

TEMPLETON EMERGING MARKETS INCOME FUND  
Form N-Q  
January 28, 2014

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, DC 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF  
REGISTERED MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number 811-07866

**Templeton Emerging Markets Income Fund**

(Exact name of registrant as specified in charter)

**300 S.E. 2<sup>nd</sup> Street, Fort Lauderdale, FL  
33301-1923**

(Address of principal executive offices) (Zip code)

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

(Name and address of agent for service)

Edgar Filing: TEMPLETON EMERGING MARKETS INCOME FUND - Form N-Q

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

Date of fiscal year end: 8/31

Date of reporting period: 11/30/13

**Item 1. Schedule of Investments.**

---

# Templeton Emerging Markets Income Fund

## Statement of Investments, November 30, 2013 (unaudited)

	Principal Amount*		Value
<b>Foreign Government and Agency Securities 56.2%</b>			
<b>Argentina 5.2%</b>			
Government of Argentina,			
aGDP Linked Securities, 6.266%, 12/15/35	219,745,000	\$	19,936,365
senior bond, 7.00%, 10/03/15	18,000,000		17,539,000
			37,475,365
<b>Bosnia &amp; Herzegovina 0.6%</b>			
bGovernment of Bosnia & Herzegovina, FRN, 1.063%, 12/11/17	7,660,090	DEM	4,628,600
<b>Brazil 8.5%</b>			
Letra Tesouro Nacional, Strip, 1/01/15	2,333 c	BRL	893,649
Nota Do Tesouro Nacional,			
10.00%, 1/01/14	20,000 c	BRL	8,558,705
dIndex Linked, 6.00%, 5/15/15	22,323 c	BRL	22,832,621
dIndex Linked, 6.00%, 8/15/16	7,319 c	BRL	7,413,080
dIndex Linked, 6.00%, 5/15/17	134 c	BRL	135,163
dIndex Linked, 6.00%, 8/15/18	4,055 c	BRL	4,060,915
dIndex Linked, 6.00%, 5/15/45	17,820 c	BRL	16,618,080
			60,512,213
<b>Croatia 1.2%</b>			
eGovernment of Croatia, 144A, 6.75%, 11/05/19	7,920,000		8,543,700
<b>El Salvador 0.4%</b>			
eGovernment of El Salvador, 144A, 7.65%, 6/15/35	2,650,000		2,696,375
<b>Georgia 0.5%</b>			
eGovernment of Georgia, 144A, 6.875%, 4/12/21	3,050,000		3,278,750
<b>Ghana 6.0%</b>			
Government of Ghana,			
13.00%, 6/02/14	9,110,000	GHS	3,925,269
14.00%, 10/13/14	210,000	GHS	88,905
24.00%, 5/25/15	7,690,000	GHS	3,591,467

Edgar Filing: TEMPLETON EMERGING MARKETS INCOME FUND - Form N-Q

21.00%, 10/26/15	3,257,000	GHS	1,475,800
19.24%, 5/30/16	11,745,000	GHS	5,188,838
23.00%, 8/21/17	7,860,000	GHS	3,808,697
19.04%, 9/24/18	14,300,000	GHS	6,294,671
e144A, 8.50%, 10/04/17	2,029,000		2,191,604
e144A, 7.875%, 8/07/23	15,169,086		14,913,108
fReg S, 8.50%, 10/04/17	1,559,000		1,683,938
			43,162,297

**Hungary 3.6%**

Government of Hungary,

4.125%, 2/19/18	2,040,000		2,050,200
5.375%, 2/21/23	3,750,000		3,668,906
senior note, 6.375%, 3/29/21	15,000,000		16,143,750
fsenior note, Reg S, 3.50%, 7/18/16	190,000	EUR	263,265
fsenior note, Reg S, 4.375%, 7/04/17	560,000	EUR	781,585
fsenior note, Reg S, 5.75%, 6/11/18	1,255,000	EUR	1,821,997
fsenior note, Reg S, 3.875%, 2/24/20	535,000	EUR	708,012
			25,437,715

**Indonesia 3.1%**

Government of Indonesia,

FR31, 11.00%, 11/15/20	132,050,000,000	IDR	12,495,376
FR36, 11.50%, 9/15/19	40,000,000,000	IDR	3,819,852
FR40, 11.00%, 9/15/25	58,140,000,000	IDR	5,576,946
			21,892,174

**Iraq 3.2%**

eGovernment of Iraq, 144A, 5.80%, 1/15/28

27,190,000		22,952,982
------------	--	------------

Quarterly Statement of Investments | See Notes to Statement of Investments.

---

## Templeton Emerging Markets Income Fund

### Statement of Investments, November 30, 2013 (unaudited) (continued)

#### Latvia 0.8%

eGovernment of Latvia, 144A, 5.25%, 2/22/17	5,550,000	6,061,793
---	-----------	-----------

#### Lithuania 0.3%

eGovernment of Lithuania, 144A, 7.375%, 2/11/20	1,700,000	2,062,321
---	-----------	-----------

#### Mexico 3.4%

Government of Mexico, 8.00%, 12/19/13	1,653,500 <sup>g</sup> MXN	12,638,780
7.00%, 6/19/14	93,900 <sup>g</sup> MXN	729,584
9.50%, 12/18/14	626,140 <sup>g</sup> MXN	5,063,432
6.00%, 6/18/15	8,680 <sup>g</sup> MXN	68,530
8.00%, 12/17/15	250,400 <sup>g</sup> MXN	2,066,764
6.25%, 6/16/16	159,350 <sup>g</sup> MXN	1,282,380
7.25%, 12/15/16	259,750 <sup>g</sup> MXN	2,148,288
		23,997,758

#### Mongolia 0.8%

eGovernment of Mongolia, senior note, 144A, 5.125%, 12/05/22	7,100,000	6,045,863
--	-----------	-----------

#### Romania 1.1%

fGovernment of Romania, senior note, Reg S, 5.25%, 6/17/16	5,460,000 EUR	7,970,718
--	---------------	-----------

#### Serbia 3.5%

eGovernment of Serbia, senior note, 144A, 7.25%, 9/28/21	11,080,000	11,630,787
Serbia Treasury Bond, 10.00%, 6/27/16	65,340,000 RSD	754,299
8/15/16	26,900,000 RSD	309,810
11/21/18	13,450,000 RSD	149,255
Serbia Treasury Note, 10.00%, 4/27/15	780,000,000 RSD	9,168,518
9/14/15	205,300,000 RSD	2,403,092
10/17/16	15,050,000 RSD	172,831
11/08/17	36,330,000 RSD	409,894

Edgar Filing: TEMPLETON EMERGING MARKETS INCOME FUND - Form N-Q

		24,998,486
<b>Slovenia 0.5%</b>		
eGovernment of Slovenia, senior note, 144A, 5.85%, 5/10/23	3,370,000	3,404,138
<b>Sri Lanka 3.9%</b>		
Government of Sri Lanka,		
e144A, 7.40%, 1/22/15	3,500,000	3,659,687
e144A, 5.875%, 7/25/22	7,750,000	7,207,500
A, 7.00%, 3/01/14	19,710,000 LKR	149,480
A, 11.25%, 7/15/14	354,200,000 LKR	2,727,812
A, 11.75%, 3/15/15	3,840,000 LKR	29,911
A, 6.50%, 7/15/15	108,070,000 LKR	782,134
A, 11.00%, 8/01/15	607,700,000 LKR	4,690,449
A, 6.40%, 8/01/16	49,800,000 LKR	343,779
A, 5.80%, 1/15/17	51,000,000 LKR	341,269
A, 8.00%, 11/15/18	230,150,000 LKR	1,544,171
A, 9.00%, 5/01/21	387,750,000 LKR	2,612,637
B, 11.75%, 4/01/14	31,010,000 LKR	238,074
B, 6.60%, 6/01/14	29,500,000 LKR	221,883
B, 6.40%, 10/01/16	53,200,000 LKR	363,164
B, 8.50%, 7/15/18	65,800,000 LKR	457,487
C, 8.50%, 4/01/18	108,910,000 LKR	759,076
D, 8.50%, 6/01/18	284,830,000 LKR	1,973,465
		28,101,978
<b>hSupranational 0.7%</b>		
fEastern & Southern African Trade and Development Bank, Reg S, 6.875%, 1/09/16	5,000,000	5,184,250
<b>Ukraine 5.4%</b>		
eGovernment of Ukraine,		
144A, 9.25%, 7/24/17	1,330,000	1,241,888

## Templeton Emerging Markets Income Fund

### Statement of Investments, November 30, 2013 (unaudited) *(continued)*

144A, 7.75%, 9/23/20	19,840,000	17,558,400
senior bond, 144A, 7.80%, 11/28/22	3,780,000	3,278,394
senior note, 144A, 7.95%, 2/23/21	260,000	229,938
senior note, 144A, 7.50%, 4/17/23	6,080,000	5,213,600
eKyiv Finance PLC (City of Kiev), loan participation, senior note, 144A, 9.375%, 7/11/16	12,940,000	11,087,962
		38,610,182
<b>Vietnam 1.0%</b>		
eGovernment of Vietnam, 144A, 6.75%, 1/29/20	6,835,000	7,416,727
<b>Zambia 2.5%</b>		
eGovernment of Zambia International Bond, 144A, 5.375%, 9/20/22	20,000,000	17,612,500
<b>Total Foreign Government and Agency Securities (Cost \$406,553,485)</b>		402,046,885
<b>Quasi-Sovereign and Corporate Bonds 35.2%</b>		
<b>Hungary 1.4%</b>		
eMagyar Export-Import Bank RT, senior note, 144A, 5.50%, 2/12/18	10,000,000	10,211,350
<b>India 0.6%</b>		
eICICI Bank Ltd., sub. bond, 144A, 6.375% to 4/30/17, FRN thereafter, 4/30/22	4,100,000	3,915,500
<b>Kazakhstan 8.1%</b>		
eHSBK (Europe) BV, senior note, 144A, 7.25%, 5/03/17	26,035,000	28,033,967
eKazakhstan Temir Zholy Finance BV, senior note, 144A, 6.375%, 10/06/20	6,090,000	6,668,550
eKazMunayGas National Co., senior note, 144A, 9.125%, 7/02/18	19,200,000	23,352,000
		58,054,517
<b>Mexico 3.9%</b>		
eCemex Espana Luxembourg, senior secured note, 144A, 9.25%, 5/12/20	2,355,000	2,562,829
eCemex SAB de CV, senior secured note, 144A, 9.00%, 1/11/18	21,845,000	24,084,112
e,iCorporacion GEO SAB de CV, senior note, 144A, 8.875%, 3/27/22	8,420,000	1,368,250
		28,015,191
<b>Peru 0.3%</b>		
ePeru Enhanced Pass-Through Finance Ltd., senior secured bond, A-1, 144A, zero cpn., 5/31/18	2,306,401	2,143,371
<b>Russia 4.6%</b>		
eAlfa Bond Issuance PLC (Alfa Bank OJSC), loan participation, secured note, 144A, 7.875%, 9/25/17	6,550,000	7,284,779

Edgar Filing: TEMPLETON EMERGING MARKETS INCOME FUND - Form N-Q

senior note, 144A, 7.75%, 4/28/21	7,900,000	8,477,687
LUKOIL International Finance BV, e144A, 6.656%, 6/07/22	4,540,000	4,971,300
fReg S, 6.656%, 6/07/22	3,970,000	4,365,154
eRSHB Capital SA (Russian Agricultural Bank OJSC), loan participation, senior note, 144A, 9.00%, 6/11/14	4,880,000	5,072,150
eVTB Capital SA (VTB Bank), loan participation, senior bond, 144A, 6.25%, 6/30/35	2,400,000	2,559,000
		32,730,070
<b>South Africa 5.3%</b>		
eEdcon Holdings Pty. Ltd., bsecured note, 144A, FRN, 5.724%, 6/15/15	8,285,000 EUR	11,280,623
senior note, 144A, 13.375%, 6/30/19	10,415,000 EUR	15,031,969
eEdcon Pty. Ltd., senior secured note, 144A, 9.50%, 3/01/18	7,250,000	7,585,494
3/01/18	2,828,000 EUR	4,019,227
		37,917,313
<b>Trinidad and Tobago 0.8%</b>		
Petro Co. of Trinidad and Tobago Ltd., senior note, e144A, 9.75%, 8/14/19	4,500,000	5,737,500
fReg S, 9.75%, 8/14/19	210,000	267,750
		6,005,250
<b>Turkey 3.5%</b>		
eAkbank TAS, senior note, 144A, 6.50%, 3/09/18	2,588,000	2,771,981
eFinansbank AS, senior note, 144A, 5.50%, 5/11/16	8,425,000	8,540,844
eTurkiye Is Bankasi, sub. note, 144A, 6.00%, 10/24/22	3,000,000	2,787,750



# Templeton Emerging Markets Income Fund

## Statement of Investments, November 30, 2013 (unaudited) *(continued)*

fWillow No.2 (Yasar Holding SA), loan participation, secured note, Reg S, 9.625%, 10/07/15	10,900,000		10,812,255
			24,912,830
<b>Ukraine 0.2%</b>			
eFinancing of Infrastructure Projects State Enterprise, 144A, 8.375%, 11/03/17	2,000,000		1,733,720
<b>United Arab Emirates 3.8%</b>			
eDP World Ltd., 144A, 6.85%, 7/02/37	13,500,000		13,542,593
eDubai Electricity & Water Authority, senior note, 144A, 7.375%, 10/21/20	11,500,000		13,502,265
			27,044,858
<b>United States 1.2%</b>			
General Electric Capital Corp., senior note, A, 8.50%, 4/06/18	101,000,000	MXN	8,671,838
<b>Venezuela 1.5%</b>			
Petroleos de Venezuela SA, senior sub. bond, 4.90%, 10/28/14	11,800,000		10,751,216
<b>Total Quasi-Sovereign and Corporate Bonds (Cost \$232,910,093)</b>			252,107,024
<b>Credit-Linked Notes (Cost \$1,011,513) 0.1%</b>			
<b>Ukraine 0.1%</b>			
eING Americas Issuance BV (Government of Ukraine), 144A, 5.50%, 8/25/15	9,882,800	UAH	1,096,072
<b>Total Investments before Short Term Investments (Cost \$640,475,091)</b>			655,249,981
<b>Short Term Investments 4.4%</b>			
<b>Foreign Government and Agency Securities 1.9%</b>			
<b>Mexico 0.5%</b>			
jMexico Treasury Bills, 1/09/14 - 4/30/14	5,107,380 k	MXN	3,856,337
<b>Nigeria 1.4%</b>			
jNigeria Treasury Bills, 1/09/14 - 5/08/14	1,611,380,000	NGN	9,712,474
<b>Total Foreign Government and Agency Securities (Cost \$13,705,860)</b>			13,568,811
<b>Total Investments before Money Market Funds (Cost \$654,180,951)</b>			668,818,792
		<b>Shares</b>	
<b>Money Market Funds (Cost \$17,617,471) 2.5%</b>			
<b>United States 2.5%</b>			
l, Institutional Fiduciary Trust Money Market Portfolio	17,617,471		17,617,471
<b>Total Investments (Cost \$671,798,422) 95.9%</b>			686,436,263
<b>Other Assets, less Liabilities 4.1%</b>			29,330,950
<b>Net Assets 100.0%</b>		\$	715,767,213

Edgar Filing: TEMPLETON EMERGING MARKETS INCOME FUND - Form N-Q

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

a Security is linked to the Argentine GDP and does not pay principal over the life of the security or at expiration. The holder is entitled to receive only variable payments, subject to certain conditions, which are based on growth of the Argentine GDP and the principal or "notional" value of this GDP linked security.

b The coupon rate shown represents the rate at period end.

c Principal amount is stated in 1,000 Brazilian Real Units.

d Redemption price at maturity is adjusted for inflation.

e Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers

or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At

November 30, 2013, the aggregate value of these securities was \$376,622,900, representing 52.62% of net assets.

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

Such a security cannot be sold in the United States without either an effective registration statement filed pursuant to the Securities Act of 1933, or pursuant to an exemption

from registration. These securities have been deemed liquid under guidelines approved by the Fund's Board of Trustees. At November 30, 2013, the aggregate value of

these securities was \$33,858,924, representing 4.73% of net assets.

g Principal amount is stated in 100 Mexican Peso Units.

---

# Templeton Emerging Markets Income Fund

## Statement of Investments, November 30, 2013 (unaudited)

(continued)

<sup>h</sup> A supranational organization is an entity formed by two or more central governments through international treaties.

<sup>i</sup> Defaulted security or security for which income has been deemed uncollectible.

<sup>j</sup> The security is traded on a discount basis with no stated coupon rate.

<sup>k</sup> Principal amount is stated in 10 Mexican Peso Units.

<sup>l</sup> Non-income producing.

<sup>m</sup> The Institutional Fiduciary Trust Money Market Portfolio is managed by the Fund's investment manager.

At November 30, 2013, the Fund had the following forward exchange contracts outstanding. See Note 3.

### Forward Exchange Contracts

Currency	Counterparty	Type	Quantity	Contract		Unrealized	
				Amount *	Settlement Date	Appreciation	Depreciation
Japanese Yen	CITI	Sell	624,500,000	7,157,675	1/10/14	\$ 1,058,386	\$ -
Euro	UBSW	Sell	628,500	822,700	1/13/14	-	(31,067)
Japanese Yen	UBSW	Sell	1,873,240,000	21,421,619	1/14/14	3,125,962	-
Japanese Yen	HSBK	Sell	1,620,890,000	18,461,162	1/15/14	2,630,099	-
Japanese Yen	DBAB	Sell	626,420,000	7,060,322	1/16/14	942,116	-
Japanese Yen	UBSW	Sell	1,770,880,000	19,953,353	1/16/14	2,657,275	-
Euro	BZWS	Sell	2,547,416	3,371,416	1/27/14	-	(89,125)
Euro	UBSW	Sell	362,390	484,280	2/26/14	-	(8,037)
Ghana Cedi	BZWS	Buy	1,780,000	755,839	3/10/14	-	(11,184)
Euro	DBAB	Sell	3,345,000	4,313,110	3/31/14	-	(231,432)
Ghana Cedi	BZWS	Buy	1,395,324	587,505	4/08/14	-	(10,063)
Euro	HSBK	Sell	826,000	1,079,475	4/10/14	-	(42,755)
Euro	DBAB	Sell	688,000	900,420	4/11/14	-	(34,321)
Euro	UBSW	Sell	413,000	540,720	4/11/14	-	(20,396)
Euro	GSCO	Sell	3,663,000	4,898,530	5/13/14	-	(78,436)
Euro	DBAB	Sell	1,506,000	1,986,384	6/06/14	-	(59,944)
South Korean Won	JPHQ	Buy	7,297,662,505	6,426,827	6/09/14	395,803	-
Polish Zloty	DBAB	Buy	16,600,000	3,744,980 EUR	7/07/14	201,854	-
Malaysian Ringgit	DBAB	Buy	2,499,000	772,966	7/18/14	-	(3,963)
Malaysian Ringgit	DBAB	Buy	3,942,000	1,213,745	7/22/14	-	(1,431)
Malaysian Ringgit	DBAB	Buy	4,793,000	1,488,186	7/25/14	-	(14,828)
Malaysian Ringgit	JPHQ	Buy	5,039,000	1,546,512	7/30/14	1,291	-
Euro	CITI	Sell	358,630	477,870	8/11/14	-	(9,520)

Edgar Filing: TEMPLETON EMERGING MARKETS INCOME FUND - Form N-Q

Euro	MSCO	Sell	907,070	1,203,673	8/15/14	-	(29,076 )
Euro	DBAB	Sell	359,450	477,181	8/15/14	-	(11,328 )
Euro	DBAB	Sell	1,347,000	1,798,972	8/20/14	-	(31,687 )
Euro	JPHQ	Sell	2,260,000	3,021,157	8/21/14	-	(50,336 )
Euro	BZWS	Sell	1,604,997	2,151,643	8/25/14	-	(29,681 )
Euro	DBAB	Sell	9,366,031	12,507,398	8/29/14	-	(221,983 )
Euro	DBAB	Sell	266,000	360,124	11/10/14	-	(1,490 )
Euro	BZWS	Sell	10,415,000	14,005,051	11/14/14	-	(153,852 )
Euro	MSCO	Sell	907,070	1,220,721	11/17/14	-	(12,429 )
	Unrealized appreciation (depreciation)					11,012,786	(1,188,364 )
	Net unrealized appreciation (depreciation)					\$ 9,824,422	

\*In U.S. dollars unless otherwise indicated.

## Templeton Emerging Markets Income Fund

### Statement of Investments, November 30, 2013 (unaudited)

(continued)

At November 30, 2013, the Fund had the following interest rate swap contracts outstanding. See Note 3.

#### Interest Rate Swap Contracts

Description	Counterparty / Expiration		Notional Amount	Unrealized Unrealized Appreciation Depreciation	
	Exchange	Date			
<b>OTC Swaps</b>					
Receive Floating rate USD-LIBOR Pay Fixed rate 3.44%	CITI	4/21/21	\$ 7,900,000	\$	- \$ (664,430 )
Receive Floating rate USD-LIBOR Pay Fixed rate 2.775%	DBAB	10/04/23	22,650,000	-	(1,740 )
Receive Floating rate USD-LIBOR Pay Fixed rate 2.795%	DBAB	10/04/23	22,650,000	-	(43,342 )
Receive Floating rate USD-LIBOR Pay Fixed rate 2.765%	HSBK	10/07/23	22,650,000	29,426	-
Receive Floating rate USD-LIBOR Pay Fixed rate 3.668%	DBAB	10/04/43	11,010,000	153,473	-
Receive Floating rate USD-LIBOR Pay Fixed rate 3.68655%	DBAB	10/04/43	11,010,000	113,859	-
Receive Floating rate USD-LIBOR Pay Fixed rate 3.675%	HSBK	10/07/43	11,010,000	141,660	-
OTC Swaps unrealized appreciation (depreciation)					438,418 (709,512 )
Net unrealized appreciation (depreciation)					\$ (271,094 )

#### ABBREVIATIONS

##### Counterparty

<b>BZWS</b>	- Barclays Bank PLC
<b>CITI</b>	- Citibank N.A.
<b>DBAB</b>	- Deutsche Bank AG
<b>GSCO</b>	- The Goldman Sachs Group, Inc.
<b>HSBK</b>	- HSBC Bank PLC
<b>JPHQ</b>	- JPMorgan Chase Bank N.A.
<b>MSCO</b>	- Morgan Stanley and Co. Inc.
<b>UBSW</b>	- UBS AG

##### Currency

<b>BRL</b>	- Brazilian Real
<b>DEM</b>	- Deutsche Mark
<b>EUR</b>	- Euro
<b>GHS</b>	- Ghanaian Cedi
<b>IDR</b>	- Indonesian Rupiah

<b>LKR</b>	-	Sri Lankan Rupee
<b>MXN</b>	-	Mexican Peso
<b>NGN</b>	-	Nigerian Naira
<b>RSD</b>	-	Serbian Dinar
<b>UAH</b>	-	Ukraine Hryvnia

**Selected Portfolio**

<b>FRN</b>	-	Floating Rate Note
<b>GDP</b>	-	Gross Domestic Product

---

## Templeton Emerging Markets Income Fund

### Notes to Statement of Investments (unaudited)

#### 1. ORGANIZATION

Templeton Emerging Markets Income Fund (Fund) is registered under the Investment Company Act of 1940, as amended, as a closed-end investment company.

#### 2. 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. Under procedures approved by the Fund's Board of Trustees (the Board), the Fund's administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

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

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

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

---

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

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before the daily close of business on the NYSE. Occasionally, events occur between the time at which trading in a foreign security is completed and the close of the NYSE 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 the close of the NYSE. In order to minimize the potential for these differences, the VLOC 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.

In addition, certain foreign markets may be open on days that the NYSE is closed, 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.

### **3. DERIVATIVE FINANCIAL INSTRUMENTS**

The Fund invested in derivatives in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements.

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

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required by either the fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from \$100,000 to \$250,000, and can vary depending on the counterparty and the type of the agreement. Generally, collateral is determined at the close of fund business each day and any additional collateral required due to changes in derivative values may be delivered by the fund or the counterparty within a few business days. Collateral pledged and/or received by the fund for OTC derivatives, if any, is held in segregated accounts with the fund's

---



custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may be invested according to the Fund's investment objectives.

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 for 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. 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.

#### 4. INCOME TAXES

At November 30, 2013, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$	676,724,776
Unrealized appreciation	\$	53,185,157
Unrealized depreciation		(43,473,670)
Net unrealized appreciation (depreciation)	\$	9,711,487

#### 5. FAIR VALUE MEASUREMENTS

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

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

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

For movements between the levels within the fair value hierarchy, the Fund has adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

A summary of inputs used as of November 30, 2013, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

---

	Level 1	Level 2	Level 3	Total
<b>Assets:</b>				
Investments in Securities:				
Foreign Government and Agency Securities <sup>a</sup>	\$ -	\$ 402,046,885	\$ -	402,046,885
Quasi-Sovereign and Corporate Bonds <sup>a</sup>	-	252,107,024	-	252,107,024
Credit-Linked Notes	-	1,096,072	-	1,096,072
Short Term Investments	17,617,471	13,568,811	-	31,186,282
Total Investments in Securities	\$ 17,617,471	\$ 668,818,792	\$ -	686,436,263
Swap Contracts	\$ -	\$ 438,418	\$ -	438,418
Forward Exchange Contracts	-	11,012,786	-	11,012,786
<b>Liabilities:</b>				
Swap Contracts	-	709,512	-	709,512
Forward Exchange Contracts	-	1,188,364	-	1,188,364

<sup>a</sup> For detailed categories, see the accompanying Statement of Investments.

## 6. SUBSEQUENT EVENTS

The Fund has evaluated subsequent events through the issuance of the Statement of Investments and determined that no events have occurred that require disclosure.

For additional information on the Fund's significant accounting policies, please refer to the Fund's most recent semiannual or annual shareholder report.

## Item 2. Controls and Procedures.

(a) Evaluation of Disclosure Controls and Procedures. The Registrant maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the Registrant's filings under the Securities Exchange Act of 1934 and the Investment Company Act of 1940 is recorded,

## Edgar Filing: TEMPLETON EMERGING MARKETS INCOME FUND - Form N-Q

processed, summarized and reported within the periods specified in the rules and forms of the Securities and Exchange Commission. Such information is accumulated and communicated to the Registrant's management, including its principal executive officer and principal financial officer, as appropriate, to allow timely decisions regarding required disclosure. The Registrant's management, including the principal executive officer and the principal financial officer, recognizes that any set of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

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

(b) Changes in Internal Controls. There have been no changes in the Registrant's internal controls or in other factors that could materially affect the internal controls over financial reporting subsequent to the date of their evaluation in connection with the preparation of this Quarterly Schedule of Portfolio Holdings on Form N-Q.

### **Item 3. Exhibits.**

(a) Certification pursuant to Section 30a-2 under the Investment Company Act of 1940 of Laura F. Ferguson, Chief Executive Officer - Finance and Administration, and Mark H. Otani, Chief Financial Officer and Chief Accounting Officer.



**SIGNATURES**

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

**Templeton Emerging Markets Income Fund**

By /s/LAURA F. FERGERSON

Laura F. Ferguson

Chief Executive Officer -

Finance and Administration

Date January 27, 2014

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

By /s/LAURA F. FERGERSON

Laura F. Ferguson

Edgar Filing: TEMPLETON EMERGING MARKETS INCOME FUND - Form N-Q

Chief Executive Officer -

Finance and Administration

Date January 27, 2014

By /s/MARK H. OTANI

Mark H. Otani

Chief Financial Officer and

Chief Accounting Officer

Date January 27, 2014