or indirect business relationship with any independent public accounting firm (which are not related to the routine issues related to the firm's service as the Covered Persons accountant); and
 - o any direct or indirect interest in any transaction with any FT Fund that will benefit the officer (not including benefits derived from

the advisory, sub-advisory, distribution or service agreements with affiliates of Franklin Resources).

These reports will be reviewed by the Legal Department for compliance with the Code.

There are some conflict of interest situations that should always be approved in writing by Franklin Resources General Counsel or Deputy General Counsel, if material. Examples of these include/2:

- o Service as a director on the board of any public or private Company;
- o The receipt of any gifts in excess of \$100 from any person, from any corporation or association
- o The receipt of any entertainment from any Company with which the FT Funds has current or prospective business dealings unless such entertainment is business related, reasonable in cost, appropriate as to time and place, and not so frequent as to raise any question of impropriety. Notwithstanding the foregoing, the Covered Officers must obtain prior approval from the Franklin Resources General Counsel for any entertainment with a value in excess of \$1000.
- o Any ownership interest in, or any consulting or employment relationship with, any of the FT Fund's service providers, other than an investment adviser, principal underwriter, administrator or any affiliated person thereof;
- o A direct or indirect financial interest in commissions, transaction charges or spreads paid by the FT Funds for effecting portfolio transactions or for selling or redeeming shares other than an interest arising from the Covered Officer's employment, such as compensation or equity ownership.

Franklin Resources General Counsel or Deputy General Counsel will provide a report to the FT Funds Audit Committee of any approvals granted at the next regularly scheduled meeting.

IV. Disclosure and Compliance

- o Each Covered Officer should familiarize himself with the disclosure requirements generally applicable to the FT Funds;
- o Each Covered Officer should not knowingly misrepresent, or cause others to misrepresent, facts about the FT Funds to others, whether within or outside the FT Funds, including to the FT Funds' directors and auditors, and to governmental regulators and self-regulatory organizations;
- o Each Covered Officer should, to the extent appropriate within his or her area of responsibility, consult with other officers and employees of the FT Funds, the FT Fund's adviser and the administrator with the goal of

promoting full, fair, accurate, timely and understandable disclosure in the reports and documents the FT Funds file with, or submit to, the SEC and in other public communications made by the FT Funds; and

- o It is the responsibility of each Covered Officer to promote compliance with the standards and restrictions imposed by applicable laws, rules and regulations.

V. Reporting and Accountability

Each Covered Officer must:

- o Upon becoming a covered officer affirm in writing to the Board that he or she has received, read, and understands the Code (see Exhibit B);
- o Annually thereafter affirm to the Board that he has complied with the requirements of the Code; and
- o Notify Franklin Resources' General Counsel or Deputy General Counsel promptly if he or she knows of any violation of this Code. Failure to do so is itself a violation of this Code.

Franklin Resources' General Counsel and Deputy General Counsel are responsible for applying this Code to specific situations in which questions are presented under it and have the authority to interpret this Code in any particular situation.^{/3} However, the Independent Directors of the respective FT Funds will consider any approvals or waivers^{/4} sought by any Chief Executive Officers of the Funds.

The FT Funds will follow these procedures in investigating and enforcing this Code:

- o Franklin Resources General Counsel or Deputy General Counsel will take all appropriate action to investigate any potential violations reported to the Legal Department;
- o If, after such investigation, the General Counsel or Deputy General Counsel believes that no violation has occurred, The General Counsel is not required to take any further action;
- o Any matter that the General Counsel or Deputy General Counsel believes is a violation will be reported to the Independent Directors of the appropriate FT Fund;
- o If the Independent Directors concur that a violation has occurred, it will inform and make a recommendation to the Board of the appropriate FT Fund or Funds, which will consider appropriate action, which may include review of, and appropriate modifications to, applicable policies and procedures; notification to appropriate personnel of the investment adviser or its board; or a recommendation to dismiss the Covered Officer;

- o The Independent Directors will be responsible for granting waivers, as appropriate; and
- o Any changes to or waivers of this Code will, to the extent required, be disclosed as provided by SEC rules./5

VI. Other Policies and Procedures

This Code shall be the sole code of ethics adopted by the FT Funds for purposes of Section 406 of the Sarbanes-Oxley Act and the rules and forms applicable to registered investment companies thereunder. Insofar as other policies or procedures of the FT Funds, the FT Funds' advisers, principal underwriter, or other service providers govern or purport to govern the behavior or activities of the Covered Officers who are subject to this Code, they are superseded by this Code to the extent that they overlap or conflict with the provisions of this Code. The FT Code of Ethics and Policy Statement On Insider Trading, adopted by the FT Funds, FT investment advisers and FT Fund's principal underwriter pursuant to Rule 17j-1 under the Investment Company Act, the Code of Ethics and Business Conduct and more detailed policies and procedures set forth in FT's Employee Handbook are separate requirements applying to the Covered Officers and others, and are not part of this Code.

VII. Amendments

Any amendments to this Code, other than amendments to Exhibit A, must be approved or ratified by a majority vote of the FT Funds' Board including a majority of independent directors.

VIII. Confidentiality

All reports and records prepared or maintained pursuant to this Code will be considered confidential and shall be maintained and protected accordingly. Except as otherwise required by law or this Code, such matters shall not be disclosed to anyone other than the FT Funds' Board and their counsel.

IX. Internal Use

The Code is intended solely for the internal use by the FT Funds and does not constitute an admission, by or on behalf of any FT Funds, as to any fact, circumstance, or legal conclusion.

X. Disclosure on Form N-CSR

Item 2 of Form N-CSR requires a registered management investment company to disclose annually whether, as of the end of the period covered by the report, it has adopted a code of ethics that applies to the registrant's principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions, regardless of whether these officers are employed by the registrant or a third party. If the registrant has not adopted such a code of ethics, it must explain why it has not done so.

The registrant must also: (1) file with the SEC a copy of the code as an exhibit to its annual report; (2) post the text of the code on its Internet website and disclose, in its most recent report on Form N-CSR, its Internet address and the fact that it has posted the code on its Internet website; or (3) undertake in its most recent report on Form N-CSR to provide to any person without charge, upon request, a copy of the code and explain the manner in which such request may be made. Disclosure is also required of amendments to, or waivers (including implicit waivers) from, a provision of the code in the registrant's annual report on Form N-CSR or on its website. If the registrant intends to satisfy the requirement to disclose amendments and waivers by posting such information on its website, it will be required to disclose its Internet address and this intention.

The Legal Department shall be responsible for ensuring that:

- o a copy of the Code is filed with the SEC as an exhibit to each Fund's annual report; and
- o any amendments to, or waivers (including implicit waivers) from, a provision of the Code is disclosed in the registrant's annual report on Form N-CSR.

In the event that the foregoing disclosure is omitted or is determined to be incorrect, the Legal Department shall promptly file such information with the SEC as an amendment to Form N-CSR.

In such an event, the Fund Chief Compliance Officer shall review the Code and propose such changes to the Code as are necessary or appropriate to prevent reoccurrences.

EXHIBIT A

Persons Covered by the Franklin Templeton Funds
Code of Ethics
March 2008

FRANKLIN GROUP OF FUNDS

Edward B. Jamieson	President and Chief Executive Officer - Investment Management
Charles B. Johnson	President and Chief Executive Officer - Investment Management
Rupert H. Johnson, Jr.	President and Chief Executive Officer - Investment Management
William J. Lippman	President and Chief Executive Officer - Investment Management
Christopher Molumphy	President and Chief Executive Officer - Investment Management
Galen G. Vetter	Senior Vice President and Chief Executive Officer -

Jimmy D. Gambill Finance and Administration
Vice President
Laura Ferguson Chief Financial Officer and Chief Accounting Officer

FRANKLIN MUTUAL SERIES FUNDS

Peter Langerman Chief Executive Officer-Investment Management
Galen G. Vetter Senior Vice President and Chief Executive Officer -
Finance and Administration
Jimmy D. Gambill Vice President
Laura Ferguson Chief Financial Officer and Chief Accounting Officer

TEMPLETON GROUP OF FUNDS

Mark Mobius President and Chief Executive Officer - Investment
Management
Christopher J. Molumphy President and Chief Executive Officer - Investment
Management
Gary P. Motyl President and Chief Executive Officer - Investment
Management
Donald F. Reed President and Chief Executive Officer - Investment
Management
Galen G. Vetter Senior Vice President and Chief Executive Officer -
Finance and Administration
Jimmy D. Gambill Vice President
Laura Ferguson Chief Financial Officer and Chief Accounting Officer

EXHIBIT B

ACKNOWLEDGMENT FORM

DECEMBER

FRANKLIN TEMPLETON FUNDS CODE OF ETHICS
FOR PRINCIPAL EXECUTIVE AND SENIOR FINANCIAL OFFICERS

INSTRUCTIONS:

1. Complete all sections of this form.
2. Print the completed form, sign, and date.
3. Submit completed form to FT's General Counsel c/o Maria Abbott within 10 days of becoming a Covered Officer and by January 30th of each subsequent year.

INTER-OFFICE MAIL: Maria Abbott, Manager, Code of Ethics, Global Compliance
SM-920/2

TELEPHONE: (650) 312-5698 Fax: (650) 312-5646
E-MAIL: Abbott, Maria (internal address);
mabbott@frk.com (external address)

COVERED OFFICER'S
NAME:

TITLE:

DEPARTMENT:

LOCATION:

CERTIFICATION FOR
YEAR ENDING:

TO: Franklin Resources General Counsel, Legal Department

I hereby acknowledge receipt of a copy of Franklin Templeton Fund's code of ethics for Principal Executive Officers and Senior Financial Officers (the "Code") that I have read and understand. I will comply fully with all provisions of the Code to the extent they apply to me during the period of my employment. I further understand and acknowledge that any violation of the Code may subject me to disciplinary action, including termination of employment.

Signature

Date signed

1. Reporting of these affiliations or other relationships shall be made by completing the annual Directors and Officers Questionnaire and returning the questionnaire to Franklin Resources Inc, General Counsel or Deputy General Counsel.

2. Any activity or relationship that would present a conflict for a Covered Officer may also present a conflict for the Covered Officer if a member of the Covered Officer's immediate family engages in such an activity or has such a relationship. The Cover Person should also obtain written approval by FT's General Counsel in such situations.

3. Franklin Resources General Counsel and Deputy General Counsel are authorized

to consult, as appropriate, with members of the Audit Committee, counsel to the FT Funds and counsel to the Independent Directors, and are encouraged to do so.

4. Item 2 of Form N-CSR defines "waiver" as "the approval by the registrant of a material departure from a provision of the code of ethics" and "implicit waiver," which must also be disclosed, as "the registrant's failure to take action within a reasonable period of time regarding a material departure from a provision of the code of ethics that has been made known to an executive officer" of the registrant. See Part X.

5. See Part X.

I, Galen G. Vetter, certify that:

1. I have reviewed this report on Form N-CSR of TEMPLETON INSTITUTIONAL FUNDS;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of

directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

8/27/2008

S\ GALEN G. VETTER

Galen G. Vetter
Chief Executive Officer - Finance and Administration

I, Laura F. Ferguson, certify that:

1. I have reviewed this report on Form N-CSR of TEMPLETON INSTITUTIONAL FUNDS;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, changes in net assets, and cash flows (if the financial statements are required to include a statement of cash flows) of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940) and internal control over financial reporting (as defined in Rule 30a-3(d) under the Investment Company Act of 1940) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision,

to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of a date within 90 days prior to the filing date of this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

8/27/2008

S\ LAURA F. FERGERSON

Laura F. Ferguson
Chief Financial Officer and Chief Accounting Officer

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Galen G. Vetter, Chief Executive Officer of the TEMPLETON INSTITUTIONAL FUNDS (the "Registrant"), certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The periodic report on Form N-CSR of the Registrant for the period ended 6/30/2008 (the "Form N-CSR") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Form N-CSR fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: 8/27/2008

S\ GALEN G. VETTER

Galen G. Vetter
Chief Executive Officer - Finance and
Administration

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

I, Laura F. Ferguson, Chief Financial Officer of the TEMPLETON INSTITUTIONAL FUNDS (the "Registrant"), certify, pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

1. The periodic report on Form N-CSR of the Registrant for the period ended 6/30/2008 (the "Form N-CSR") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Form N-CSR fairly presents, in all material respects, the financial condition and results of operations of the Registrant.

Dated: 8/27/2008

S\ LAURA F. FERGERSON

Laura F. Fergerson
Chief Financial Officer and Chief
Accounting Officer