TEMPLETON EMERGING MARKETS FUND
Form N-CSR
November 05, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-04985

Templeton Emerging Markets Fund
(Exact name of registrant as specified in charter)

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

Craig S. Tyle, One Franklin Parkway, San Mateo, CA 94403-1906
(Name and address of agent for service)

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

Date of fiscal year end: 8/31

Date of reporting period: 8/31/13

Item 1. Reports to Stockholders.

Contents

Annual Report

Templeton Emerging Markets Fund

Your Fund s Goal and Main Investments: Templeton Emerging Markets Fund seeks long-term capital appreciation by investing, under normal market conditions, at least 80% of its net assets in emerging country equity securities.

Geographic Breakdown

Based on Total Net Assets as of 8/31/13

Asia **66.5 %**

Latin America & Caribbean **15.9 %**

Europe **15.8 %**

Middle East & Africa **1.4 %**

Short-Term Investments & Other Net Assets **0.4 %**

Dear Shareholder:

We are pleased to bring you Templeton Emerging Markets Fund s annual report for the fiscal year ended August 31, 2013.

Economic and Market Overview

The global economy grew moderately during the 12 months under review. Despite the recent slowdown, emerging market economies continued to grow faster than their developed market counterparts. However, emerging market stock performance during the period appeared to be driven less by economic growth and more by the fiscal and monetary policies in major economies.

Financial markets began on a positive note in September 2012 as China launched a fiscal stimulus package, India implemented a series of reforms, the European Central Bank outlined an unlimited bond-buying program and the U.S. Federal Reserve Board (Fed) announced a third round of quantitative easing. Monetary stimulus programs implemented by many central banks led to increased liquidity in financial markets and significant inflows into emerging market stock funds during the final four months of 2012. Emerging market stocks reached a period high in early January 2013 after the U.S. averted the

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.

Top 10 Countries

Based on Equity Investments as of 8/31/13

	% of Total Net Assets
China	23.6 %
Brazil	11.9 %
Thailand	10.8 %
India	10.1 %
Hong Kong	8.5 %
Russia	7.5 %
Indonesia	5.4 %
South Korea	5.1 %
Turkey	4.5 %
Pakistan	3.0 %

fiscal cliff of automatic tax increases and federal spending cuts scheduled to go into effect at the beginning of 2013.

However, market volatility increased in February and March 2013 as investors grew concerned about Cyprus s financial crisis and its potential impact on the eurozone, as well as an inconclusive Italian election. Volatility subsided for a brief period as Cyprus s banks received a late bailout and the Bank of Japan announced an unprecedented stimulus plan. Fears that the Fed might taper its quantitative easing program and tighten monetary policy earlier than expected, combined with a sharp correction in Japanese government bond yields, prompted profit taking in emerging market stocks, bonds and currencies in May and June. Additionally, commodity prices declined as the U.S. dollar rose. Further contributing to global financial market volatility was the People s Bank of China s (PBOC s) initial indication it would not intervene in the interbank market after a sharp spike in a key lending rate led investors to worry about the stability of the country s banking sector.

Investor sentiment improved in late June, and emerging market stock prices rebounded from period lows after the PBOC intervened to calm China s inter-bank market, positive economic reports helped stabilize Japanese government bond yields, and several Fed members reassured investors the Fed s accommodative monetary policy would continue. Emerging market stocks and currencies declined again in August, however, amid concerns about tensions in Syria and the Fed s plan to taper its quantitative easing program.

For the 12 months ended August 31, 2013, emerging market stocks, as measured by the MSCI Emerging Markets Index, generated a +0.87% total return in U.S. dollar terms, as weaker emerging market currencies restricted returns.[1] Asia was among the best-performing regions, with China delivering double-digit returns as its economy showed signs of stabilization. Europe produced mixed results, as weakness in the Czech Republic and Turkey more than offset Poland s strong performance. Latin America was among the worst-performing regions, with Peru, Chile and Brazil posting double-digit declines.

Investment Strategy

Our investment strategy employs a fundamental, value-oriented, long-term approach. We focus on the market price of a company s securities relative to

1. Source: © 2013 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 index is unmanaged and includes reinvested dividends. One cannot invest directly in an index and an index is not representative of the Fund s portfolio.

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 look at the company s potential for earnings and growth over a five-year horizon. During our analysis, we also consider the company s position in its sector, the economic framework and political environment.

Performance Overview

Templeton Emerging Markets Fund delivered cumulative total returns of +0.96% based on market price and +0.77% based on net asset value for the 12 months under review.

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.

Manager s Discussion

During the 12 months under review, key contributors to the Fund s absolute performance included two of China s major automobile manufacturers, Brilliance China Automotive Holdings and Guangzhou Automobile Group, and India s Tata Consultancy Services, Asia s largest information technology (IT) services company.

Brilliance China has a joint venture with German luxury car maker BMW for the production and sale of BMW 3-series and 5-series cars and X1 sport utility vehicles in China. Strong automobile and spare parts sales and expanding margins from its joint venture powered first-half 2013 financial results that exceeded market forecasts. In our view, Brilliance China s market leadership, manufacturing capacity expansion and introduction of new BMW and localized models could support earnings growth and enable the company to potentially profit from China s long-term demand growth for motor vehicles, particularly luxury cars.

Guangzhou Automobile produces and sells passenger vehicles primarily through its joint ventures with Japanese automakers Toyota, Honda and Mitsubishi, and Italian automaker Fiat, as well as commercial vehicles through other subsidiaries. Its shares delivered solid performance as the company generated strong car sales, driven by its joint ventures and its own brands, as well as by the Guangzhou local government s initiatives to encourage car sales by relaxing regulations for license plate issuance. Guangzhou Automobile s extensive pipeline, which includes the planned introduction of 14 major new and redesigned models from the second half of 2013 through 2015, could support the company s sales and earnings growth.

Top 10 Holdings

8/31/13

Company *Sector/Industry, Country*	% of Total Net Assets
Brilliance China Automotive Holdings Ltd. *Automobiles, China*	12.8 %
Tata Consultancy Services Ltd. *IT Services, India*	5.5 %
Dairy Farm International Holdings Ltd. *Food & Staples Retailing, Hong Kong*	4.8 %
Vale SA *Metals & Mining, Brazil*	3.7 %
Astra International Tbk PT *Automobiles, Indonesia*	3.4 %
Kasikornbank PCL *Commercial Banks, Thailand*	3.3 %
Guangzhou Automobile Group Co. Ltd. *Automobiles, China*	3.1 %
Gazprom OAO *Oil, Gas & Consumable Fuels, Russia*	3.1 %
PetroChina Co. Ltd. *Oil, Gas & Consumable Fuels, China*	2.9 %
Kiatnakin Bank PCL *Commercial Banks, Thailand*	2.9 %

Tata Consultancy s shares performed well as the company reported strong growth across its business segments for fiscal year 2013 (ended March 31), particularly in consulting, business intelligence and enterprise solutions, and delivered better-than-expected earnings in the June quarter. In our assessment, the company could benefit from the Indian rupee s weakness and improving trends in global IT outsourcing. We believe that IT outsourcing is an attractive, growing industry and that Tata Consultancy, as an industry leader with extensive global exposure and comprehensive range of services, is well positioned to potentially benefit from the industry s continued growth.

In contrast, key detractors from absolute performance included a new holding, Buenaventura (Compania de Minas Buenaventura), Peru s largest precious metals mining company and major holder of mining rights; Petrobras (Petroleo Brasileiro), one of Brazil s major diversified oil companies; and Astra International, an Indonesian car and motorcycle manufacturer.

Global commodity prices generally declined during the period as many investors became more risk averse because of economic growth concerns. In the second quarter of 2013, fears that Cyprus might sell state-owned gold to secure an international bailout and that the Fed might soon taper its asset purchase program and tighten monetary policy led to sharp declines in gold and silver prices, which negatively affected the share prices of Buenaventura and other companies engaged in gold and silver mining and exploration. Rising costs, lower production output and a 10-day strike at a primary silver mine also pressured Buenaventura s second-quarter earnings. In our view, the company s plan to close three mines and focus on more profitable activities could help lower costs and support earnings growth. Despite recent challenges, Buenaventura continued to generate free cash flow, and management remained optimistic that it could achieve its 2013 guidance for gold and silver production. We believe that the longer term prospects for precious metals and other hard commodities, along with many companies engaged in their production, remain positive as emerging market economies continue to grow and drive commodity demand.

Petrobras s share price was pressured during the first half of the period by the delay of expected increases in regulated petroleum and diesel prices, which pressured earnings estimates. Although the company delivered better-than-expected second-quarter earnings resulting largely from the divestment of its assets in Africa, weakness in its refining business impeded share price recovery. In our longer term view, Petrobras s exceptional portfolio of production and exploration assets makes it well positioned to potentially benefit from the long-term uptrend in energy prices as Brazil and other emerging market countries continue to industrialize.

Astra International has strong positions in the Indonesian motorcycle, car and heavy machinery markets, as it is the local distributor for a number of Japanese brands, including Toyota, Isuzu and Honda. The company s share price was negatively affected by investor concerns that rising wage costs and the Indonesian rupiah s weakness could pressure profit margins. However, Astra s major business divisions delivered sequential growth in net profits in the second quarter. We continued to favor Astra for its record of achieving relatively high profit margins and returns on equity.2 In our longer term view, Astra s dominant market position in a number of its businesses could help the company benefit from Indonesia s potentially strong vehicle demand growth.

It is important to recognize the effect of currency movements on the Fund s performance. In general, if the value of the U.S. dollar goes up compared with a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer U.S. dollars. This can have a negative effect on Fund performance. Conversely, when the U.S. dollar weakens in relation to a foreign currency, an investment traded in that foreign currency will increase in value, which can contribute to Fund performance. For the 12 months ended August 31, 2013, the U.S. dollar rose in value relative to most currencies. As a result, the Fund s performance was negatively affected by the portfolio s investments predominantly in securities denominated in currencies with non-U.S. exposure.

During the period, our continued search for stocks we considered to be attractively valued led us to initiate a position in Peru and increase holdings in Russia, South Africa and India. By industry, we made key purchases in metals and mining; oil, gas and consumable fuels; and IT services. Some of the largest purchases included a new position in Buenaventura and additional shares of Russia-based Gazprom, the world s largest natural gas producer, and South Africa-based Impala Platinum Holdings, a leading platinum producer responsible for approximately a quarter of global platinum production.

Conversely, we undertook selective sales in Indonesia, Turkey and Thailand to raise funds for income and capital gain distributions, as well as to take advantage of what we considered to be more attractively priced opportunities within our investment universe. Key sales included reduction of the Fund s holdings in Bank Central Asia, one of Indonesia s largest banks, and Akbank, a Turkish commercial bank, as well as elimination of our position in Siam Cement, a Thai construction materials company.

2. Return on equity is an amount, expressed as a percentage, earned on a company s common stock investment for a given period. It is calculated by dividing common stock equity (net worth) over the average of the accounting period into net income for the period after preferred stock dividends but before common stock dividends. Return on equity tells common shareholders how effectually their money is being employed. Comparing percentages for current and prior periods also reveals trends, and comparison with industry composites reveals how well a company is holding its own against its competitors.

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

Sincerely,

Mark Mobius
Executive Chairman
Templeton Emerging Markets Group

The foregoing information reflects our analysis, opinions and portfolio holdings as of August 31, 2013, 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 8/31/13

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

Price and Distribution Information

Symbol: EMF			Change		8/31/13		8/31/12
Net Asset Value (NAV)		-$	0.26	$	18.98	$	19.24
Market Price (NYSE)		-$	0.23	$	17.27	$	17.50
Distributions (9/1/12 8/31/13)							
Dividend Income	$ 0.2877						
Long-Term Capital Gain	$ 0.1732						
Total	**$ 0.4609**						

Performance

		1-Year		5-Year		10-Year
Cumulative Total Return1						
Based on change in NAV2	+	0.77 %	+	20.44 %	+	247.12 %
Based on change in market price3	+	0.96 %	+	19.88 %	+	193.54 %
Average Annual Total Return1						
Based on change in NAV2	+	0.77 %	+	3.79 %	+	13.25 %
Based on change in market price3	+	0.96 %	+	3.69 %	+	11.37 %
Average Annual Total Return (9/30/13)4						
Based on change in NAV2	+	1.24 %	+	8.38 %	+	13.57 %
Based on change in market price3	+	4.97 %	+	8.56 %	+	13.08 %

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.

Endnotes

All investments involve risks, including possible loss of principal. Special risks are associated with foreign investing, including currency volatil-
ity, economic instability and political developments of countries where the Fund invests. The Fund s investments in emerging market countries
are subject to all of the risks of foreign investing generally, and have additional heightened risks due to these markets smaller size and lesser

liquidity and lack of established legal, political, business and social frameworks to support securities markets, including: delays in settling portfolio securities transactions; currency and capital controls; greater sensitivity to interest rate changes; pervasiveness of corruption and crime; currency exchange rate volatility; and inflation, deflation or currency devaluation. The Fund is actively managed but there is no guarantee that the manager s investment decisions will produce the desired results.

1. Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated.
2. Assumes reinvestment of distributions based on net asset value.
3. Assumes reinvestment of distributions based on the dividend reinvestment and cash purchase plan.
4. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.

Important Notice to Shareholders

Share Repurchase Program

The Fund s Board has approved a modification to the Fund s previously announced open-market share repurchase program to authorize the Fund to repurchase up to 10% of the Fund s outstanding shares in open-market transactions, at the discretion of management. Under the Fund s previously announced open-market share repurchase program, no specific amount of the Fund s outstanding shares were authorized for repurchase.

The Board s action provides greater flexibility by enabling the Fund to engage in open-market repurchases under a continuing authorization for up to 10% of the Fund s outstanding shares, at the discretion of Fund management. Subject to the 10% limitation, the timing and amount of repurchases would continue to be at the discretion of the investment manager. In exercising its discretion consistent with its portfolio management responsibilities, the investment manager will take into account various other factors, including, but not limited to, the level of the discount, the Fund s performance, portfolio holdings, dividend history, market conditions, cash on hand, the availability of other attractive investments and whether the sale of certain portfolio securities would be undesirable because of liquidity concerns or because the sale might subject the Fund to adverse tax consequences. Any repurchases would be made on a national securities exchange at the prevailing market price, subject to exchange requirements, Federal securities laws and rules that restrict repurchases, and the terms of any outstanding leverage or borrowing of the Fund. If and when the Fund s 10% threshold is reached, no further repurchases could be completed until authorized by the Board. Until the 10% threshold is reached, Fund management will have the flexibility to rapidly commence share repurchases if and when it is determined to be appropriate in light of prevailing circumstances. As with the current share repurchase program, the modified share repurchase program is intended to benefit shareholders by enabling the Fund to repurchase shares at a discount to net asset value, thereby increasing the proportionate interest of each remaining shareholder in the Fund.

Increased Authorization to Use Participatory Notes

Participatory notes (P-Notes), which are a type of equity access product, are structured as unsecured and unsubordinated debt securities designed to replicate exposure to the underlying referenced equity investment and are sold by a bank or broker-dealer in markets where the Fund is restricted from directly purchasing equity securities. The Fund may tender a P-Note for cash payment in an amount that reflects the current market value of the referenced underlying equity investments, reduced by program fees. P-Notes are used in order to gain exposure to markets that are otherwise closed to investment or that

Important Notice to Shareholders *(continued)*

impose restrictions that make investment difficult or inefficient, including Saudi Arabia, the Persian Gulf States, India, China and a number of African countries. In order to have the flexibility going forward to gain additional exposure to such markets, the Fund s Board of Trustees has authorized the Investment Manager to increase its ability to use P-Notes in the Fund from 5% to 10% of the Fund s net assets, as measured by market value.

The Investment Manager believes that these P-Notes may provide an efficient means to obtain equity market exposure that is otherwise difficult or impossible through direct local investment. The use of P-Notes can provide the Fund with the opportunity to achieve greater diversification among countries and sectors, reflecting the composition of underlying assets. The Investment Manager also believes that P-Notes can offer greater liquidity in markets that restrict the ability of the Fund to dispose of an investment by either restricting transactions by size or requiring registration and/or regulatory approvals.

The increase in authority to use P-Notes is consistent with the Investment Manager s strategy of primarily seeking exposure to equity securities of emerging country companies. Although P-Notes are generally structured as unsecured, unsubordinated obligations of the issuer (usually a local branch of a bank that is permitted to purchase shares in the local market), the instrument allows the holder to tender the P-Note for cash payment in an amount that reflects the current market value of the underlying investments, less program expenses. P-Notes are not traded on exchanges and are privately issued, and the performance of a P-Note is the responsibility only of the counterparty. Although P-Notes may be considered illiquid, the Investment Manager believes that there is a sufficient institutional market for transactions in P-Notes to provide the Fund with reasonable liquidity in its investments.

P-Notes involve risks that are in addition to the risks normally associated with a direct investment in the underlying equity securities. In addition, the Fund is subject to the risk that the issuer of the P-Note (i.e., the issuing bank or broker-dealer), which is the only responsible party under the note, is unable or refuses to perform under the terms of the P-Note. While the holder of a P-Note is entitled to receive from the issuing bank or broker-dealer any dividends or other distributions paid on the underlying securities, the holder is not entitled to the same rights as an owner of the underlying securities, such as voting rights. P-Notes are also not traded on exchanges, are privately issued and may be illiquid. To the extent a P-Note is determined to be illiquid, it would be subject to the Fund s limitation on investments in illiquid securities. There can be no assurance that the trading price or value of P-Notes will equal the value of the underlying value of the equity securities they seek to replicate.

Templeton Emerging Markets Fund

Financial Highlights

	Year Ended August 31,				
	2013	2012	2011	2010	2009
Per share operating performance					
(for a share outstanding throughout the year)					
Net asset value, beginning of year	$ 19.24	$ 21.97	$ 19.65	$ 15.68	$ 19.11
Income from investment operations:					
Net investment income[a]	0.26	0.28	0.22	0.15	0.19
Net realized and unrealized gains (losses)	(0.06)	(2.67)	2.25	3.96	(2.18)
Total from investment operations	0.20	(2.39)	2.47	4.11	(1.99)
Repurchase of shares	[b]				
Less distributions from:					
Net investment income	(0.29)	(0.28)	(0.15)	(0.14)	(0.30)
Net realized gains	(0.17)	(0.06)			(1.14)
Total distributions	(0.46)	(0.34)	(0.15)	(0.14)	(1.44)
Net asset value, end of year	$ 18.98	$ 19.24	$ 21.97	$ 19.65	$ 15.68
Market value, end of year[c]	$ 17.27	$ 17.50	$ 20.57	$ 18.79	$ 15.02
Total return (based on market value per share)	0.96 %	(13.34)%	10.17 %	26.00 %	(1.27)%
Ratios to average net assets					
Expenses	1.37 %	1.37 %	1.46 %	1.55 %[d]	1.55 %[d]
Net investment income	1.25 %	1.42 %	0.93 %	0.78 %	1.55 %
Supplemental data					
Net assets, end of year (000 s)	$ 342,418	$ 347,999	$ 397,288	$ 355,286	$ 283,401
Portfolio turnover rate	6.21 %	2.10 %	2.62 %	1.94 %	13.03 %

[a]Based on average daily shares outstanding.
[b]Amount rounds to less than $0.01 per share.
[c]Based on the last sale on the New York Stock Exchange.
[d]Benefit of expense reduction rounds to less than 0.01%.