



## FRANKLIN K2 ALTERNATIVE STRATEGIES FUND

### A SERIES OF FRANKLIN ALTERNATIVE STRATEGIES FUNDS

**One Franklin Parkway  
San Mateo, California 94403-1906**

#### INFORMATION STATEMENT

This Information Statement describes recent changes involving the investment management of the Franklin K2 Alternative Strategies Fund (the “Fund”), a series of Franklin Alternative Strategies Funds (the “Trust”). At an in-person meeting held on February 25, 2020, the Trust’s Board of Trustees (the “Board” or the “Trustees”), on behalf of the Fund, approved a new sub-advisory agreement between K2/D&S Management Co., L.L.C. (“K2 Advisors”) and Electron Capital Partners, LLC (“Electron”), pursuant to which Electron has not yet begun managing an allocated portion of the Fund’s assets as of September 3, 2020. The Fund seeks to achieve its investment goal by allocating its assets across multiple non-traditional or “alternative” strategies. K2 Advisors has the ultimate responsibility, subject to oversight by the Board, to oversee the Fund’s sub-advisors and recommend their hiring, termination and replacement. K2 Advisors allocates the Fund’s assets among multiple sub-advisors who, as of the date of this Information Statement, are unaffiliated with K2 Advisors and who will implement one or more non-traditional or alternative investment strategies. The Fund is structured as a multi-manager fund. Under an exemptive order from the U.S. Securities and Exchange Commission (the “SEC”), K2 Advisors is permitted to appoint and replace both wholly owned and unaffiliated sub-advisors, and enter into, amend and terminate sub-advisory agreements without obtaining prior shareholder approval, but subject to the approval of the Board (the “Manager of Managers Order”).

This Information Statement is being made available via the internet beginning on or about September 16, 2020 to all shareholders of record of the Fund as of September 2, 2020 (the “Record Date”). The Information Statement will be available online at <http://www.franklintempleton.com/068InfoStmnt> until at least December 15, 2020. A paper or e-mail copy of this Information Statement may be obtained, without charge, by contacting the Fund at (800) DIAL BEN/(800) 342-5236.

**WE ARE NOT ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND US A PROXY.**

### ***Why am I receiving this Information Statement?***

This Information Statement is being furnished to you by the Board to inform shareholders of recent changes in the investment management of the Fund. The Board, upon the recommendation of K2 Advisors, has approved a new sub-advisory agreement between K2 Advisors and Electron (the “New Sub-Advisory Agreement”). This Information Statement provides details regarding Electron, the New Sub-Advisory Agreement, and the reasons the Board appointed Electron as a new sub-advisor.

### ***What is the Manager of Managers Structure?***

The Fund is structured as a multi-manager fund and K2 Advisors has the ultimate responsibility, subject to oversight by the Board, to oversee sub-advisors and recommend their hiring, termination and replacement. K2 Advisors also, subject to the review and approval of the Board: sets the Fund’s overall investment strategy; evaluates, selects and recommends sub-advisors to manage all or a portion of the Fund’s assets; and implements procedures reasonably designed to ensure that each sub-advisor complies with the Fund’s investment goal, policies and restrictions. Subject to review by the Board, K2 Advisors allocates and, when appropriate, reallocates the Fund’s assets among sub-advisors and monitors and evaluates the sub-advisor’s performance. Each of the sub-advisors is responsible for selecting investments for that portion of the Fund’s portfolio allocated to it. As part of the Fund’s multi-manager structure, the Trust has received the Manager of Managers Order.

The Fund, however, must comply with certain conditions when relying on the Manager of Managers Order. One condition is that the Fund, by providing this Information Statement, inform shareholders of the hiring of any new wholly owned or unaffiliated sub-advisor within ninety (90) days after the hiring.

## **APPOINTMENT OF THE NEW SUB-ADVISOR TO THE FUND**

### ***Why was Electron appointed as a new sub-advisor?***

K2 Advisors recommended, and the Board approved, the appointment of Electron as a sub-advisor to the Fund to manage a portion of the Fund’s assets using a long short equity strategy.

### ***Has the addition of Electron increased the Fund’s fees and expenses?***

No. The addition of Electron as a sub-advisor to the Fund has had no impact on the investment management fees charged to the Fund or the fees paid by Fund shareholders, because the fees paid by K2 Advisors to the Fund’s sub-advisors are deducted from the fees paid by the Fund to K2 Advisors. The addition of Electron as a sub-advisor to the Fund has not materially changed the manner in which the Fund seeks to achieve its investment goal or the level of services that are provided to the Fund.

## INFORMATION ABOUT ELECTRON

Electron is an SEC-registered investment adviser located at 10 East 53rd Street, 19th Floor, New York, New York 10022. Electron is a limited liability company with one managing member, James Shaver, and one member, Electron Principals (IM), LLC. Electron Principals (IM), LLC is majority owned by James Shaver. Electron has approximately \$1.8 billion in assets under management as of March 30, 2020.

The names and principal occupations of the principal executive officers and members of Electron, as of the Record Date, are set forth below. The business address of each person is 10 East 53rd Street, 19th Floor, New York, New York 10022.

<u>Name</u>	<u>Title</u>
James Shaver	Managing Member
Aaron Keller	Chief Financial Officer, Chief Compliance Officer

## MATERIAL TERMS OF THE NEW SUB-ADVISORY AGREEMENT

Below is a summary of the material terms of the New Sub-Advisory Agreement. The terms are substantially similar to the terms of other sub-advisory agreements K2 Advisors has with the other unaffiliated sub-advisors for the Fund.

Services. Subject to the overall policies, direction and review of the Board and to the instructions and supervision of K2 Advisors, Electron provides certain investment advisory services for a portion of the Fund as agreed upon from time to time by K2 Advisors and Electron, including the formulation and implementation of a continuous investment program for that portion of the Fund's assets allocated to Electron by K2 Advisors from time to time (the "Sub-Advised Portion") and determining in its discretion the securities, cash and other financial instruments to be purchased, retained, sold, or exchanged for the Sub-Advised Portion in a manner consistent with the Fund's investment strategy.

Management Fees. K2 Advisors compensates Electron for providing investment advice and analysis and for managing its Sub-Advised Portion. K2 Advisors pays Electron for its services from the investment management fees it receives from the Fund.

Payment of Expenses. During the term of the New Sub-Advisory Agreement, Electron will pay its own expenses incurred by it in connection with the activities to be provided by Electron under the New Sub-Advisory Agreement other than the costs of financial instruments (including brokerage commissions, if any) acquired and disposed for the Sub-Advised Portion. K2 Advisors and the Fund will be responsible for all of their respective expenses. Certain expenses incurred by Electron that relate to the use of outside experts for post-investment decision activities will be reimbursed to Electron by the Fund.

Brokerage. In performing the services described above, Electron shall seek to obtain best execution. Subject to appropriate policies and procedures, Electron may, to the extent authorized by law and in accordance with the terms of the Fund’s prospectus and statement of additional information and with Electron’s policies, cause the Fund to pay a broker who provides brokerage and research services an amount of commission for effecting a portfolio investment transaction in excess of the amount of commission another broker would have charged for effecting that transaction, if Electron determines in good faith that the amount of the commission charged was reasonable in relation to the value of brokerage and/or research services provided by such broker.

Continuance. The New Sub-Advisory Agreement will remain in effect for two years after its effective date, unless earlier terminated. The effective date of the New Sub-Advisory Agreement is June 18, 2020. As provided therein, the New Sub-Advisory Agreement is thereafter renewable annually (i) by a vote of the Board or (ii) by a vote of a majority of the outstanding voting securities of the Fund, as defined in the Investment Company Act of 1940 (the “1940 Act”), provided that in either event the continuance is also approved by a vote of the majority of the Board who are not parties to the New Sub-Advisory Agreement or “interested persons,” as defined in the 1940 Act, of any party to the New Sub-Advisory Agreement or the Fund (“Independent Trustees”), by a vote cast at a meeting called for the purpose of voting on such approval.

Termination. The New Sub-Advisory Agreement may be terminated at any time, without payment of any penalty, (i) by the Board or by vote of a majority of the outstanding voting securities of the Fund, upon sixty (60) days’ written notice to K2 Advisors Electron, (ii) by K2 Advisors or Electron upon at least sixty (60) days’ written notice to the other party, and (iii) by K2 Advisors or the Fund upon a material breach by Electron of any of Electron’s obligations or representations under the New Sub-Advisory Agreement if such breach is not corrected by Electron within a specified number of business days after notice thereof by K2 Advisors or the Fund. The New Sub-Advisory Agreement shall terminate automatically in the event of any assignment thereof, as defined in the 1940 Act, and upon any termination of the investment management agreement between K2 Advisors and the Fund.

Standard of Care. Under the New Sub-Advisory Agreement, Electron and its directors, officers or employees shall not be held liable to K2 Advisors, the Fund, or to any shareholder of the Fund in the absence of Electron’s material breach of the New Sub-Advisory Agreement, willful misfeasance, bad faith, gross negligence, or reckless disregard of its duties, or untrue statement of material fact (or omission of such statement) pertaining to the Sub-Advised Portion or Electron. Electron is required to indemnify and hold harmless the Fund, K2 Advisors and each of its affiliates, officers, directors, trustees, and employees for any losses, damages, costs and expenses incurred by them with respect to Electron’s material breach of the New Sub-Advisory Agreement, willful misfeasance, bad faith, gross negligence, or reckless disregard of its obligations or duties under the New Sub-Advisory Agreement, or any untrue statement of a material fact (or omission of such statement) pertaining to the Sub-Advised Portion or Electron. The New Sub-Advisory Agreement contains similar provisions pursuant to which K2 Advisors is required to indemnify Electron.

***What factors did the Board consider when approving the New Sub-Advisory Agreement?***

In approving the New Sub-Advisory Agreement, the Board, including the Independent Trustees, determined that fees to be paid under the New Sub-Advisory Agreement were fair and reasonable and that approval of the New Sub-Advisory Agreement was in the interests of the Fund and its shareholders. As part of the approval process, the Trustees considered the process undertaken and information provided during their consideration and approval on May 22, 2019 of the investment management agreement between K2 Advisors, and the Trust, on behalf of the Fund, and the sub-advisory agreement between K2 Advisors and each of the Fund's existing sub-advisors.

At an Independent Trustees' meeting held on December 6, 2019, the Independent Trustees met with representatives of Electron. In making the foregoing approvals, the Independent Trustees received assistance and advice from their independent counsel and, in addition to the materials provided at prior meetings, considered various materials related to the New Sub-Advisory Agreement including: (1) a copy of the proposed form of New Sub-Advisory Agreement for Electron; (2) information describing the nature, quality and extent of services that Electron would provide to the Fund, and the proposed sub-advisory fees payable to Electron; (3) a report from K2 Advisors on the diligence conducted on Electron and the reasons for recommending Electron as a sub-advisor for the Fund, including, but not limited to, Electron's background, experience, personnel, operations, policies, procedures and compliance functions and plans for the integration of such operations, policies, procedures and compliance functions with those of K2 Advisors; and (4) a report from the Fund's Interim Chief Compliance Officer regarding Electron's compliance program and capabilities, including Electron's policies and procedures in place to address potential conflicts of interest, and the diligence undertaken by the Fund's Interim Chief Compliance Officer with respect thereto. The Board noted that the terms of the New Sub-Advisory Agreement were substantially similar to the terms of the sub-advisory agreements with the Fund's existing sub-advisors.

The Board's consideration of whether to approve the New Sub-Advisory Agreement on behalf of the Fund took into account several factors including, but not limited to, the following: (1) the nature and quality of the services to be provided by Electron to the Fund under the New Sub-Advisory Agreement; (2) Electron's experience as a manager of other accounts; (3) Electron's strength and reputation within the industry; (4) the fairness of the compensation under the New Sub-Advisory Agreement; (5) the personnel, operations, financial condition, and investment management capabilities, methodologies and resources of Electron; (6) profitability matters; (7) reports from K2 Advisors on the diligence conducted on Electron and the reasons for recommending Electron as a sub-advisor for the Fund, including, but not limited to, Electron's background, experience, personnel, operations, policies, procedures and compliance functions and plans for the integration of such operations, policies, procedures and compliance functions with those of K2 Advisors; and (8) a report from the Trust's Interim Chief Compliance Officer regarding Electron's compliance program and capabilities, including Electron's policies and procedures in place to address potential conflicts of interest, and the diligence undertaken by the Trust's Interim Chief Compliance Officer with respect thereto. Particular attention was given to the due diligence and risk management procedures of K2 Advisors with respect to selecting and overseeing sub-advisors of the Fund, as well as Electron's risk management program and to derivatives and other complex instruments that are expected to be held by the Fund and how such instruments are expected to be used to pursue the Fund's investment goals.

The following discussion relates to certain primary factors relevant to the Board's decision to approve the New Sub-Advisory Agreement. This discussion of the information and factors considered by the Board (including the information and factors discussed above) is not intended to be exhaustive, but rather summarizes certain factors considered by the Board. In view of the wide variety of factors considered, the Board did not, unless otherwise noted, find it practicable to quantify or otherwise assign relative weights to the following factors. In addition, individual Trustees may have assigned different weights to various factors.

**NATURE, EXTENT AND QUALITY OF SERVICES.** The Trustees reviewed the nature, extent and quality of the services to be provided by Electron. In this regard, they reviewed the Fund's investment goal and Electron's proposed investment strategy, and Electron's ability to implement such investment goal and/or investment strategy, including, but not limited to, Electron's trading practices and investment decision processes.

With respect to the sub-advisory services to be provided by Electron, the Board noted the responsibilities that Electron would have with respect to the Sub-Advised Portion, including, among others, implementing the investment strategies with respect to the Sub-Advised Portion and ensuring compliance with the investment strategies, policies, and limitations of the Sub-Advised Portion. The Trustees considered the successful performance of Electron in managing other investment products with investment strategies similar to the investment strategies of the Sub-Advised Portion of the Fund.

The Trustees reviewed the portfolio management team at Electron that would be responsible for managing the Sub-Advised Portion, including the team's performance, staffing, skills and compensation program. The Trustees considered various other products, portfolios and entities that are advised by Electron, their relative fees and reasons for differences with respect thereto and any potential conflicts. The Board also considered a report from the Trust's Interim Chief Compliance Officer regarding Electron's compliance program as such policies relate to the operations of the Fund. The Board considered the selection and due diligence process employed by K2 Advisors in proposing Electron as a sub-advisor to the Fund, including the due diligence undertaken with respect to Electron's compliance capabilities, and efforts to integrate Electron's operations, policies, procedures and compliance functions with those of K2 Advisors.

Based on their review, the Trustees were satisfied with the nature and quality of the overall services to be provided by Electron to the Fund and its shareholders and were confident in the abilities of Electron to implement its proposed investment strategy, and to provide quality services to the Fund and its shareholders.

**INVESTMENT PERFORMANCE.** The Board noted that, as Electron had not provided any services to the Fund, there was no investment performance of Electron with respect to the Fund. The Board considered the investment performance of Electron in managing other investment products with similar investment strategies to the investment strategies of the Sub-Advised Portion. The Board also considered the performance benchmarks for the Fund and how such benchmarks would be utilized to measure the performance of Electron in managing the Sub-Advised Portion.

**COMPARATIVE EXPENSES AND PROFITABILITY.** The Board considered the cost of the services to be provided by Electron. The Board also noted that it could not evaluate Electron's profitability with respect to the Fund since no assets had yet been allocated to Electron.

The Board noted that the sub-advisory fees would be paid by K2 Advisors to Electron and would not be additional fees to be borne by the Fund. The Board also noted that the sub-advisory fees to be paid by K2 Advisors to Electron were the product of negotiations between K2 Advisors and Electron and the Board considered the allocation of the investment management fee charged to the Fund between K2 Advisors and Electron in light of the nature, extent and quality of the investment management services expected to be provided by K2 Advisors and Electron. The Trustees considered various other products, portfolios and entities that are advised by Electron and the allocation of assets and expenses among and within them, as well as their relative fees and reasons for differences with respect thereto and any potential conflicts. The Board considered the extent to which Electron may derive ancillary benefits from the Fund's operations.

With respect to the impact on K2 Advisors' and its affiliates' profitability as a result of hiring Electron as a sub-advisor to the Fund, the Board considered the following: (1) the fee waiver and expense limitation arrangements in effect, and the amount of Fund expenses that were absorbed since the inception of the Fund by K2 Advisors through such arrangements, (2) the level of sub-advisory fees to be paid to Electron, and (3) K2 Advisors' belief that the hiring of Electron as a sub-advisor will not have any demonstrable impact on K2 Advisors' profitability.

Based upon its consideration of all these factors, the Board determined that the sub-advisory fee structure for Electron was fair and reasonable.

**ECONOMIES OF SCALE.** The Board considered economies of scale that may be realized by Electron as the Fund grows larger and the extent to which such economies of scale may be shared with Fund shareholders, as for example, in the level of the sub-advisory fees charged, in the quality and efficiency of services rendered and in increased capital commitments benefiting the Fund directly or indirectly. The Board concluded that economies of scale were deemed not to be a significant factor at that time in light of, among other matters, the fee waiver and expense limitation arrangement in effect.

**CONCLUSION.** After consideration of the foregoing factors, and such other matters as were deemed relevant, and with no single factor being determinative to their decision, the Trustees—including a majority of the Independent Trustees—with the assistance of independent counsel approved the New Sub-Advisory Agreement, including the fees payable thereunder, with Electron for the Fund.

## **ADDITIONAL INFORMATION ABOUT THE TRUST**

### ***The Investment Manager and Unaffiliated Sub-Advisors***

K2 Advisors currently serves as the Fund’s investment manager pursuant to an amended and restated investment management agreement dated October 1, 2017, between the Trust, on behalf of the Fund, and K2 Advisors (the “Management Agreement”). The Management Agreement was most recently approved and renewed by the Board, including the Independent Trustees, on May 14, 2020. K2 Advisors’ principal offices are located at 300 Atlantic Street, 12th Floor, Stamford, Connecticut 06901. Together, K2 Advisors and its affiliates manage, as of July 31, 2020, over \$1.42 trillion in assets. K2 Advisors has been in the investment management business since 1994. K2 Advisors is a majority owned subsidiary of Franklin Resources, Inc. (“Resources”). Resources is a publicly owned holding company with its principal offices located at One Franklin Parkway, San Mateo, California 94403-1906. The principal stockholders of Resources are Charles B. Johnson and Rupert H. Johnson, Jr., who each beneficially owned approximately 21% of its outstanding shares as of July 21, 2020. The shares deemed to be beneficially owned by Charles B. Johnson include certain shares held by three private charitable foundations for which he is a trustee, of which he disclaims beneficial ownership. The shares deemed to be beneficially owned by Rupert H. Johnson, Jr. include certain shares held by a private charitable foundation for which he is a trustee or by his spouse, of which he disclaims beneficial ownership.

The Trustees who are interested persons of K2 Advisors or its affiliates and certain officers of the Trust who are shareholders of Resources are not compensated by the Trust or the Fund for their services, but may receive indirect remuneration due to their participation in management, advisory and other fees received by K2 Advisors and its affiliates from the Fund.

The Trust employs K2 Advisors to manage the investment and reinvestment of the Fund’s assets, to administer its affairs and to provide or procure, as applicable, administrative and other services, subject to the oversight of the Board. Under the Management Agreement, K2 Advisors has the authority to supervise and direct the Fund’s investments and has the discretion to determine from time to time what securities and other investments will be purchased or sold by the Fund and what portion of its assets will be invested or held uninvested as cash. K2 Advisors also may place orders with or through such brokers, dealers or futures commissions merchants as it may select. In addition, K2 Advisors has the authority and discretion to delegate its investment management responsibilities through the appointment of one or more sub-advisors. In allocating the Fund’s assets, K2 Advisors has discretion to not allocate any assets to one or more sub-advisors at any time.

Effective June 1, 2020, the Fund pays K2 Advisors a fee equal to an annual rate based on the Fund’s average daily value of its net assets for managing the Fund’s assets, including investment advisory services and Fund administration services, as listed below:

- 1.90% of the value of net assets up to and including \$1 billion;
- 1.85% of the value of net assets over \$1 billion up to and including \$1.5 billion;
- 1.80% of the value of net assets over \$1.5 billion up to and including \$3 billion;
- and
- 1.75% of the value of net assets in excess of \$3 billion.



Prior to June 1, 2020, the Fund paid K2 Advisors a fee equal to an annual rate of 1.90% of the value of its net assets for managing the Fund’s assets, including investment advisory services and Fund administration services.

The fee is calculated daily and paid monthly according to the terms of the Management Agreement. Each class of the Fund’s shares pays its proportionate share of the fee. K2 Advisors has contractually agreed to waive the investment management fee it receives from the Fund in an amount equal to the investment management fee it was paid by a Cayman Islands-based company that is wholly owned by the Fund (the “Subsidiary”). This waiver may not be terminated and will remain in effect for as long as K2 Advisors’ contract with the Subsidiary is in place. In addition, K2 Advisors has agreed to waive or limit its fees and to assume as its own certain expenses otherwise payable by the Fund so that expenses (excluding Rule 12b-1 fees; acquired fund fees; expenses related to securities sold short; and certain non-routine expenses or costs (including those relating to litigation, indemnification, reorganizations and liquidations)) for each class of the Fund do not exceed 1.95% until September 30, 2021. Under this fee and expense waiver, fees and expenses of the Fund (including management and custody fees) will be waived equally among all classes and transfer agency fees will be waived equally among all classes, except with respect to Class R6, wherein the transfer agent has contractually agreed to cap transfer agent fees for class R6 shares of the fund so that transfer agent fees for that class do not exceed 0.02% until September 30, 2021. The investment management fees, as a percentage of the Fund’s net assets, before and after such waiver for the fiscal year ended May 31, 2020 were 1.90% and 1.74%, respectively. For the fiscal year ended May 31, 2020, the aggregate amount of the investment management fees paid by the Fund to K2 Advisors was \$ 21,348,573 (after fee waivers). Investment management fees before waivers totaled \$23,322,593.

K2 Advisors compensates each sub-advisor for providing investment advice and analysis and for managing its respective portion of the assets allocated to it from time to time. K2 Advisors pays each of the sub-advisors for their services from the investment management fees it receives from the Fund. K2 Advisors pays the sub-advisors a fee, in the aggregate, equal to the annual rate of 0.95%. For the last fiscal year ended May 31, 2020, the aggregate amount of sub-advisory fees paid by K2 Advisors to the sub-advisors was \$ 11,314,848.

The Fund’s current sub-advisors and their associated strategies are listed below.

<b>Name of Sub-Advisor</b>	<b>Strategy</b>
Chilton Investment Company, LLC	Long Short Equity
Electron Capital Partners, LLC	Long Short Equity
Impala Asset Management, LLC	Long Short Equity
Jennison Associates, LLC	Long Short Equity
Portland Hill Asset Management Limited	Long Short Equity

Wellington Management Company, LLP	Long Short Equity
Apollo Credit Management LLC	Relative Value
Chatham Asset Management, LLC	Relative Value
Elementum Advisors, LLC	Relative Value
Ellington Global Asset Management, LLC	Relative Value
Lazard Asset Management, LLC	Relative Value
Loomis Sayles & Company, L.P.	Relative Value
Bardin Hill Arbitrage IC Management LP	Event Driven
P. Schoenfeld Asset Management L.P.	Event Driven
EMSO Asset Management Limited	Global Macro
Graham Capital Management, L.P.	Global Macro
Grantham, Mayo, Van Otterloo & Co. LLC	Global Macro
H2O AM LLP	Global Macro

In order to gain exposure to commodities, the Fund has established the Subsidiary to invest in commodity-linked derivatives, including swaps, certain commodity-linked notes, options, futures and options on futures. The Fund must meet certain requirements under the Internal Revenue Code for favorable tax treatment as a regulated investment company, relating to sources of its income and diversification of its assets. The Fund intends to treat the income from its investment in the Subsidiary as qualifying income realized in connection with its investment in the stock of the Subsidiary. The tax treatment of commodity-linked derivative instruments may be adversely affected by changes in legislation, regulations or other legally binding authority which may, in turn, affect the Fund's investment in the Subsidiary.

### ***The Administrator***

The administrator for the Fund is Franklin Templeton Services, LLC ("FT Services"), with offices at One Franklin Parkway, San Mateo, California 94403-1906. FT Services is an indirect, wholly owned subsidiary of Resources and an affiliate of K2 Advisors and the Fund's principal underwriter. The Bank of New York Mellon, Mutual Funds Division, 100 Church Street, New York, New York 10286, has an agreement with FT Services to provide certain sub-administrative services and facilities for the Fund. The administrative services The Bank of New York Mellon provides include, but are not limited to, certain fund accounting, financial reporting, tax, treasury and compliance services.

### ***The Principal Underwriter***

The principal underwriter for the Fund is Franklin Templeton Distributors, Inc. (“Distributors”), One Franklin Parkway, San Mateo, California 94403-1906. As principal underwriter, Distributors receives underwriting commissions and 12b-1 fees pursuant to separate Rule 12b-1 plans adopted by the Board for the Fund, which fees are used for, among other things, service fees paid to securities dealers, advertising expenses and the costs of printing sales material and prospectuses.

### ***The Transfer Agent***

The transfer agent and shareholder servicing agent for the Fund is Franklin Templeton Investor Services, LLC, located at 3344 Quality Drive, Rancho Cordova, California 95670-7313.

### ***Other Matters***

The Fund’s audited financial statements and annual report for its last completed fiscal year, and any subsequent semi-annual report to shareholders, are available free of charge. To obtain a copy, please call (800) DIAL BEN/ (800) 342-5236 or send a written request to Franklin Templeton Investor Services, LLC, P.O. Box 33030, St. Petersburg, Florida 33733-8030.

### ***Principal Shareholders***

The outstanding shares and classes of the Fund as of September 2, 2020, are set forth in Exhibit A.

From time to time, the number of shares held in “street name” accounts of various securities dealers for the benefit of their clients may exceed 5% of the total shares outstanding of any class of the Fund. To the knowledge of the Fund’s management, as of September 2, 2020, there were no other entities, except as set forth in Exhibit A, owning beneficially more than 5% of the outstanding shares of any class of the Fund.

In addition, to the knowledge of the Trust’s management, as of September 2, 2020, no Trustee of the Trust owned 1% or more of the outstanding shares of any class of the Fund. The Trustees and officers, as a group, of the Trust owned less than 1% of the outstanding shares of each class of shares of the Fund.

### ***Contacting the Board***

If a shareholder wishes to send a communication to the Board, such correspondence should be in writing and addressed to the Board at the Trust’s offices, One Franklin Parkway, San Mateo, California 94403-1906, Attention: Secretary. The correspondence will be given to the Board for review and consideration.

**EXHIBIT A**

**OUTSTANDING SHARES OF THE FRANKLIN K2 ALTERNATIVE STRATEGIES  
FUND AS OF SEPTEMBER 2, 2020**

<b><u>Franklin K2 Alternative Strategies Fund</u></b>	<b><u>Outstanding Shares</u></b>
Class A Shares	7,992,160.81
Class C Shares	2,991,181.412
Class R Shares	81,873.306
Class R6 Shares	1,627,586.55
Class Z Shares	88,110,779.471
Total	<u>100,803,581.549</u>

**5% SHAREHOLDERS**

**Entities Owning Beneficially more than Five Percent (5%) of the Outstanding Shares of  
any Class of Franklin K2 Alternative Strategies Fund as of September 2, 2020**

<b>Share Class</b>	<b>Name and Address of Account</b>	<b>Share Amount</b>	<b>Percentage of Class (%)</b>
A	Pershing LLC* 1 Pershing Plaza Jersey City, NJ 07399-0001	1,172,832.439	14.68
A	National Financial Services LLC* Attn: Mutual Fund Department 4th Flr 499 Washington Boulevard Jersey City, NJ 07310-1995	988,380.242	12.37
A	WFCS LLC* 2801 Market Street St. Louis, MO 63103-2523	880,898.993	11.02
A	Morgan Stanley Smith Barney LLC* 1 New York Plaza FL 12 New York, NY 10004-1901	783,491.318	9.80
A	Merrill Lynch Pierce Fenner & Smith* Attn: Fund Administration 4800 Deer Lake Drive East FL 2 Jacksonville, FL 32246-6484	555,354.053	6.95

<b>Share Class</b>	<b>Name and Address of Account</b>	<b>Share Amount</b>	<b>Percentage of Class (%)</b>
A	American Enterprise Investment SVC* 707 2nd Avenue South Minneapolis, MN 55402-2405	528,098.768	6.61
A	LPL Financial* Attn: Mutual Fund Trading 4707 Executive Drive San Diego, CA 92121-3091	446,638.824	5.59
A	Charles Schwab & Co* 211 Main Street San Francisco, CA 94105-1905	413,301.67	5.17
C	Pershing LLC* 1 Pershing Plaza Jersey City, NJ 07399-0001	431,145.503	14.41
C	Morgan Stanley Smith Barney LLC* 1 New York Plaza FL 12 New York, NY 10004-1901	403,641.52	13.49
C	Merrill Lynch Pierce Fenner & Smith* Attn: Fund Administration 4800 Deer Lake Drive East FL 2 Jacksonville, FL 32246-6484	337,943.89	11.30
C	WFCS LLC* 2801 Market Street St. Louis, MO 63103-2523	327,011.682	10.93
C	Raymond James* Attn: Courtney Waller 880 Carillon Parkway St Petersburg, FL 33716-1102	266,965.591	8.93
C	American Enterprise Investment SVC* 707 2nd Avenue South Minneapolis, MN 55402-2405	181,143.174	6.06
C	National Financial Services LLC* Attn: Mutual Fund Department 4th Flr 499 Washington Boulevard Jersey City, NJ 07310-1995	176,582.977	5.90
C	LPL Financial* Attn: Mutual Fund Trading 4707 Executive Drive San Diego, CA 92121-3091	155,300.231	5.19
R	National Financial Services LLC* Attn: Mutual Fund Department 4th Flr	35,518.601	43.38

<b>Share Class</b>	<b>Name and Address of Account</b>	<b>Share Amount</b>	<b>Percentage of Class (%)</b>
	499 Washington Boulevard Jersey City, NJ 07310-1995		
R	Robert D Hogle And Kenneth B Hogle TRSTE Hogle Farms Defined Benefit Plan 28818 East Avenue Conrad, IA 50621-8102	9,415.448	11.50
R	Mid Atlantic Trust Company* Spectral Evolution 401K Plan 1251 Waterfront Place Suite 525 Pittsburgh, PA 15222	8,862.275	10.82
R	Michael Stufflebeam TRSTE Smiles In Motion PC Defined Benefit Plan 207 East Church Street, Suite 3 Marshalltown, IA 50158-2972	7,691.134	9.39
R	FTIOS Custodian Rollover IRA* 1106 John Street Manhattan Beach, CA 90266-4930	7,274.723	8.89
R	Pershing LLC* 1 Pershing Plaza Jersey City, NJ 07399-0001	4,835.112	5.91
R6	National Financial Services LLC* Attn: Mutual Fund Department 4th Flr 499 Washington Boulevard Jersey City, NJ 07310-1995	509,805.27	31.32
R6	DCGT* Attn: NPIO Trade Desk 711 High Street Des Moines, IA 50392	468,279.661	28.77
R6	Gerlach Co. LLC 3800 Citigroup Center Building B3-14 Tampa, FL 33610	176,209.335	10.83
R6	John Hancock Trust Company LLC 690 Canton Street Westwood, MA 02090-2321	92,100.133	5.66
Advisor	Dengel Co. C/O Fiduciary Trust Company Intl. PO Box 3199 NY, NY 10008	15,316,074.41	17.38

<b>Share Class</b>	<b>Name and Address of Account</b>	<b>Share Amount</b>	<b>Percentage of Class (%)</b>
Advisor	Merrill Lynch Pierce Fenner & Smith* Attn: Fund Administration 4800 Deer Lake Drive East FL 2 Jacksonville, FL 32246-6484	11,452,670.42	13.00
Advisor	National Financial Services LLC* Attn: Mutual Fund Department 4th Flr 499 Washington Boulevard Jersey City, NJ 07310-1995	10,706,310.41	12.15
Advisor	UBS WM USA* 1000 Harbor Boulevard Weehawken, NJ 07086-6761	8,710,818.031	9.89
Advisor	Charles Schwab & Co* 211 Main Street San Francisco, CA 94105-1905	8,287,205.593	9.41
Advisor	WFCS LLC* 2801 Market Street St. Louis, MO 63103-2523	7,864,653.326	8.93
Advisor	Morgan Stanley Smith Barney LLC* 1 New York Plaza FL 12 New York, NY 10004-1901	4,725,283.511	5.36

\*For the benefit of its customer(s).