

TEMPLETON EMERGING MARKETS INCOME FUND
Form N-CSRS
September 06, 2018

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM N-CSRS

CERTIFIED SHAREHOLDER REPORT OF REGISTERED
MANAGEMENT INVESTMENT COMPANIES
Investment Company Act file number 811-07866

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

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

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

(Name and address of agent for service)

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

Date of fiscal year end: 12/31

Date of reporting period: 6/30/18

Item 1. Reports to Stockholders.

Franklin Templeton Investments

Why choose Franklin Templeton Investments?

Successful investing begins with ambition. And achievement only comes when you reach for it. That's why we continually strive to deliver better outcomes for investors. No matter what your goals are, our deep, global investment expertise allows us to offer solutions that can help.

During our more than 70 years of experience, we've managed through all kinds of markets—up, down and those in between. We're always preparing for what may come next. It's because of this, combined with our strength as one of the world's largest asset managers that we've earned the trust of millions of investors around the world.

Contents

Semiannual Report

<u>Templeton Emerging Markets Income Fund</u>	2
<u>Performance Summary</u>	6
<u>Important Notice to Shareholders</u>	8
<u>Financial Highlights and Statement of Investments</u>	9
<u>Financial Statements</u>	17
<u>Notes to Financial Statements</u>	20
<u>Tax Information</u>	32
<u>Annual Meeting of Shareholders</u>	33
<u>Dividend Reinvestment and Cash Purchase Plan</u>	35
<u>Shareholder Information</u>	37

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helpful financial planning tools.

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Guarantee**

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Not part of the semiannual report

1

Semiannual Report

Templeton Emerging Markets Income Fund

Dear Shareholder:

This semiannual report for Templeton Emerging Markets Income Fund covers the period ended June 30, 2018.

Your Fund's Goal and Main Investments

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

Performance Overview

For the six months under review, the Fund had cumulative total returns of -4.05% based on market price and -7.75% based on net asset value. In comparison, U.S. dollar-denominated emerging market bonds, as measured by the J.P. Morgan (JPM) Emerging Markets Bond Index (EMBI) Global, had a -5.23% cumulative total return in U.S. dollar terms for the same period.¹ You can find the Fund's long-term performance data in the Performance Summary on page 6.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown.

Economic and Market Overview

The six-month period began with sharply rising yields in the US and Europe as reflation sentiments appeared to return to markets. Deregulation efforts and tax cuts were anticipated to add stimulus to an already strong US economy. The 10-year US Treasury yield rose 45 basis points (bps), finishing February at 2.86%. In Europe, the 10-year German bund yield rose 27 bps during January, reaching its peak yield for the period at 0.70% on February 2, its highest level since 2015. Markets appeared to initially anticipate upcoming rate adjustments from the European Central Bank (ECB) later in the year, but those

Portfolio Composition*

Based on Total Net Assets as of 6/30/18

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

**Includes foreign treasury bills, foreign strips, money market funds and net other assets less liabilities (including derivatives).

expectations would diminish by the end of the period. Overall, the US dollar was broadly weaker against the euro and global currencies during the opening months of the period, but that trend would sharply reverse in April.

In February, Jerome Powell took over as US Federal Reserve (Fed) Chairman, replacing Janet Yellen. The Fed continued to unwind its balance sheet throughout the period, and raised the federal funds target rate 25 basis points twice; once in March and again in June. In Japan, Haruhiko Kuroda was reappointed to a second five-year term as Bank of Japan (BOJ) Governor, effectively extending the BOJ's current monetary accommodation indefinitely.

By March, the rising yield trends in the US and Europe stalled and moderately reversed. Protectionist trade activity from the US in the form of steel and aluminum tariffs, as well as sector-specific tariffs on China, appeared to amplify risk aversion across global financial markets. Credit spreads widened across investment-grade and high yield credit tiers in

1. Source: Morningstar.

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

See www.franklintempletondatasources.com for additional data provider information.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 10.

TEMPLETON EMERGING MARKETS INCOME FUND

the US and Europe during the month, ultimately widening even further by the end of June.

Geographic Composition*

Based on Total Net Assets as of 6/30/18

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

In April, US Treasury yields rose sharply and the US dollar strengthened broadly as reflation sentiments appeared to again return to financial markets. The 10-year US Treasury yield rose above 3.00% for the first time in more than four years, ultimately reaching 3.11% on May 17, its highest level since 2011. However, risk aversion returned to global bond markets in the second half of May, as political issues in Italy raised concerns over the euro and Italian debt ratios. Consequently, yields in Italy, Spain, and much of peripheral Europe rose sharply, while yields in Germany, France, and the US declined as investors shifted to what they perceived as less risky investments. Several Latin American countries also saw rising yields and depreciations of their exchange rates during May, as upcoming elections in Mexico and Brazil, as well as policy concerns in Argentina appeared to increase regional volatility.

In the second half of June, a return of tariff threats from the US brought back risk aversion, driving the 10-year US Treasury yield back to where it began the month at 2.86%. Overall, the 10-year US Treasury yield finished the period 45 bps higher. In Europe, ECB president Mario Draghi provided updated guidance on the ECB's monetary policy timeline at its June 14 meeting: The net asset purchase program will be reduced to 15 billion per month for October, November and December, and conclude at the end 2018. Draghi also indicated that rates would likely remain unchanged until at least the summer of 2019. The 10-year German bund correspondingly finished June four bps lower for the month at 0.30%, finishing the six-month period 13 bps lower than where it started.

On the whole, duration exposures in the US and in several parts of the world faced headwinds from rising rates during the period, with the exception of core European countries, which began the period with rising yields, but finished with sharply declining yields. Additionally, the US dollar started the period weaker before significantly strengthening against global currencies over the final three months. Avoiding US Treasury duration proved important to performance during the period, as did long exposure to the US dollar.

Investment Strategy

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

Manager's Discussion

On the whole, we continued to position our strategies for rising rates by maintaining low portfolio duration and aiming at a negative correlation with US Treasury returns. We also continued to actively seek select duration exposures that we believe can offer positive real yields without taking undue interest-rate risk, favoring countries that have solid underlying fundamentals and prudent fiscal and monetary policies. We continued to prefer local-currency positions in specific countries that we believed to have resilient economies and relatively higher, maintainable rate differentials. During the period, we held notable local-currency duration exposures in Brazil, Argentina, Colombia, Indonesia and India, and notable currency exposure to the Mexican peso. We also continued to hold net-negative positions in the euro and Japanese yen as hedges against a broadly strengthening US dollar and as directional views on the currencies. We also held net-negative positioning in the Australian dollar based on the Reserve Bank of Australia's continued rate accommodation, and as a partial hedge against potential economic risks in China as well as broad-based beta risks across emerging markets. In credit markets, we continued to see areas of value in specific sovereign credits, notably in Africa and Latin America. Overall, the strategy was positioned for depreciation of the euro and yen, rising US Treasury yields, currency appreciation in select emerging markets and risk-adjusted yields in local-currency and sovereign credit markets. During the period, we used currency forward contracts to actively manage currencies. We also used interest-rate swaps to tactically manage duration exposures.

TEMPLETON EMERGING MARKETS INCOME FUND**Top 10 Countries**

6/30/18

	% of Total Net Assets
Kenya	8.4%
Zambia	7.8%
Ukraine	7.5%
Brazil	7.4%
Indonesia	6.0%
Senegal	4.8%
Iraq	4.5%
Argentina	3.7%
Colombia	3.6%
Ghana	2.9%

What is duration?

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

What is a currency forward contract?

A currency forward contract is an agreement between the Fund and a counterparty to buy or sell a foreign currency in exchange for another currency at a specific exchange rate on a future date. Currency forward contracts are privately traded in the interbank market, not on a centralized exchange.

What is an interest-rate swap?

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

During the period, the Fund's negative absolute performance was primarily due to overall credit exposures followed by currency positions. Interest-rate strategies had a largely neutral effect on absolute results. Credit exposures in Africa detracted from absolute results. Among currencies, positions in Latin America (the Argentine peso and the Brazilian real) detracted from absolute performance. The Fund's net-negative positions in the euro and the Japanese yen had largely neutral effects. The Fund maintained a defensive approach regarding interest rates in developed markets, while holding duration exposures in select emerging markets. Duration exposures provided a modest contribution during the period.

Currency Composition*

6/30/18

	% of Total Net Assets
Americas	112.1%
U.S. Dollar	81.3%
Mexican Peso	14.7%

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Brazilian Real	7.5%
Argentine Peso	4.9%
Colombian Peso	3.7%
Middle East & Africa	7.0%
Egyptian Pound	3.6%
Ghanaian Cedi	3.4%
Asia Pacific	-7.7%
Indonesian Rupiah	6.0%
Indian Rupee	1.1%
Japanese Yen	-14.8%
Europe	-7.8%
Euro	-7.8%
Australia & New Zealand	-3.6%
Australian Dollar	-3.6%

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

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

Sincerely,

Michael Hasenstab Ph.D.
Lead Portfolio Manager

Sonal Desai, Ph.D.
Portfolio Manager

4

Semiannual Report

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TEMPLETON EMERGING MARKETS INCOME FUND

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2018, 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.

Michael Hasenstab, Ph.D., is executive vice president and chief investment officer for Templeton Global Macro, which conducts in-depth global macroeconomic analysis covering thematic topics, regional and country analysis, and interest rate, currency and sovereign credit market outlooks. Templeton Global Macro offers global, unconstrained investment strategies through a variety of investment vehicles ranging from retail mutual funds to unregistered, privately offered hedge funds. Dr. Hasenstab is economic advisor to the CEO of Franklin Resources, Inc., providing his perspective and insight through the lens of Templeton Global Macro. In addition, he is a member of Franklin Resources' executive committee, a small group of the company's top leaders responsible for shaping the firm's overall strategy. Dr. Hasenstab holds a Ph.D. in economics from the Asia Pacific School of Economics and Management at Australian National University, a master's degree in economics of development from the Australian National University, and a B.A. in international relations/political economy from Carleton College in the US.

Sonal Desai, Ph.D., is a senior vice president and director of research for Templeton Global Macro. Dr. Desai is a portfolio manager for a number of funds, including Templeton Global Bond Fund, Templeton Global Total Return Fund and Templeton Emerging Market Bond Fund. Dr. Desai is responsible for shaping the team's research agenda of in-depth global macroeconomic analysis covering thematic topics, regional and country analysis, and interest rate, currency and sovereign credit market outlooks. This includes facilitating broader research efforts leveraging Franklin Templeton's local fixed income investment professionals across global markets. Dr. Desai holds a Ph.D. in economics from Northwestern University and a B.A. in economics from Delhi University. She is part of the Templeton Global Bond Fund portfolio management team named Morningstar's Fixed Income Manager of the Year in Canada in 2013.

TEMPLETON EMERGING MARKETS INCOME FUND
Performance Summary as of June 30, 2018

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. Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses. Capital gain distributions are net profits realized from the sale of portfolio securities.

Performance as of 6/30/18¹

	Cumulative Total Return²		Average Annual Total Return²	
	Based on	Based on	Based on	Based on
	NAV³	market price⁴	NAV³	market price⁴
6-Month	-7.75%	-4.05%	-7.75%	-4.05%
1-Year	-5.02%	-1.01%	-5.02%	-1.01%
5-Year	+10.88%	+3.91%	+2.09%	+0.77%
10-Year	+86.93%	+88.52%	+6.46%	+6.55%

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.

Distributions (1/1/18 - 6/30/18)**Net Investment****Income**

\$0.4709

TEMPLETON EMERGING MARKETS INCOME FUND

PERFORMANCE SUMMARY

All investments involve risks, including possible loss of principal. Changes in interest rates will affect the value of the Fund's portfolio and its share price and yield. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Special risks are associated with foreign investing, including currency fluctuations, economic instability and political developments of countries where the Fund invests. The Fund's investments in emerging market countries are subject to all of the risks of foreign investing generally, and have additional heightened risks due to these markets' smaller size and lesser liquidity and lack of established legal, political, business and social frameworks to support securities markets, including: delays in settling portfolio securities transactions; currency and capital controls; greater sensitivity to interest rate changes; pervasiveness of corruption and crime; currency exchange rate volatility; and inflation, deflation or currency devaluation. Sovereign debt securities are subject to various risks in addition to those relating to debt securities and foreign securities generally, including, but not limited to, the risk that a government entity may be unwilling or unable to pay interest and repay principal on its sovereign debt, or otherwise meet its obligations when due. The markets for particular securities or types of securities are or may become relatively illiquid. Reduced liquidity will have an adverse impact on the security's value and on the Fund's ability to sell such securities when necessary to meet the Fund's liquidity needs or in response to a specific market event. Derivatives, including currency management strategies, involve costs and can create economic leverage in the portfolio that may result in significant volatility and cause the Fund to participate in losses (as well as enable gains) on an amount that exceeds the Fund's initial investment. The Fund may not achieve the anticipated benefits and may realize losses when a counterparty fails to perform as promised. As a nondiversified investment company, the Fund may invest in a relatively small number of issuers and, as a result, be subject to a greater risk of loss with respect to its portfolio securities. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

The Fund may invest in China Interbank bonds traded on the China Interbank Bond Market (CIBM) through the China-Hong Kong Bond Connect program (Bond Connect). In China, the Hong Kong Monetary Authority Central Money Markets Unit holds Bond Connect securities on behalf of ultimate investors (such as the Fund) in accounts maintained with a China-based custodian (either the China Central Depository & Clearing Co. or the Shanghai Clearing House). This recordkeeping system subjects the Fund to various risks, including the risk that the Fund may have a limited ability to enforce rights as a bondholder and the risks of settlement delays and counterparty default of the Hong Kong sub-custodian. In addition, enforcing the ownership rights of a beneficial holder of Bond Connect securities is untested and courts in China have limited experience in applying the concept of beneficial ownership. Bond Connect uses the trading infrastructure of both Hong Kong and China and is not available on trading holidays in Hong Kong. As a result, prices of securities purchased through Bond Connect may fluctuate at times when a Fund is unable to add to or exit its position. Securities offered through Bond Connect may lose their eligibility for trading through the program at any time. If Bond Connect securities lose their eligibility for trading through the program, they may be sold but can no longer be purchased through Bond Connect.

Bond Connect is subject to regulation by both Hong Kong and China and there can be no assurance that further regulations will not affect the availability of securities in the program, the frequency of redemptions or other limitations. Bond Connect trades are settled in Chinese currency, the renminbi (RMB). It cannot be

guaranteed that investors will have timely access to a reliable supply of RMB in Hong Kong. Bond Connect is relatively new and its effects on the Chinese interbank bond market are uncertain. In addition, the trading, settlement and IT systems required for non-Chinese investors in Bond Connect are relatively new. In the event of systems malfunctions, trading via Bond Connect could be disrupted. In addition, the Bond Connect program may be subject to further interpretation and guidance. There can be no assurance as to the program's continued existence or whether future developments regarding the program may restrict or adversely affect the Fund's investments or returns. Finally, uncertainties in China tax rules governing taxation of income and gains from investments via Bond Connect could result in unexpected tax liabilities for a Fund.

The application and interpretation of the laws and regulations of Hong Kong and China, and the rules, policies or guidelines published or applied by relevant regulators and exchanges in respect of the Bond Connect program, are uncertain, and may have a detrimental effect on the Fund's investments and returns.

1. The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 2/28/19. Fund investment results reflect the fee waiver; without this waiver, the results would have been lower.
2. Total return calculations represent the cumulative and average annual changes in value of an investment over the periods indicated. Return for less than one year, if any, has not been annualized.
3. Assumes reinvestment of distributions based on net asset value.
4. Assumes reinvestment of distributions based on the dividend reinvestment and cash purchase plan.

TEMPLETON EMERGING MARKETS INCOME FUND

Important Notice to Shareholders

Share Repurchase Program

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

In exercising its discretion consistent with its portfolio management responsibilities, the investment manager will take into account various other factors, including, but not limited to, the level of the discount, the Fund's performance, portfolio holdings, dividend history, market conditions, cash on hand, the availability of other attractive investments and whether the sale of certain portfolio securities would be undesirable because of liquidity concerns or because the sale might subject the Fund to adverse tax consequences. Any repurchases would be made on a national securities exchange at the prevailing market price, subject to exchange requirements, Federal securities laws and rules that restrict repurchases, and the terms of any outstanding leverage or borrowing of the Fund. If and when the Fund's 10% threshold is reached, no further repurchases could be completed until authorized by the Board. Until the 10% threshold is reached, Fund management will have the flexibility to commence share repurchases if and when it is determined to be appropriate in light of prevailing circumstances.

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

Amended Distribution Frequency

The Fund's Board of Trustees approved a change to its distribution frequency from a quarterly variable distribution to a monthly variable distribution, effective June 30, 2018.

 TEMPLETON EMERGING MARKETS INCOME FUND
Financial Highlights**Six Months Ended**

	June 30, 2018 (unaudited)	Year Ended December 31, 2017	2016^a	2016	Year Ended August 31, 2015	2014	2013
Per share operating performance							
(for a share outstanding throughout the period)							
Net asset value, beginning of period	\$12.75	\$12.17	\$12.11	\$12.00	\$14.39	\$14.58	\$15.91
Income from investment operations:							
Net investment income ^b	0.43	0.85	0.25	0.77	0.93	1.02	1.07
Net realized and unrealized gains (losses)	(1.39)	0.35	0.21	0.16	(2.18)	0.18	(0.54)
Total from investment operations	(0.96)	1.20	0.46	0.93	(1.25)	1.20	0.53
Less distributions from:							
Net investment income and net foreign currency gains	(0.47)	(0.62)	(0.13)	(0.40)	(0.79)	(1.19)	(1.44)
Net realized gains			(0.03)	(0.02)	(0.35)	(0.20)	(0.42)
Tax return of capital			(0.24)	(0.40)			
Total distributions	(0.47)	(0.62)	(0.40)	(0.82)	(1.14)	(1.39)	(1.86)
Net asset value, end of period	\$11.32	\$12.75	\$12.17	\$12.11	\$12.00	\$14.39	\$14.58
Market value, end of period ^c	\$10.27	\$11.17	\$10.91	\$11.03	\$9.97	\$13.41	\$13.85
Total return (based on market value per share) ^d	(4.05)%	8.11%	2.57%	19.78%	(17.94)%	6.83%	(8.75)%
Ratios to average net assets^e							
Expenses before waiver and payments by affiliates and expense	1.09%	1.09%	1.09%	1.12%	1.10%	1.09%	1.09%

reduction							
Expenses net of waiver and payments by affiliates	1.07%	1.05%	1.04%	1.10%	1.09%	1.08%	1.09%
Expenses net of waiver and payments by affiliates and expense reduction	1.06%	1.05% ^f	1.04% ^f	1.10%	1.09%	1.08%	1.09% ^f
Net investment income	6.89%	6.60%	6.22%	6.56%	7.19%	7.03%	6.79%

Supplemental data

Net assets, end of period (000 s)	\$543,189	\$611,845	\$584,135	\$581,158	\$576,069	\$690,850	\$699,414
Portfolio turnover rate	3.57%	13.46%	11.74%	27.98%	23.57%	28.67%	14.53%

^aFor the period September 1, 2016 to December 31, 2016.

^bBased on average daily shares outstanding.

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

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

^eRatios are annualized for periods less than one year.

^fBenefit of expense reduction rounds to less than 0.01%.

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

 TEMPLETON EMERGING MARKETS INCOME FUND

Statement of Investments, June 30, 2018 (unaudited)

	Shares/ Warrants		Value
Common Stocks and Other Equity Interests 0.1%			
Mexico 0.0%			
a,b Corporacion GEO SAB de CV, B	221,287	\$	5,397
a,b Corporacion GEO SAB de CV, wts., 12/30/27	346,196		
			5,397
South Africa 0.1%			
a,b,c Edcon Holdings Ltd., F wts., 2/20/49	4,375		
a,b,c Edcon Holdings Ltd., F1 wts., 2/20/49	78,291,411		
a,b,c Edcon Holdings Ltd., F2 wts., 2/20/49	6,340,039		
a,b,c K2016470219 South Africa Ltd., A	93,760,463		68,382
a,b,c K2016470219 South Africa Ltd., B	161,018,517		117,436
a,d Platinum Group Metals Ltd., 144A	488,370		48,310
			234,128
United Republic of Tanzania 0.0%			
a,b Swala (PAEM) Ltd., wts., 1/15/23	662,500		101,878
Total Common Stocks and Other Equity Interests (Cost \$10,162,835)			341,403
	Principal		
	Amount*		
Convertible Bonds (Cost \$4,000,000) 0.5%			
South Africa 0.5%			
b,c Platinum Group Metals Ltd., cvt., 144A, 6.875%, 7/01/22	4,000,000		2,956,471
Foreign Government and Agency Securities 66.7%			
Argentina 3.7%			
Argentine Bonos del Tesoro, 18.20%, 10/03/21	207,832,000	ARS	6,227,741
16.00%, 10/17/23	96,102,000	ARS	2,985,086

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senior note, 15.50%, 10/17/26	354,647,000	ARS	11,090,148
			20,302,975
Brazil 7.4%			
Letra Tesouro Nacional, Strip, 7/01/20	36,810 ^e	BRL	8,037,466
Strip, 7/01/21	23,940 ^e	BRL	4,691,664
Nota Do Tesouro Nacional, 10.00%, 1/01/21	15,035 ^e	BRL	3,942,798
10.00%, 1/01/23	411 ^e	BRL	104,017
10.00%, 1/01/25	13,416 ^e	BRL	3,280,094
10.00%, 1/01/27	15,337 ^e	BRL	3,653,781
^f Index Linked, 6.00%, 8/15/22	9,322 ^e	BRL	7,651,929
^f Index Linked, 6.00%, 5/15/23	10,763 ^e	BRL	8,797,903
			40,159,652
Colombia 3.6%			
Government of Colombia, senior bond, 7.75%, 4/14/21	2,433,000,000	COP	871,333
senior bond, 4.375%, 3/21/23	164,000,000	COP	53,436
senior bond, 9.85%, 6/28/27	262,000,000	COP	112,941
Titulos de Tesoreria, B, 5.00%, 11/21/18	565,000,000	COP	193,330
B, 7.75%, 9/18/30	17,531,000,000	COP	6,443,230
senior bond, B, 11.25%, 10/24/18	2,335,000,000	COP	818,209
senior bond, B, 11.00%, 7/24/20	1,655,000,000	COP	626,967

TEMPLETON EMERGING MARKETS INCOME FUND

STATEMENT OF INVESTMENTS (UNAUDITED)

	Principal		Value
	Amount*		
Foreign Government and Agency Securities (continued)			
Colombia (continued)			
Titulos de Tesoreria, (continued)			
senior bond, B, 7.00%, 5/04/22	2,445,000,000	COP \$	873,239
senior bond, B, 10.00%, 7/24/24	4,932,000,000	COP	2,002,398
senior bond, B, 7.50%, 8/26/26	16,738,000,000	COP	6,049,533
senior bond, B, 6.00%, 4/28/28	3,627,000,000	COP	1,189,912
senior note, B, 7.00%, 9/11/19	1,585,000,000	COP	554,016
			19,788,544
Croatia 1.5%			
^d Government of Croatia, 144A, 6.75%, 11/05/19	7,920,000		8,264,243
Dominican Republic 2.6%			
^g Government of the Dominican Republic, senior bond, Reg S, 6.85%, 1/27/45	14,000,000		13,910,960
El Salvador 0.5%			
^d Government of El Salvador, 144A, 7.65%, 6/15/35	2,650,000		2,608,183
Ethiopia 1.8%			
^d Government of Ethiopia, 144A, 6.625%, 12/11/24	10,000,000		9,783,350
Ghana 2.9%			
Ghana Treasury Note,			
22.50%, 12/10/18	4,610,000	GHS	981,332
17.24%, 11/11/19	50,000	GHS	10,444
16.50%, 2/17/20	1,950,000	GHS	399,853
16.50%, 3/16/20	490,000	GHS	100,195
Government of Ghana,			
19.04%, 9/24/18	14,300,000	GHS	2,998,393
24.50%, 10/22/18	5,917,000	GHS	1,261,319
24.50%, 4/22/19	5,300,000	GHS	1,169,435
24.50%, 5/27/19	2,040,000	GHS	452,131
21.00%, 3/23/20	481,000	GHS	104,775
24.75%, 3/01/21	350,000	GHS	83,258
16.25%, 5/17/21	8,220,000	GHS	1,653,740

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24.50%, 6/21/21	5,670,000	GHS	1,358,038
24.75%, 7/19/21	7,080,000	GHS	1,702,507
18.75%, 1/24/22	540,000	GHS	115,150
16.50%, 2/06/23	6,750,000	GHS	1,348,367
19.75%, 3/25/24	360,000	GHS	80,152
19.00%, 11/02/26	2,930,000	GHS	633,273
senior note, 21.50%, 3/09/20	60,000	GHS	13,147
senior note, 18.25%, 9/21/20	2,210,000	GHS	461,976
senior note, 16.50%, 3/22/21	170,000	GHS	34,429
senior note, 18.25%, 7/25/22	3,470,000	GHS	731,730
senior note, 16.25%, 4/07/25	1,660,000	GHS	322,449
			16,016,093

India 1.1%

Government of India,

senior bond, 7.80%, 5/03/20	68,300,000	INR	1,001,015
senior bond, 8.35%, 5/14/22	20,200,000	INR	299,371
senior note, 7.28%, 6/03/19	2,700,000	INR	39,504
senior note, 8.12%, 12/10/20	51,300,000	INR	753,464
senior note, 7.80%, 4/11/21	91,600,000	INR	1,339,713
senior note, 7.16%, 5/20/23	12,700,000	INR	179,304

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11

 TEMPLETON EMERGING MARKETS INCOME FUND

STATEMENT OF INVESTMENTS (UNAUDITED)

	Principal		
	Amount*		Value
Foreign Government and Agency Securities (continued)			
India (continued)			
Government of India, (continued)			
senior note, 8.83%, 11/25/23	171,200,000	INR	\$ 2,587,756
			6,200,127
Indonesia 6.0%			
Government of Indonesia,			
senior bond, FR31, 11.00%, 11/15/20	134,139,000,000	IDR	10,089,909
senior bond, FR36, 11.50%, 9/15/19	40,000,000,000	IDR	2,949,336
senior bond, FR39, 11.75%, 8/15/23	1,780,000,000	IDR	144,704
senior bond, FR40, 11.00%, 9/15/25	58,140,000,000	IDR	4,725,044
senior bond, FR42, 10.25%, 7/15/27	2,368,000,000	IDR	188,052
senior bond, FR44, 10.00%, 9/15/24	1,066,000,000	IDR	82,014
senior bond, FR46, 9.50%, 7/15/23	80,000,000,000	IDR	6,060,576
senior bond, FR48, 9.00%, 9/15/18	2,961,000,000	IDR	208,716
senior bond, FR53, 8.25%, 7/15/21	6,465,000,000	IDR	458,708
senior bond, FR56, 8.375%, 9/15/26	70,379,000,000	IDR	5,032,296
senior bond, FR61, 7.00%, 5/15/22	5,185,000,000	IDR	354,031
senior bond, FR63, 5.625%, 5/15/23	3,071,000,000	IDR	200,054
senior bond, FR70, 8.375%, 3/15/24	8,448,000,000	IDR	603,504
senior note, FR69, 7.875%, 4/15/19	21,627,000,000	IDR	1,517,512
			32,614,456
Iraq 4.5%			
^d Government of Iraq, 144A, 5.80%, 1/15/28	27,190,000		24,443,946
Kenya 8.4%			
Government of Kenya,			
^d senior note, 144A, 6.875%, 6/24/24	30,813,000		30,493,315
^g senior note, Reg S, 5.875%, 6/24/19	7,200,000		7,237,080
^g senior note, Reg S, 6.875%, 6/24/24	7,700,000		7,620,113
			45,350,508
Mexico 0.5%			
Government of Mexico,			

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senior note, M, 5.00%, 12/11/19	263,200 ^h	MXN	1,275,494
senior note, M 10, 8.50%, 12/13/18	257,100 ^h	MXN	1,300,699
			2,576,193
Senegal 4.8%			
^d Government of Senegal, 144A, 6.25%, 7/30/24	26,680,000		26,264,859
Serbia 2.1%			
^d Government of Serbia, senior note, 144A, 7.25%, 9/28/21	10,250,000		11,204,378
Ukraine 7.5%			
^d Government of Ukraine,			
144A, 7.75%, 9/01/19	5,855,000		5,855,000
144A, 7.75%, 9/01/20	8,667,000		8,634,499
144A, 7.75%, 9/01/21	3,506,000		3,462,087
144A, 7.75%, 9/01/22	3,406,000		3,333,282
144A, 7.75%, 9/01/23	2,416,000		2,329,990
144A, 7.75%, 9/01/24	1,396,000		1,321,398
144A, 7.75%, 9/01/25	3,176,000		2,978,532
144A, 7.75%, 9/01/26	3,406,000		3,157,617
144A, 7.75%, 9/01/27	3,406,000		3,133,605

TEMPLETON EMERGING MARKETS INCOME FUND

STATEMENT OF INVESTMENTS (UNAUDITED)

	Principal Amount*	Value
Foreign Government and Agency Securities (continued)		
Ukraine (continued)		
^d Government of Ukraine, (continued)		
^{a,i} 144A, VRI, GDP Linked Security, 5/31/40	10,024,000	\$ 6,341,233
		40,547,243
Zambia 7.8%		
^d Government of Zambia,		
144A, 5.375%, 9/20/22	24,390,000	20,478,210
144A, 8.50%, 4/14/24	2,250,000	2,009,329
senior bond, 144A, 8.97%, 7/30/27	22,290,000	19,759,661
		42,247,200
Total Foreign Government and Agency Securities (Cost \$402,993,616)		362,282,910
Quasi-Sovereign and Corporate Bonds 10.9%		
Bermuda 0.4%		
^d Digicel Group Ltd., senior note, 144A, 7.125%, 4/01/22	3,300,000	2,172,440
Chile 2.2%		
^d VTR Finance BV, senior secured note, 144A, 6.875%, 1/15/24	12,000,000	12,101,400
Costa Rica 2.7%		
^{b,c} Reventazon Finance Trust, secured bond, first lien, 144A, 8.00%, 11/15/33	13,803,840	14,375,799
Democratic Republic of the Congo 1.8%		
^d HTA Group Ltd., senior note, 144A, 9.125%, 3/08/22	10,000,000	9,961,450
Mauritius 1.1%		
^d Liquid Telecommunications Financing PLC., senior secured note, 144A, 8.50%, 7/13/22	6,100,000	6,098,469
South Africa 0.5%		
^{b,c,j} K2016470219 South Africa Ltd.,		

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senior secured note, 144A, PIK, 3.00%, 12/31/22	7,212,872		45,080
senior secured note, 144A, PIK, 8.00%, 12/31/22	2,108,844	EUR	49,277
^{cj} K2016470260 South Africa Ltd., senior secured note, 144A, PIK, 25.00%, 12/31/22	24,074,158		2,407,416
			2,501,773
United Republic of Tanzania 2.2%			
^{b,c} Swala (PAEM) Ltd., senior note, 144A, 14.50% to 7/15/18, 16.00% to 1/15/19, 17.50% to 7/15/19, 19.00% to 1/15/20, 20.50% to 7/15/20, 23.00% to 1/15/21, thereafter 24.50%, 1/15/23	12,500,000		12,136,144
Total Quasi-Sovereign and Corporate Bonds (Cost \$90,973,004)			59,347,475
Total Investments before Short Term Investments (Cost \$508,129,455)			424,928,259
Short Term Investments 19.2%			
Foreign Government and Agency Securities 4.8%			
Argentina 1.2%			
Letras del Banco Central de la Republica Argentina, Strip, 7/18/18 - 11/21/18	195,938,000	ARS	6,445,241
Egypt 3.6%			
^k Egypt Treasury Bill, 7/03/18 - 11/06/18	360,600,000	EGP	19,397,010
Total Foreign Government and Agency Securities (Cost \$29,240,625)			25,842,251

 TEMPLETON EMERGING MARKETS INCOME FUND

STATEMENT OF INVESTMENTS (UNAUDITED)

	Principal Amount*	Value
Short Term Investments (continued)		
U.S. Government and Agency Securities 9.2%		
United States 9.2%		
^k U.S. Treasury Bill,		
7/05/18	25,000,000	\$ 24,996,576
7/19/18	25,000,000	24,979,709
Total U.S. Government and Agency Securities (Cost \$49,969,975)		49,976,285
Total Investments before Money Market Funds (Cost \$587,340,055)		500,746,795
	Shares	
Money Market Funds (Cost \$28,242,679) 5.2%		
United States 5.2%		
^{l,m} Institutional Fiduciary Trust Money Market Portfolio, 1.51%	28,242,679	28,242,679
Total Investments (Cost \$615,582,734) 97.4%		528,989,474
Other Assets, less Liabilities 2.6%		14,199,773
Net Assets 100.0%		\$ 543,189,247

Rounds to less than 0.1% of net assets.

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

^aNon-income producing.

^bFair valued using significant unobservable inputs. See Note 11 regarding fair value measurements.

^cSee Note 9 regarding restricted securities.

^dSecurity was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At June 30, 2018, the aggregate value of these securities was \$226,238,786, representing 41.7% of net assets.

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

^fRedemption price at maturity and coupon payment are adjusted for inflation. See Note 1(f).

^gSecurity was purchased pursuant to Regulation S under the Securities Act of 1933, which exempts from registration securities offered and sold outside of the United States. Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption from registration. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At June 30, 2018, the aggregate value of these securities was \$28,768,153, representing 5.3% of net assets.

^hPrincipal amount is stated in 100 Mexican Peso Units.

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

^jIncome may be received in additional securities and/or cash.

^kThe security was issued on a discount basis with no stated coupon rate.

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

^mThe rate shown is the annualized seven-day effective yield at period end.

TEMPLETON EMERGING MARKETS INCOME FUND

STATEMENT OF INVESTMENTS (UNAUDITED)

At June 30, 2018, the Fund had the following forward exchange contracts outstanding. See Note 1(c).

Forward Exchange Contracts

Currency	Counterparty ^a	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
Australian Dollar	JPHQ	Sell	4,902,538	\$ 3,749,118	7/12/18	\$ 120,330	\$
Euro	DBAB	Sell	1,649,275	2,051,541	7/12/18	122,741	
Japanese Yen	CITI	Sell	624,500,000	5,661,216	7/12/18	14,543	
Euro	GSCO	Sell	1,220,012	1,519,415	7/13/18	92,524	
Euro	HSBK	Sell	826,000	1,024,971	7/16/18	58,689	
Euro	JPHQ	Sell	565,000	667,454	7/16/18	6,498	
Japanese Yen	HSBK	Sell	1,620,890,000	14,708,621	7/17/18	47,639	
Euro	MSCO	Sell	453,535	529,516	7/19/18		(1,164)
Euro	MSCO	Sell	226,768	268,691	7/23/18	3,272	
Euro	MSCO	Sell	226,768	263,211	7/23/18		(2,208)
Euro	SCNY	Sell	413,000	481,789	7/23/18		(1,605)
Euro	DBAB	Sell	673,497	782,284	7/25/18		(6,126)
Euro	BOFA	Sell	802,498	938,650	7/30/18		(1,126)
Mexican Peso	HSBK	Buy	600,000,000	31,527,508	7/30/18		(1,459,469)
Euro	BZWS	Sell	1,273,708	1,563,031	7/31/18	71,319	
Euro	SCNY	Sell	179,416	218,951	7/31/18	8,827	
Euro	CITI	Sell	358,630	432,031	8/06/18	11,818	
Australian Dollar	JPHQ	Sell	4,899,231	3,747,348	8/13/18	120,632	
Euro	DBAB	Sell	359,450	432,212	8/15/18	10,736	
Euro	JPHQ	Sell	565,000	670,080	8/20/18	7,321	
Euro	JPHQ	Sell	565,000	671,446	8/21/18	8,634	
Euro	UBSW	Sell	2,688,465	3,197,150	8/21/18	43,262	
Euro	UBSW	Sell	907,070	1,073,622	8/23/18	9,352	
Euro	DBAB	Sell	1,506,000	1,785,747	8/24/18	18,608	
Euro	DBAB	Sell	2,265,961	2,676,032	8/29/18	16,103	
Euro	SCNY	Sell	182,974	215,967	8/29/18	1,180	
Euro	BZWS	Sell	1,273,708	1,502,160	8/31/18	6,772	
Mexican Peso	DBAB	Buy	366,946,257	19,116,563	8/31/18		(824,702)
Euro	SCNY	Sell	628,500	740,142	9/06/18	1,917	
Mexican Peso	JPHQ	Buy	105,732,972	5,464,378	9/10/18		(201,516)
Australian Dollar	JPHQ	Sell	4,899,231	3,748,132	9/12/18	121,103	

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Euro	DBAB	Sell	1,649,275	1,953,583	9/12/18	15,483	
Australian Dollar	CITI	Sell	9,805,000	7,466,753	9/13/18	207,832	
Euro	BOFA	Sell	5,038,070	5,959,432	9/18/18	36,360	
Euro	GSCO	Sell	1,220,012	1,429,229	9/18/18		(5,093)
Japanese Yen	JPHQ	Sell	2,334,700,000	21,243,568	9/19/18	28,406	
Euro	GSCO	Sell	1,222,976	1,429,023	9/20/18		(9,005)
Euro	UBSW	Sell	2,688,465	3,141,471	9/20/18		(19,742)
Euro	DBAB	Sell	673,503	785,058	9/24/18		(7,118)
Euro	JPHQ	Sell	565,000	659,073	9/25/18		(5,534)
Australian Dollar	BOFA	Sell	1,753,000	1,296,624	9/28/18		(1,238)
Euro	BOFA	Sell	802,498	942,880	9/28/18		(1,320)
Euro	DBAB	Sell	2,265,071	2,648,026	9/28/18		(16,998)
Japanese Yen	SCNY	Sell	1,873,240,000	17,907,235	10/05/18	863,830	
Mexican Peso	GSCO	Buy	480,923,060	24,206,521	11/14/18		(511,886)
Japanese Yen	SCNY	Sell	1,770,880,000	16,366,728	1/22/19	108,074	

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15

 TEMPLETON EMERGING MARKETS INCOME FUND

STATEMENT OF INVESTMENTS (UNAUDITED)

Forward Exchange Contracts (continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
(continued)							
Japanese Yen	DBAB	Sell	626,420,000	\$ 5,776,171	1/24/19	\$ 24,022	\$
Total Forward Exchange Contracts						\$ 2,207,827	\$ (3,075,850)
Net unrealized appreciation (depreciation)							\$ (868,023)

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

At June 30, 2018, the Fund had the following interest rate swap contracts outstanding. See Note 1(c).

Interest Rate Swap Contracts

Description	Payment Frequency	Maturity Date	Notional Amount	Value/Unrealized Appreciation (Depreciation)
Centrally Cleared Swap Contracts				
Receive Floating 3-month USD LIBOR Pay Fixed 2.310%	Quarterly	7/29/25	\$ 53,095,000	\$1,700,684
Receive Floating 3-month USD LIBOR Pay Fixed 2.432%	Quarterly	3/03/27	18,500,000	565,321
Receive Floating 3-month USD LIBOR Pay Fixed 2.568%	Quarterly	3/13/27	8,500,000	170,106
Receive Floating 3-month USD LIBOR Pay Fixed 2.383%	Quarterly	4/03/27	8,400,000	345,707
Receive Floating 3-month USD LIBOR Pay Fixed 2.752%	Quarterly	7/29/45	39,530,000	1,169,743

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Receive Floating 3-month USD LIBOR	Quarterly			
Pay Fixed 2.980%	Semi-Annual	2/20/48	6,230,000	(121,385)
Receive Floating 3-month USD LIBOR	Quarterly			
Pay Fixed 3.002%	Semi-Annual	2/22/48	6,230,000	(141,075)
Receive Floating 3-month USD LIBOR	Quarterly			
Pay Fixed 3.019%	Semi-Annual	2/23/48	6,230,000	(163,318)
Total Interest Rate Swap Contracts				\$3,525,783

See Note 10 regarding other derivative information.

See Abbreviations on page 31.

16 Semiannual Report | The accompanying notes are an integral part of these financial statements.

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 TEMPLETON EMERGING MARKETS INCOME FUND
Financial Statements**Statement of Assets and Liabilities**

June 30, 2018 (unaudited)

Assets:

Investments in securities:

Cost - Unaffiliated issuers	\$587,340,055
Cost - Non-controlled affiliates (Note 3c)	28,242,679

Value - Unaffiliated issuers	\$500,746,795
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Value - Non-controlled affiliates (Note 3c)	28,242,679
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Cash	54,329
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Restricted cash for OTC derivative contracts (Note 1d)	1,102,000
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Foreign currency, at value (cost \$2,944,427)	2,917,345
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Receivables:

Interest	11,003,463
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Deposits with brokers for:

OTC derivative contracts	2,050,000
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Centrally cleared swap contracts	10,343,852
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Variation margin on centrally cleared swap contracts	92,145
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Unrealized appreciation on OTC forward exchange contracts	2,207,827
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Other assets	394
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Total assets	558,760,829
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Liabilities:

Payables:

Management fees	452,014
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Distributions to shareholders	10,247,662
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Deposits from brokers for:

OTC derivative contracts	1,102,000
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Unrealized depreciation on OTC forward exchange contracts	3,075,850
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Deferred tax	586,438
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Accrued expenses and other liabilities	107,618
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Total liabilities	15,571,582
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Net assets, at value	\$543,189,247
Net assets consist of:	
Paid-in capital	\$647,927,336
Distributions in excess of net investment income	(15,940,654)
Net unrealized appreciation (depreciation)	(84,878,465)
Accumulated net realized gain (loss)	(3,918,970)
Net assets, at value	\$543,189,247
Shares outstanding	47,998,418
Net asset value per share	\$11.32

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 TEMPLETON EMERGING MARKETS INCOME FUND

FINANCIAL STATEMENTS

Statement of Operations

for the six months ended June 30, 2018 (unaudited)

Investment income:	
Dividends:	
Non-controlled affiliates (Note 3c)	\$ 288,081
Interest: (net of foreign taxes)~	
Unaffiliated issuers	23,274,717
 Total investment income	 23,562,798
Expenses:	
Management fees (Note 3a)	2,962,553
Transfer agent fees	40,439
Custodian fees (Note 4)	70,906
Reports to shareholders	26,904
Registration and filing fees	23,421
Professional fees	45,001
Trustees fees and expenses	34,450
Other	59,465
 Total expenses	 3,263,139
Expense reductions (Note 4)	(14,958)
Expenses waived/paid by affiliates (Note 3c)	(86,349)
 Net expenses	 3,161,832
 Net investment income	 20,400,966
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:#	
Unaffiliated issuers	321,789
Foreign currency transactions	(957,248)
Forward exchange contracts	8,093,224

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Swap contracts	152,711
Net realized gain (loss)	7,610,476
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(76,984,973)
Translation of other assets and liabilities denominated in foreign currencies	(212,412)
Forward exchange contracts	(3,726,609)
Swap contracts	6,593,653
Change in deferred taxes on unrealized appreciation	265,794
Net change in unrealized appreciation (depreciation)	(74,064,547)
Net realized and unrealized gain (loss)	(66,454,071)
Net increase (decrease) in net assets resulting from operations	\$(46,053,105)
~Foreign taxes withheld on interest	\$ 274,571
#Net of foreign taxes	\$ 98,338

18 Semiannual Report | The accompanying notes are an integral part of these financial statements.

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 TEMPLETON EMERGING MARKETS INCOME FUND

FINANCIAL STATEMENTS

Statements of Changes in Net Assets**Six Months Ended**

	June 30, 2018 (unaudited)	Year Ended December 31, 2017
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 20,400,966	\$ 40,838,718
Net realized gain (loss)	7,610,476	(17,205,568)
Net change in unrealized appreciation (depreciation)	(74,064,547)	33,873,876
Net increase (decrease) in net assets resulting from operations	(46,053,105)	57,507,026
Distributions to shareholders from:		
Net investment income	(22,602,455)	(29,797,418)
Total distributions to shareholders	(22,602,455)	(29,797,418)
Net increase (decrease) in net assets	(68,655,560)	27,709,608
Net assets:		
Beginning of period	611,844,807	584,135,199
End of period	\$543,189,247	\$611,844,807
Distributions in excess of net investment income included in net assets:		
End of period	\$(15,940,654)	\$(13,739,165)

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TEMPLETON EMERGING MARKETS INCOME FUND

Notes to Financial Statements (unaudited)

1. Organization and Significant Accounting Policies

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

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

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

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

the foreign debt securities are determined.

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

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

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The VC employs various methods for calibrating these

TEMPLETON EMERGING MARKETS INCOME FUND

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Occasionally, events occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, the VC 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 Depositary 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 that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Fund's NAV is not calculated, which could result in differences between the value of the Fund's portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Fund for financial reporting purposes.

b. Foreign Currency Translation

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

decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

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

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign

denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Derivative Financial Instruments

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

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions,

TEMPLETON EMERGING MARKETS INCOME FUND

NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

1. Organization and Significant Accounting Policies (continued)**c. Derivative Financial Instruments** (*continued*)

including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement.

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

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

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

The Fund invests in value recovery instruments (VRI) primarily to gain exposure to economic growth. Periodic payments from VRI are dependent on established benchmarks for underlying variables. VRI has a notional amount, which is used to calculate amounts of payments to holders. Payments are recorded upon receipt as realized gains in the Statement of Operations. The risks of investing in VRI include growth risk, liquidity, and the potential loss of investment.

See Note 10 regarding other derivative information.

d. Restricted Cash

At June 30, 2018, the Fund held restricted cash in connection with investments in certain derivative securities. Restricted cash is held in a segregated account with the Fund's custodian and is reflected in the Statement of Assets and Liabilities.

e. Income and Deferred Taxes

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

TEMPLETON EMERGING MARKETS INCOME FUND
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

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

The Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of June 30, 2018, the Fund has determined that no tax liability is required in its financial statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

f. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and may differ from earnings recorded in accordance with U.S. GAAP. These differences may be permanent or temporary. Permanent

differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

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

g. Accounting Estimates

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

h. Guarantees and Indemnifications

Under the Fund's organizational documents, its officers and trustees are indemnified by the Fund against certain liabilities arising out of the performance of their duties to the Fund. Additionally, in the normal course of business, the Fund enters into contracts with service providers that contain general indemnification clauses. The Fund's maximum

exposure under these arrangements is unknown as this would involve future claims that may be made against the Fund that have not yet occurred. Currently, the Fund expects the risk of loss to be remote.

2. Shares of Beneficial Interest

At June 30, 2018, there were an unlimited number of shares authorized (without par value). During the period ended June 30, 2018 and year ended December 31, 2017, there were no shares issued; all reinvested distributions were satisfied with previously issued shares purchased in the open market.

Under the Board approved open-market share repurchase program, the Fund may purchase, from time to time, Fund shares in open-market transactions, at the discretion of management. Since the inception of the program, the Fund has repurchased a total of 610,500 shares. During the period ended June 30, 2018 and year ended December 31, 2017, there were no shares repurchased.

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