Are Emotions Affecting Your Investment Decisions?

**Average Annual Total Returns**
20-Year Period Ended 12/31/18

![Bar Chart]

**S&P 500 Index**
5.6%

**Average Equity Fund–Investors’ Return**
3.9%

*This chart is for illustrative purposes only and does not reflect the performance of any Franklin Templeton fund.*


*Past performance does not guarantee future results.*
Investors should carefully consider a fund’s investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236, or visit franklintempleton.com. Please read a prospectus carefully before you invest or send money.
EMOTIONS
Fear

Investors tend to be influenced more by the prospect of loss than by the opportunity for gain\(^1\)

Good investors may be exceptionally skilled at suppressing emotional reactions\(^2\)

The Old Media

SEPTEMBER 1, 1998
Tuesday morning

SEPTEMBER 1, 1998
Tuesday evening
STOCKS RIP HIGHER

Dow soars 323 points after worst start since '08

CNNMoney (New York) January 8, 2015: 4:13 PM ET

US stocks slammed; Dow falls 300-plus points in worst week since 2011

CNBC Friday January 24, 2015

MARKET FREAK OUT:
Dow plunges 279 points

CNNMoney March 6, 2015

US stocks surge ahead of Fed meeting

AFP Yahoo! News March 16, 2015

A Strengthening Dollar Pummels U.S. Markets


Dow plunges on disappointing earnings reports

CNNMoney March 17, 2015

Bulls Firmly in Control as Stocks Plunge and Soar

Barron’s April 29, 2015

STOCKS HAMMERED AGAIN:
Dow loses 196

USA TODAY January 28, 2015

Stocks rocket higher late as energy shares jump

CBS MoneyWatch February 2, 2015
### Market Timing
20-Year Period Ended 12/31/19

<table>
<thead>
<tr>
<th>Period of Investment</th>
<th>S&amp;P 500 Average Annual Total Return&lt;sup&gt;1&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>If you stayed fully invested</td>
<td>6.06%</td>
</tr>
<tr>
<td>If you missed the 10 best days</td>
<td>2.44%</td>
</tr>
<tr>
<td>If you missed the 20 best days</td>
<td>0.08%</td>
</tr>
<tr>
<td>If you missed the 30 best days</td>
<td>-1.95%</td>
</tr>
<tr>
<td>If you missed the 40 best days</td>
<td>-3.82%</td>
</tr>
</tbody>
</table>

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1. Source: ©2020 Morningstar. All rights reserved. Based on returns of the S&P 500 Index over the 20-year period ended 12/31/19. The index is unmanaged and includes reinvested dividends. It does not reflect any fees, expenses or sales charges. One cannot invest directly in an index.
EXPECTATIONS
Bull Markets

Investors tend to forget stocks’ historical risks and rewards

Investor optimism often distorts expectations

“This time it’s different”
# Bear Markets Since 1970

Based on Dow Jones Industrial Average

<table>
<thead>
<tr>
<th>Bear Market</th>
<th>Decline</th>
<th>Days</th>
</tr>
</thead>
<tbody>
<tr>
<td>04/1971–11/1971</td>
<td>16.1%</td>
<td>209</td>
</tr>
<tr>
<td>01/1973–12/1974</td>
<td>45.1%</td>
<td>694</td>
</tr>
<tr>
<td>09/1976–02/1978</td>
<td>26.9%</td>
<td>525</td>
</tr>
<tr>
<td>09/1978–04/1980</td>
<td>16.4%</td>
<td>591</td>
</tr>
<tr>
<td>04/1981–08/1982</td>
<td>24.1%</td>
<td>472</td>
</tr>
<tr>
<td>11/1983–07/1984</td>
<td>15.6%</td>
<td>238</td>
</tr>
<tr>
<td>08/1987–10/1987</td>
<td>36.1%</td>
<td>55</td>
</tr>
<tr>
<td>07/1990–10/1990</td>
<td>21.2%</td>
<td>87</td>
</tr>
<tr>
<td>07/1998–08/1998</td>
<td>19.3%</td>
<td>45</td>
</tr>
<tr>
<td>01/2000–09/2001</td>
<td>29.7%</td>
<td>616</td>
</tr>
<tr>
<td>03/2002–10/2002</td>
<td>31.5%</td>
<td>204</td>
</tr>
<tr>
<td>10/2007–03/2009</td>
<td>53.8%</td>
<td>517</td>
</tr>
</tbody>
</table>

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1. Source: Ned Davis Research, as of 12/31/19. Figures based on the Dow Jones Industrial Average, which comprises 30 large capitalization stocks. Indexes are unmanaged and include reinvested dividends; one cannot invest directly in an index.

Past performance does not guarantee future results.
“Bull markets are born on pessimism, grow on skepticism, mature on optimism and die on euphoria.”

SIR JOHN TEMPLETON1

1. Templeton funds follow the investment management principles established by their founder, the late Sir John Templeton.
The Optimist

Assumes the market can only go up

Thinks stocks are the only way to go

Expects double-digit annual returns from stocks
Optimist’s View of the Market
Dow Jones Industrial Average\(^1\) (3/6/2009–12/31/19)

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1. Source: Dow Jones & Company. The Dow Jones Industrial Average comprises 30 large capitalization stocks. Indexes are unmanaged, and one cannot directly invest in an index. Past performance does not guarantee future results.
<table>
<thead>
<tr>
<th>The Skeptic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assumes the market will stay flat</td>
</tr>
<tr>
<td>Thinks bonds are the only way to go</td>
</tr>
<tr>
<td>Often handcuffed by indecision</td>
</tr>
</tbody>
</table>
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1. Source: Dow Jones & Company. The Dow Jones Industrial Average comprises 30 large capitalization stocks. Indexes are unmanaged, and one cannot invest directly in an index.

Past performance does not guarantee future results.
Missed Opportunity
Stocks and Bonds—Relative Performance in Rolling 5- and 10-Year Periods Since 1975

<table>
<thead>
<tr>
<th>5-Year Rolling Periods</th>
<th>10-Year Rolling Periods</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>DJIA Outperformed Bloomberg Barclays US Aggregate Index</strong></td>
<td>30</td>
</tr>
<tr>
<td><strong>Bloomberg Barclays US Aggregate Index Outperformed DJIA</strong></td>
<td>10</td>
</tr>
<tr>
<td><strong>% of Periods DJIA Outperformed Bloomberg Barclays US Aggregate Index</strong></td>
<td>75%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Average Annual Returns</th>
<th>Stocks</th>
<th>Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/31/1975–12/31/2018</td>
<td>11.84%</td>
<td>7.31%</td>
</tr>
</tbody>
</table>

All investments involve risks, including possible loss of principal. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. As interest rates rise, bond prices often decline.

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1. Source: Morningstar. Stocks are represented by the Dow Jones Industrial Average. Bonds are represented by the Bloomberg Barclays US Aggregate Index. All rights reserved. See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information. Indexes are unmanaged and total returns include reinvestment of dividends or interest. One cannot invest directly in an index.

Past performance does not guarantee future results.
The Pessimist

Thinks the stock market is too much of a gamble

Thinks bonds may be better, but even they fluctuate in value

Believes CDs are the only sure way to go
1. Since markets fluctuate, a mutual fund’s investment return and principal value will change with market conditions so that your shares, when sold, may be worth more or less than their original cost.

Insurance and a Fixed Interest Rate

Certificates of Deposit (CDs) and savings accounts are currently FDIC-insured for up to $250,000. They offer a fixed interest rate for a fixed period of time.¹

The principal amount invested is fixed

Interest and principal invested are unaffected by daily market or interest-rate movements

¹. Since markets fluctuate, a mutual fund’s investment return and principal value will change with market conditions so that your shares, when sold, may be worth more or less than their original cost.
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Missed Opportunity
Six-Month CD Average Annual Returns
(Periods Ended 12/31/19)

5 Years  10 Years  20 Years

6-Month CD  Inflation Adjusted 6-Month CD

-1.50%  -1.40%  -0.21%
The Bottom Line

Optimist

Skeptic

Pessimist
ECONOMICS
Diversification does not guarantee a profit or protect against a loss.

Stocks represented by Ibbotson Advisors’ Stocks Bonds, Bills, and Inflation® (IA SBBI®) US Large Stock TR; bonds represented by IA SBBI US LT Govt TR; cash equivalents represented by IA SBBI US 30 Day TBill TR. Indexes are unmanaged and include reinvested dividends or interest. They do not include fees, expenses or sales charges. One cannot invest directly in an index.

These five asset allocation portfolios are for Illustrative purposes only, and do not represent any Franklin Templeton fund. A financial professional can help in selecting an asset allocation plan designed for you. They offer market knowledge and planning expertise, and will take into account your specific investment needs to create an investment strategy tailored to your specific investment goals and risk tolerance.

Past performance does not guarantee future results.
1930s: The Great Depression
Growth of a $1,000 Investment\(^1\) (1/1/30–12/31/39)

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Past performance does not guarantee future results.
1940s: An Economy Spurred by War

Growth of a $1,000 Investment\(^1\) (1/1/40–12/31/49)

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Past performance does not guarantee future results.
1950s: The Eisenhower Years
Growth of a $1,000 Investment¹ (1/1/50–12/31/59)

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Past performance does not guarantee future results.
1960s: Conformity Gives Way to Social Revolution

Growth of a $1,000 Investment\(^1\) (1/1/60–12/31/69)

\[\text{Growth of a$1,000 Investment}\]

\[\text{Aggressive Growth}\quad \text{Moderate Growth}\quad \text{Income}\]

\[\text{Growth}\quad \text{Conservative Growth}\]

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*Past performance does not guarantee future results.*
1970s: Energy Crisis Sparks Economic Crisis

Growth of a $1,000 Investment¹ (1/1/70–12/31/79)

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Past performance does not guarantee future results.
1990s: Longest Bull Market in History

Growth of a $1,000 Investment\(^1\) (1/1/90–12/31/99)

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Past performance does not guarantee future results.
2010s: The iGeneration

Growth of a $1,000 Investment \(^1\) (1/1/10–12/31/19)

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Past performance does not guarantee future results.
Key to Long-Term Planning
Growth of a $1,000 Investment¹ (1/1/30–12/31/19)

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Investment Tools

Talk to your advisor to learn more about these tools

90 Years of Bulls and Bears

Why Diversify? Because Winners Rotate

To take advantage of the strong returns of each year’s “winners,” it is important to develop a well-balanced portfolio with investments across all asset classes. Franklin Templeton, one of the largest asset managers in the United States, offers a variety of professionally managed mutual funds and ETFs that cover every major asset class.
Review

Emotions
Impact investors’ decisions

Expectations
Unrealistic expectations may lead to disappointment

Economics
Is it different this time?
5 Steps You Should Take Now

1. Make an appointment to see your financial advisor.

2. Review your financial plan to determine if your portfolio matches your risk tolerance.

3. Understand the rationale for your investment strategy, plan and choices.

4. Set realistic performance expectations.

5. Discuss how to prepare yourself financially and mentally during times of market decline.
Determining your financial goals—a comfortable retirement, a college education for the kids, a new home—may not be too complicated, but developing an appropriate asset allocation plan designed to help you meet those goals can be. Working with a financial professional can help. They offer market knowledge and planning expertise, and will take into account your individual investment needs to create a strategy tailored to your specific goals and risk tolerance.

The content in this presentation is general in nature and intended for educational purposes only; it should not be considered tax, legal or investment advice or an investment recommendation. Consult your financial advisor for personalized advice that is tailored to your specific goals, individual situation, and risk tolerance.

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