

Consolidated Financial Highlights

Franklin K2 Global Macro Opportunities Fund

	Period June 1,	Year Ended May 31,		
	2019 to September 11, 2019 (unaudited)	2019	2018	2017 ^a
Class A				
Per share operating performance				
(for a share outstanding throughout the period)				
Net asset value, beginning of period	\$9.37	\$9.03	\$9.19	\$10.00
Income from investment operations ^b :				
Net investment income (loss) ^c	0.01	0.03	0.01	(0.09)
Net realized and unrealized gains (losses) . .	0.25	0.32	(0.17)	(0.66)
Total from investment operations	0.26	0.35	(0.16)	(0.75)
Less distributions from:				
Net investment income	(0.10)	(0.01)	—	(0.06)
Net realized gains	(0.23)	—	—	—
Total distributions	(0.33)	(0.01)	—	(0.06)
Paid upon final redemption ^d	(9.30)	—	—	—
Net asset value, end of period	\$—	\$9.37	\$9.03	\$9.19
Total return ^e	2.90% ^f	3.75%	(1.74)%	(7.64)%
Ratios to average net assets^g				
Expenses before waiver and payments by affiliates	4.50%	3.97%	3.84%	4.22%
Expenses net of waiver and payments by affiliates ^h	2.20%	2.20%	2.20%	2.16%
Net investment income (loss).	0.21%	0.34%	0.14%	(1.04)%
Supplemental data				
Net assets, end of period (000's)	\$—	\$143	\$161	\$90
Portfolio turnover rate	15.43%	132.88%	240.21%	239.84%

^aFor the period July 11, 2016 (commencement of operations) to May 31, 2017.

^bThe amount shown for a share outstanding throughout the period may not correlate with the Consolidated Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^cBased on average daily shares outstanding.

^dThe unit value is as of September 11, 2019, the last day of investment operations.

^eTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

^fBased on final redemption value.

^gRatios are annualized for periods less than one year, except for non-recurring expenses, if any.

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

Franklin K2 Global Macro Opportunities Fund (continued)

	Period June 1, 2019 to September 11, 2019 (unaudited)	Year Ended May 31,		
	2019	2018	2017 ^a	
Class C				
Per share operating performance				
(for a share outstanding throughout the period)				
Net asset value, beginning of period	\$9.18	\$8.90	\$9.13	\$10.00
Income from investment operations ^b :				
Net investment income (loss) ^c	(0.01)	(0.03)	(0.06)	(0.15)
Net realized and unrealized gains (losses) . .	0.24	0.31	(0.17)	(0.68)
Total from investment operations	0.23	0.28	(0.23)	(0.83)
Less distributions from:				
Net investment income	(0.01)	–	–	(0.04)
Net realized gains	(0.23)	–	–	–
Total distributions	(0.24)	–	–	(0.04)
Paid upon final redemption ^d	(9.17)	–	–	–
Net asset value, end of period	\$–	\$9.18	\$8.90	\$9.13
Total return ^e	2.50% ^f	3.15%	(2.52)%	(8.27)%
Ratios to average net assets^g				
Expenses before waiver and payments by affiliates	5.20%	4.66%	4.59%	4.98%
Expenses net of waiver and payments by affiliates ^h	2.90%	2.89%	2.95%	2.92%
Net investment income (loss).	(0.49)%	(0.35)%	(0.61)%	(1.80)%
Supplemental data				
Net assets, end of period (000's)	\$–	\$138	\$147	\$188
Portfolio turnover rate.	15.43%	132.88%	240.21%	239.84%

^aFor the period July 11, 2016 (commencement of operations) to May 31, 2017.

^bThe amount shown for a share outstanding throughout the period may not correlate with the Consolidated Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^cBased on average daily shares outstanding.

^dThe unit value is as of September 11, 2019, the last day of investment operations.

^eTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

^fBased on final redemption value.

^gRatios are annualized for periods less than one year, except for non-recurring expenses, if any.

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

Franklin K2 Global Macro Opportunities Fund (continued)

	Period June 1, 2019 to September 11, 2019 (unaudited)	Year Ended May 31,		
	2019	2018	2017 ^a	
Class R				
Per share operating performance				
(for a share outstanding throughout the period)				
Net asset value, beginning of period	\$9.35	\$9.02	\$9.18	\$10.00
Income from investment operations ^b :				
Net investment income (loss) ^c	0.01	0.03	0.01	(0.08)
Net realized and unrealized gains (losses) . .	0.26	0.31	(0.17)	(0.68)
Total from investment operations	0.27	0.34	(0.16)	(0.76)
Less distributions from:				
Net investment income	(0.11)	(0.01)	–	(0.06)
Net realized gains	(0.23)	–	–	–
Total distributions	(0.34)	(0.01)	–	(0.06)
Paid upon final redemption ^d	(9.28)	–	–	–
Net asset value, end of period	\$–	\$9.35	\$9.02	\$9.18
Total return ^e	2.88% ^f	3.74%	(1.74)%	(7.63)%
Ratios to average net assets^g				
Expenses before waiver and payments by affiliates	4.31%	3.97%	3.86%	4.18%
Expenses net of waiver and payments by affiliates ^h	2.01%	2.20%	2.22%	2.12%
Net investment income (loss).	0.40%	0.34%	0.12%	(1.00)%
Supplemental data				
Net assets, end of period (000's)	\$–	\$9	\$9	\$9
Portfolio turnover rate.	15.43%	132.88%	240.21%	239.84%

^aFor the period July 11, 2016 (commencement of operations) to May 31, 2017.

^bThe amount shown for a share outstanding throughout the period may not correlate with the Consolidated Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^cBased on average daily shares outstanding.

^dThe unit value is as of September 11, 2019, the last day of investment operations.

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

^fBased on final redemption value.

^gRatios are annualized for periods less than one year, except for non-recurring expenses, if any.

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

Franklin K2 Global Macro Opportunities Fund (continued)

	Period June 1, 2019 to September 11, 2019 (unaudited)	Year Ended May 31,		
	2019	2018	2017 ^a	
Class R6				
Per share operating performance				
(for a share outstanding throughout the period)				
Net asset value, beginning of period	\$9.39	\$9.05	\$9.19	\$10.00
Income from investment operations ^b :				
Net investment income (loss) ^c	0.01	0.05	0.03	(0.07)
Net realized and unrealized gains (losses) . .	0.26	0.32	(0.17)	(0.68)
Total from investment operations	0.27	0.37	(0.14)	(0.75)
Less distributions from:				
Net investment income	(0.12)	(0.03)	—	(0.06)
Net realized gains	(0.23)	—	—	—
Total distributions	(0.35)	(0.03)	—	(0.06)
Paid upon final redemption ^d	(9.31)	—	—	—
Net asset value, end of period	\$—	\$9.39	\$9.05	\$9.19
Total return ^e	2.86% ^f	4.12%	(1.52)%	(7.52)%
Ratios to average net assets^g				
Expenses before waiver and payments by affiliates	4.25%	3.94%	4.84%	4.30%
Expenses net of waiver and payments by affiliates ^h	1.95%	1.95%	1.95%	1.94%
Net investment income (loss).	0.46%	0.59%	0.39%	(0.82)%
Supplemental data				
Net assets, end of period (000's)	\$—	\$9	\$9	\$9
Portfolio turnover rate.	15.43%	132.88%	240.21%	239.84%

^aFor the period July 11, 2016 (commencement of operations) to May 31, 2017.

^bThe amount shown for a share outstanding throughout the period may not correlate with the Consolidated Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^cBased on average daily shares outstanding.

^dThe unit value is as of September 11, 2019, the last day of investment operations.

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

^fBased on final redemption value.

^gRatios are annualized for periods less than one year, except for non-recurring expenses, if any.

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

Franklin K2 Global Macro Opportunities Fund (continued)

	Period June 1,	Year Ended May 31,		
	2019 to September 11, 2019 (unaudited)	2019	2018	2017 ^a
Advisor Class				
Per share operating performance				
(for a share outstanding throughout the period)				
Net asset value, beginning of period	\$9.39	\$9.06	\$9.19	\$10.00
Income from investment operations ^b :				
Net investment income (loss) ^c	0.01	0.05	0.04	(0.07)
Net realized and unrealized gains (losses)	0.27	0.31	(0.17)	(0.68)
Total from investment operations	0.28	0.36	(0.13)	(0.75)
Less distributions from:				
Net investment income	(0.12)	(0.03)	—	(0.06)
Net realized gains	(0.23)	—	—	—
Total distributions	(0.35)	(0.03)	—	(0.06)
Paid upon final redemption ^d	(9.32)	—	—	—
Net asset value, end of period	\$—	\$9.39	\$9.06	\$9.19
Total return ^e	2.93% ^f	4.00%	(1.41)%	(7.42)%
Ratios to average net assets^g				
Expenses before waiver and payments by affiliates	4.25%	3.72%	3.59%	3.99%
Expenses net of waiver and payments by affiliates ^h	1.95%	1.95%	1.95%	1.93%
Net investment income (loss).	0.46%	0.59%	0.39%	(0.81)%
Supplemental data				
Net assets, end of period (000's)	\$—	\$23,550	\$22,744	\$22,975
Portfolio turnover rate.	15.43%	132.88%	240.21%	239.84%

^aFor the period July 11, 2016 (commencement of operations) to May 31, 2017.

^bThe amount shown for a share outstanding throughout the period may not correlate with the Consolidated Statement of Operations for the period due to the timing of sales and repurchases of the Fund's shares in relation to income earned and/or fluctuating fair value of the investments of the Fund.

^cBased on average daily shares outstanding.

^dThe unit value is as of September 11, 2019, the last day of investment operations.

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

^fBased on final redemption value.

^gRatios are annualized for periods less than one year, except for non-recurring expenses, if any.

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

Consolidated Statement of Assets and Liabilities
September 11, 2019 (unaudited)

Franklin K2 Global Macro Opportunities Fund

Assets:	
Cash	\$ 150,787
Receivables:	
Dividends and interest	12,208
Affiliates	21,626
Total assets	<u>184,621</u>
Liabilities:	
Payables:	
Distribution fees	108
Transfer agent fees	860
Custodian fees	45,000
Professional fees	115,793
Accrued expenses and other liabilities	22,860
Total liabilities	<u>184,621</u>
Net assets, at value	<u>\$ —</u>
Net assets consist of:	
Paid-in capital	\$ 12
Total distributable earnings (loss)	<u>(12)</u>
Net assets, at value	<u>\$ —</u>

Consolidated Statement of Operations

for the period June 1, 2019 to September 11, 2019 (unaudited)

Franklin K2 Global Macro Opportunities Fund

Investment income:

Dividends:

Unaffiliated issuers \$ 78,370

Interest: (net of foreign taxes)~

Unaffiliated issuers 86,023

Total investment income 164,393

Expenses:

Management fees (Note 3a) 129,565

Distribution fees: (Note 3c)

Class A 96

Class C 225

Class R 2

Transfer agent fees: (Note 3e)

Class A 8

Class C 5

Class R 1

Class R6 4

Advisor Class 1,472

Custodian fees (Note 4) 18,774

Reports to shareholders 624

Registration and filing fees 69,501

Professional fees 54,494

Other 15,402

Total expenses 290,173

Expenses waived/paid by affiliates (Note 3f) (156,875)

Net expenses 133,298

Net investment income 31,095

Realized and unrealized gains (losses):

Net realized gain (loss) from:

Investments:

Unaffiliated issuers (100,027)

Foreign currency transactions 76,568

Forward exchange contracts (7,387)

Futures contracts (net of commissions of \$3,036) 913,399

Swap contracts (35,779)

Net realized gain (loss) 846,774

Net change in unrealized appreciation (depreciation) on:

Investments:

Unaffiliated issuers 57,333

Translation of other assets and liabilities denominated in foreign currencies 1,102

Forward exchange contracts (12,414)

Futures contracts (272,849)

Swap contracts 39,728

Net change in unrealized appreciation (depreciation) (187,100)

Net realized and unrealized gain (loss) 659,674

Net increase (decrease) in net assets resulting from operations \$ 690,769

~ Foreign taxes withheld on interest \$ 1,737

Consolidated Statements of Changes in Net Assets

Franklin K2 Global Macro Opportunities Fund

	Period June 1, 2019 to September 11, 2019 (unaudited)	Year Ended May 31, 2019
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 31,095	\$ 136,047
Net realized gain (loss)	846,774	522,999
Net change in unrealized appreciation (depreciation)	(187,100)	275,040
Net increase (decrease) in net assets resulting from operations	<u>690,769</u>	<u>934,086</u>
Distributions to shareholders:		
Class A	(4,539)	(141)
Class C	(1,616)	-
Class R	(337)	(8)
Class R6	(349)	(32)
Advisor Class	(874,286)	(77,871)
Total distributions to shareholders	<u>(881,127)</u>	<u>(78,052)</u>
Capital share transactions: (Note 2)		
Class A	(142,050)	(23,519)
Class C	(138,480)	(13,453)
Class R	(9,282)	-
Class R6	(9,310)	-
Advisor Class	(23,359,662)	(40,040)
Total capital share transactions	<u>(23,658,784)</u>	<u>(77,012)</u>
Net increase (decrease) in net assets	<u>(23,849,142)</u>	<u>779,022</u>
Net assets:		
Beginning of period	23,849,142	23,070,120
End of period	<u>\$ -</u>	<u>\$ 23,849,142</u>

FRANKLIN ALTERNATIVE STRATEGIES FUNDS

Notes to Consolidated Financial Statements

Franklin K2 Global Macro Opportunities Fund

1. Organization and Significant Accounting Policies

Franklin Alternative Strategies Funds (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of three separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin K2 Global Macro Opportunities Fund (Fund) is included in this report. On May 22, 2019, the Trust's Board of Trustees (the Board) approved a proposal to liquidate the Fund. Effective September 11, 2019, the Fund was liquidated.

The following summarizes the Fund's significant accounting policies.

a. 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. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Consolidated Statement of Operations.

The Fund entered into exchange traded futures contracts primarily to manage and/or gain exposure to commodity price, interest rate, certain foreign currencies and equity price risk. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset at a specified price on a future date. 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. The Fund did not hold any futures contracts at period end.

The Fund entered into over-the-counter (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 did not hold any forward exchange contracts at period end.

The Fund entered into credit default swap contracts primarily to manage and/or gain exposure to credit risk. A credit default swap is an agreement between the Fund and a counterparty whereby the buyer of the contract receives credit protection and the seller of the contract guarantees the credit worthiness of a referenced debt obligation. These agreements may be privately negotiated in the over-the-counter market (OTC credit default swaps) or may be executed in a multilateral trade facility platform, such as a registered exchange (centrally cleared credit default swaps). The underlying referenced debt obligation may be a single issuer of corporate or sovereign debt, a credit index, a basket of issuers or indices, or a tranche of a credit index or basket of issuers or indices. In the event of a default of the underlying referenced debt obligation, the buyer is entitled to receive the notional amount of the credit default swap contract from the seller in exchange for the referenced debt obligation, a net settlement amount equal to the notional amount of the credit default swap less the recovery value of the referenced debt obligation, or other agreed upon amount. For centrally cleared credit default 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, the buyer pays the seller a periodic stream of payments, provided that no event of default has occurred. Such periodic payments are accrued daily as an unrealized appreciation or depreciation until the payments are made, at which time they are realized. Upfront payments and receipts represent compensating factors between stated terms of the credit default swap agreement and prevailing market conditions (credit spreads and other relevant factors). These upfront payments and receipts are amortized over the term of the contract as a realized gain or loss in the Consolidated Statement of Operations. The Fund did not hold any credit default swap contracts at period end.

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. The Fund did not hold any interest rate swap contracts at period end.

The Fund entered into OTC total return swap contracts primarily to manage and/or gain exposure to interest rate risk. A total return swap is an agreement between the Fund and a counterparty to exchange a return linked to an underlying instrument for a floating or fixed rate payment, both based upon a notional amount. Over the term of the contract, contractually required payments to be paid or received are

FRANKLIN ALTERNATIVE STRATEGIES FUNDS

Notes to Consolidated Financial Statements

Franklin K2 Global Macro Opportunities Fund (continued)

accrued daily and recorded as unrealized appreciation or depreciation until the payments are made, at which time they are recognized as realized gain or loss. The Fund did not hold any total return swap contracts at period end.

b. 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.

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 September 11, 2019, the Fund has determined that no tax liability is required in its consolidated 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.

c. 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. Dividend income is recorded on the ex-dividend date. 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.

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

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

d. 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.

e. Guarantees and Indemnifications

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

FRANKLIN ALTERNATIVE STRATEGIES FUNDS

Notes to Consolidated Financial Statements

Franklin K2 Global Macro Opportunities Fund (continued)

2. Shares of Beneficial Interest

Transactions in the Fund's shares were as follows:

	Period June 1, 2019 to September 11, 2019		Year Ended May 31, 2019	
	Shares	Amount	Shares	Amount
Class A Shares:				
Shares sold ^a	109	\$ 1,028	453	\$ 4,245
Shares issued in reinvestment of distributions	452	4,208	15	133
Shares redeemed	(15,797)	(147,286)	(3,052)	(27,897)
Net increase (decrease)	(15,236)	\$ (142,050)	(2,584)	\$ (23,519)
Class C Shares:				
Shares sold	37	\$ 343	6,544	\$ 59,532
Shares issued in reinvestment of distributions	150	1,374	—	—
Shares redeemed ^a	(15,205)	(140,197)	(8,091)	(72,985)
Net increase (decrease)	(15,018)	\$ (138,480)	(1,547)	\$ (13,453)
Class R Shares:				
Shares redeemed	(1,000)	\$ (9,282)	—	\$ —
Class R6 Shares:				
Shares redeemed	(1,000)	\$ (9,310)	—	\$ —
Advisor Class Shares:				
Shares sold	78	\$ 750	2,077	\$ 18,897
Shares issued in reinvestment of distributions	422	3,931	55	496
Shares redeemed	(2,507,809)	(23,364,343)	(6,476)	(59,433)
Net increase (decrease)	(2,507,309)	\$ (23,359,662)	(4,344)	\$ (40,040)

^aMay include a portion of Class C shares that were automatically converted to Class A.

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Trust are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
K2/D&S Management Co., L.L.C. (K2 Advisors)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

Effective October 1, 2019, all agreements between the Fund and subsidiaries were eliminated.

a. Management Fees

The Fund and K2 Subsidiary pay an investment management fee to K2 Advisors of 1.90% per year of the average daily net assets of the Fund and K2 Subsidiary. Management fees paid by the Fund are reduced on assets invested in the K2 Subsidiary, in an amount not to exceed the management fees paid by the K2 Subsidiary.

Under each subadvisory agreement, the below entities provide subadvisory services to the Fund or K2 Subsidiary. The subadvisory fees are paid by K2 Advisors based on the Fund and K2 Subsidiary average daily net assets, and are not an additional expense of the Fund or K2 Subsidiary.

Subadvisors
Aspect Capital Limited
Emso Asset Management Limited
Graham Capital Management L.P.
P/E GLOBAL LLC
RV Capital Management Private Ltd

FRANKLIN ALTERNATIVE STRATEGIES FUNDS

Notes to Consolidated Financial Statements

Franklin K2 Global Macro Opportunities Fund (continued)

b. Administrative Fees

Under an agreement with K2 Advisors, FT Services provides administrative services to the Fund and K2 Subsidiary. The fee is paid by K2 Advisors based on the Fund and K2 Subsidiary average daily net assets, and is not an additional expense of the Fund or K2 Subsidiary.

c. Distribution Fees

The Board has adopted distribution plans for each share class, with the exception of Class R6 and Advisor Class shares, pursuant to Rule 12b-1 under the 1940 Act. Under the Fund's Class A reimbursement distribution plan, the Fund reimburses Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate. Under the Class A reimbursement distribution plan, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Fund's Class C and R compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate for each class. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31.

The maximum annual plan rates, based on the average daily net assets, for each class, are as follows:

Class A	0.25%
Class C	1.00%
Class R	0.50%

d. Sales Charges/Underwriting Agreements

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Fund. These charges are deducted from the proceeds of sales of Fund shares prior to investment or from redemption proceeds prior to remittance, as applicable. Distributors has advised the Fund of the following commission transactions related to the sales and redemptions of the Fund's shares for the period:

Sales charges retained net of commissions paid to unaffiliated brokers/dealers	\$4
CDSC retained	\$—

e. Transfer Agent Fees

Each class of shares pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations. The fees are based on an annualized asset based fee of 0.02% plus a transaction based fee. In addition, each class reimburses Investor Services for out of pocket expenses incurred and, except for Class R6, reimburses shareholder servicing fees paid to third parties. These fees are allocated daily based upon their relative proportion of such classes' aggregate net assets. Class R6 pays Investor Services transfer agent fees specific to that class.

For the period ended September 11, 2019, the Fund paid transfer agent fees of \$1,490, of which \$1,345 was retained by Investor Services.

f. Waiver and Expense Reimbursements

K2 Advisors and Investor Services have contractually agreed in advance to waive or limit their respective fees and to assume as their own expense certain expenses otherwise payable by the Fund so that the expenses (excluding distribution fees, acquired fund fees and expenses, 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% based on the average net assets of each class. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the period ended September 11, 2019, there were no credits earned.

FRANKLIN ALTERNATIVE STRATEGIES FUNDS

Notes to Consolidated Financial Statements

Franklin K2 Global Macro Opportunities Fund (continued)

5. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended September 11, 2019, aggregated \$770,962 and \$6,038,225, respectively.

6. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matures on February 7, 2020. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Consolidated Statement of Operations. During the period ended September 11, 2019, the Fund did not use the Global Credit Facility.

7. Subsequent Events

The Fund has evaluated subsequent events through the issuance of the consolidated financial statements and determined that no events have occurred that require disclosure other than those already disclosed in the consolidated financial statements.