

ANNUAL REPORT AND SHAREHOLDER LETTER

FRANKLIN K2 ALTERNATIVE STRATEGIES FUND

A Series of Franklin Alternative Strategies Funds
May 31, 2019



FRANKLIN
TEMPLETON®

Internet Delivery of Fund Reports Unless You Request Paper Copies: Effective January 1, 2021, as permitted by the SEC, paper copies of the Fund's shareholder reports will no longer be sent by mail, unless you specifically request them from the Fund or your financial intermediary. Instead, the reports will be made available on a website, and you will be notified by mail each time a report is posted and provided with a website link to access the report.

If you already elected to receive shareholder reports electronically, you will not be affected by this change and you need not take any action. If you have not signed up for electronic delivery, we would encourage you to join fellow shareholders who have. You may elect to receive shareholder reports and other communications electronically from the Fund by calling (800) 632-2301 or by contacting your financial intermediary.

You may elect to continue to receive paper copies of all your future shareholder reports free of charge by contacting your financial intermediary or, if you invest directly with a Fund, calling (800) 632-2301 to let the Fund know of your request. Your election to receive reports in paper will apply to all funds held in your account.

FRANKLIN TEMPLETON

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

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

Dear Fellow Shareholder:

During the 12 months ended May 31, 2019, global markets benefited from upbeat economic data in certain regions, encouraging corporate earnings reports, the U.S. Federal Reserve's (Fed's) recent indications of a patient approach to its monetary policy, and periods of optimism about a potential U.S.-China trade deal. However, global markets also reflected investor concerns about the escalation of U.S.-China and U.S.-Mexico trade tensions near period-end, the Fed's interest-rate hikes and the European Central Bank's unwinding of its bond purchase program in 2018, political uncertainties in the U.S. and the European Union, and slower global economic growth. In this environment, global developed market stocks, as measured by the MSCI World Index, posted a +0.27% total return for the period.¹ Global emerging market stocks, as measured by the MSCI Emerging Markets Index, posted a -8.34% total return.¹ Global government bonds, as measured by the FTSE World Government Bond Index, posted a +2.79% total return.¹

We are committed to our long-term perspective and disciplined investment approach as we conduct a rigorous, fundamental analysis of securities with a regular emphasis on investment risk management.

We believe active, professional investment management serves investors well. We also recognize the important role of financial advisors in today's markets and encourage investors to continue to seek their advice. Amid changing markets and economic conditions, we are confident investors with a well-diversified portfolio and a patient, long-term outlook should be well positioned for the years ahead.

On the following pages, the Fund's portfolio management team reviews investment decisions that pertain to performance during the past 12 months in light of the economic environment and other factors. Please remember all securities markets fluctuate, as do mutual fund share prices.

We thank you for investing with Franklin Templeton, welcome your questions and comments, and look forward to continuing to serve your investment needs in the years ahead.

Sincerely,



Madison S. Gulley, CFA
President and Chief Executive Officer –
Investment Management
Franklin Alternative Strategies Funds

This letter reflects our analysis and opinions as of May 31, 2019, unless otherwise indicated. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.

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1. Source: Morningstar.

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

Not FDIC Insured | May Lose Value | No Bank Guarantee

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ANNUAL REPORT

Franklin K2 Alternative Strategies Fund

This annual report for Franklin K2 Alternative Strategies Fund covers the fiscal year ended May 31, 2019.

Your Fund's Goal and Main Investments

The Fund seeks capital appreciation with lower volatility relative to the broad equity markets. The Fund seeks to achieve its investment goal by allocating its assets across multiple nontraditional or alternative strategies, including, but not limited to, some or all of the following strategies: long short equity, relative value, event driven and global macro. The Fund is structured as a multi-manager fund, meaning the Fund's assets are independently managed by multiple sub-advisors, while the Fund's investment manager retains overall responsibility for the Fund's investments. The Fund may invest in a wide range of securities and other investments including, but not limited to: equity securities including common stocks, preferred stocks, convertible securities, rights and warrants, private and registered investment vehicles and exchange-traded funds (ETFs); debt securities including bonds, notes, debentures, banker's acceptances and commercial paper; loans and loan participations; and mortgage-backed or other asset-backed securities, including collateralized debt obligations; as well as derivatives, commodities and currencies.

Performance Overview

The Fund's Class A shares posted a +1.35% cumulative total return for the 12 months under review. For comparison, the Fund's primary benchmark, the HFRX Global Hedge Fund Index, which is designed to be representative of the overall composition of the hedge fund universe, posted a -4.01% total return for the same period.¹ Also for comparison, the Fund's secondary benchmark, the ICE BofAML U.S. 3-Month Treasury Bill Index, which tracks the performance of short-term U.S. government securities with a remaining term to final maturity of less than three months, posted a +2.26% total return for the same period.² You can find more of the Fund's performance data in the Performance Summary beginning on page 7.

Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintempleton.com or call (800) 342-5236.

Economic and Market Overview

The global economy expanded during the 12 months ended May 31, 2019, despite weakness in certain regions. Global developed and emerging market stocks were aided by upbeat economic data in some regions, encouraging corporate earnings reports, the U.S. Federal Reserve's (Fed's) recent indications of a patient approach to its monetary policy and periods of optimism about a potential U.S.-China trade deal.

However, various factors weighed on global markets, notably the escalation of U.S.-China trade tensions, as the U.S. raised tariffs on Chinese goods in May and China announced higher tariffs on U.S. goods effective in June. Markets were further pressured at period-end when President Trump threatened to impose tariffs on Mexico due to immigration disputes. Concerns about political uncertainties in the U.S. and the European Union, the Fed's interest-rate hikes in 2018 and the European Central Bank's (ECB's) unwinding of its bond purchase program also hurt investor confidence. In this environment, global developed and emerging market stocks, as measured by the MSCI All Country World Index, posted a -0.75% total return for the 12-month period.²

The U.S. economy grew during the 12-month period. After moderating for two consecutive quarters, the economy grew significantly faster in 2019's first quarter, driven by growth in consumer spending, inventory investment, exports, business investment, and state and local government spending. The manufacturing and services sectors expanded during the period. The unemployment rate decreased from 3.8% in May 2018 to 3.6% at period-end.³ The annual inflation rate, as measured by the Consumer Price Index, decreased from 2.8% in May 2018 to 1.8% at period-end.³

1. Source: FactSet. Hedge Fund Research, Inc. – www.hedgefundresearch.com. The HFRX Global Hedge Fund Index is being used under license from Hedge Fund Research, Inc., which does not endorse or approve of any of the contents of this report.

2. Source: Morningstar.

The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio. Unlike most asset class indexes, HFR Index returns reflect fees and expenses.

3. Source: U.S. Bureau of Labor Statistics.

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

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Consolidated Statement of Investments (SOI). The Consolidated SOI begins on page 16.

The Fed raised its target range for the federal funds rate by 0.25% three times during the period, to 2.25%–2.50%, and continued reducing its balance sheet as part of its plan to normalize monetary policy. At its March 2019 meeting, the Fed held its target range for the federal funds rate unchanged and signaled no rate hike in 2019. Furthermore, the Fed mentioned it would end its balance sheet normalization by the end of September 2019. At its April/May meeting, the Fed reiterated its patient approach to future rate adjustments.

In Europe, the U.K.'s quarterly gross domestic product (GDP) growth accelerated in 2018's third quarter, moderated in the fourth quarter and accelerated again in 2019's first quarter. The Bank of England raised its key policy rate once during the period. The eurozone's quarterly GDP growth moderated in 2018's third quarter before accelerating in the next two quarters. However, the bloc's annual inflation rate decreased during the period. The ECB kept its benchmark interest rate unchanged during the period and concluded its bond purchase program at the end of 2018. At its April meeting, the ECB reiterated its expectation to keep its benchmark interest rate unchanged through at least the end of 2019 and stated it would provide details of its new monetary stimulus program at upcoming meetings.

In Asia, Japan's quarterly GDP growth contracted in 2018's third quarter, but accelerated in the next two quarters. The Bank of Japan left its benchmark interest rate unchanged and indicated it would keep the rate unchanged through the spring of 2020, while continuing its monetary stimulus measures.

In larger emerging markets, Brazil's quarterly GDP growth accelerated in 2018's third quarter, slowed in the fourth quarter and contracted in 2019's first quarter. The Central Bank of Brazil left its benchmark interest rate unchanged during the period. Russia's annual GDP growth held steady in 2018's third quarter, accelerated in the fourth quarter and then moderated in 2019's first quarter. The Bank of Russia increased its key rate twice during the period. China's annual GDP growth rate stabilized in 2019's first quarter after moderating for three consecutive quarters. The People's Bank of China left its benchmark interest rate unchanged, but it took measures to improve financial liquidity to mitigate the effects of the U.S.-China trade dispute and support economic growth. Overall, global emerging market stocks, as measured by the MSCI Emerging Markets Index, posted a -8.34% total return during the 12-month period.²

Investment Strategy

We manage the Fund using a multi-manager approach. While we are responsible for the Fund's overall investments, we allocate assets to multiple subadvisors, each of whom

independently manages a separate portion of the Fund's portfolio in accordance with some or all of the following strategies: long short equity, relative value, event driven and global macro. We allocate the Fund's assets among these strategies utilizing a top-down approach, generating the Fund's strategy weightings by taking into account market conditions, risk factors, diversification, liquidity, transparency, and availability of various subadvisors and other investment options, among other things. We allocate the Fund's assets to specific subadvisors utilizing a bottom-up approach, selecting subadvisors and their weighting within the Fund's portfolio by taking into account their correlations to various markets and to each other, their risk profiles and their return expectations. Long short equity strategies generally seek to produce returns from investments in the equity markets by taking long and short positions in stocks and stock indexes (through the use of derivatives or through a position in an ETF). Relative value strategies encompass a wide range of investment techniques that are intended to profit from pricing inefficiencies. Event driven strategies generally invest in securities of companies undergoing significant corporate events. Global macro strategies generally focus on broad-based economic opportunities across numerous markets and investments. In addition, the debt securities in which the Fund may invest may have variable or fixed interest rates, may be of any maturity or credit rating, and may include sovereign debt, high yield ("junk") bonds and distressed debt securities (securities of companies that are, or are about to be, involved in reorganizations, financial restructurings, or bankruptcy) and securities that are in default.

The Fund may take long and/or short positions in a wide range of asset classes, including equities, fixed income, commodities and currencies, among others. Long positions benefit from an increase in the price of the underlying instrument or asset class, while short positions benefit from a decrease in that price. The Fund may use derivatives for hedging and non-hedging (investment) purposes, although no subadvisor is required to hedge any of the Fund's positions or to use derivatives. Such derivative investments may include futures contracts, swaps, options and currency forward contracts. As a result of the Fund's use of derivatives, the Fund may have economic leverage, which means the sum of the Fund's investment exposures through its use of derivatives may significantly exceed the amount of assets invested in the Fund, although these exposures may vary over time. The Fund may engage in active and frequent trading as part of its investment strategies.

What is a futures contract?

A futures contract is an agreement between the Fund and a counterparty made through a U.S. or foreign futures exchange to buy or sell an underlying instrument or asset at a specific price on a future date.

What are swap agreements?

Swap agreements, such as interest rate, currency and credit default swaps, are contracts between the Fund and another party (the swap counterparty). In a basic swap transaction, the Fund agrees with the swap counterparty to exchange the returns (or differentials in rates of return) earned or realized on a particular “notional amount” of underlying instruments. The notional amount is the set amount selected by the parties as the basis on which to calculate the obligations that they have agreed to exchange. The parties typically do not actually exchange the notional amount. Instead, they agree to exchange the returns that would be earned or realized if the notional amount were invested in given instruments or at given interest rates.

What is an option?

An option is a contract to buy or sell a specific financial product known as the option’s underlying instrument at a specific price. The buyer of an option has the right, but not the obligation, to buy or sell the underlying instrument at or until a specified expiration date. Conversely, the seller (“writer”) of an option who opens a transaction is obligated to buy or sell the underlying instrument should the option holder exercise that right.

What is a currency forward contract?

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

Strategy Allocation*

Based on Total Net Assets as of 5/31/19

Strategy	Long Positions	Short Positions
Relative Value	21.9%	-13.8%
Long Short Equity	33.6%	-20.5%
Event Driven	22.0%	-10.7%
Global Macro	145.8%	-46.0%
Risk Overlay	0.0%	-7.7%
Total	223.3%	-98.7%

*Figures include the effect of gross notional exposure of derivatives.

Subadvisors

5/31/19

Long Short Equity

Chilton Investment Company, LLC
Impala Asset Management LLC
Jennison Associates, LLC
Portland Hill Asset Management Limited
Wellington Management Company, LLP

Relative Value

Chatham Asset Management, LLC
Lazard Asset Management, LLC
Loomis Sayles & Company, L.P.

Event Driven

Bardin Hill Arbitrage IC Management LP
P. Schoenfeld Asset Management L.P.

Global Macro

Emso Asset Management Limited
Graham Capital Management, L.P.
Grantham, Mayo, Van Otterloo & Co. LLC
H2O AM LLP

Manager’s Discussion

During the 12 months under review, all of the four underlying strategies in which we allocated assets contributed to the Fund’s positive performance—in order of contribution, event driven, relative value, long short equity and global macro. A conditional risk overlay (CRO), which we implemented for part of the review period to help mitigate downside risk, also benefited returns, particularly in the challenging fourth quarter of 2018 and May 2019. The CRO strategy was active at period-end. The allocation percentages for each strategy are listed in the Strategy Allocation table on this page.

What is the conditional risk overlay (CRO) strategy?

From time to time, the Fund’s investment manager may implement its CRO strategy, which seeks to neutralize certain market sensitivities that may exist in the Fund. The CRO strategy involves investing in derivatives or other instruments in an effort to reduce volatility and provide a hedge against market declines. When implemented, the strategy will reduce the Fund’s ability to benefit from positive market movements.

The Fund’s event driven strategy subadvisors were Bardin Hill Arbitrage IC Management (formerly Halcyon Arbitrage IC Management) and P. Schoenfeld Asset Management. Both subadvisors delivered positive returns, benefiting from a healthy volume of mergers-and-acquisitions activity. By asset class, the top contributors to the strategy’s aggregate performance were equity and credit, followed by currency exposures. In terms of aggregate sector exposures, the top performance drivers were health care, utilities and consumer

discretionary. Conversely, the top sector detractors from the strategy's aggregate performance were materials and equity index hedges.

The Fund's relative value strategy subadvisors at period-end were Chatham Asset Management, Lazard Asset Management and Loomis Sayles & Company. All of these subadvisors strengthened performance during the period, led by Chatham. During the fourth quarter of 2018, the Fund withdrew all assets from one of the strategy's subadvisors, Basso Capital Management, which detracted slightly from returns. All asset classes represented in the strategy contributed to positive performance, led by credit and equity. In terms of aggregate sector exposures, consumer discretionary, communication services and information technology (IT) were the top contributors. Conversely, equity index hedges and consumer staples were overall detractors.

The Fund's long short equity strategy subadvisors were Chilton Investment, Impala Asset Management, Jennison Associates, Portland Hill Asset Management and Wellington Management. Two of the five subadvisors contributed to gains for the period—Chilton and Wellington. Conversely, Impala, Portland Hill and Jennison experienced negative returns. In aggregate, all asset classes represented in the strategy made positive contributions, led by equity and currency exposures. In terms of aggregate sector exposures, net long positions in IT and communication services contributed to positive returns, while net long positions in consumer discretionary detracted. Equity index hedges had a negative impact on performance.

The Fund allocated assets to two new global macro strategy subadvisors during the period: discretionary subadvisor H2O AM and systematic subadvisor Grantham, Mayo, Van Otterloo & Co. They joined existing subadvisors Graham Capital Management and Emso Asset Management.

Three of the four subadvisors had positive performance for the 12-month period, led by Emso. Graham was the only subadvisor in the strategy that experienced negative results. By asset class, currency exposures and credit contributed to positive performance, while equity and commodities weakened returns. In terms of aggregate sector exposures, long positioning in the U.S. dollar and short positioning in interest rates proved beneficial to performance, while long positioning on energy futures and European financials had a negative impact on performance.

Thank you for your participation in Franklin K2 Alternative Strategies Fund. We look forward to continuing to serve your investment needs.



Brooks Ritchey
Co-Lead Portfolio Manager



Robert Christian
Co-Lead Portfolio Manager



Anthony Zanolla, CFA
Portfolio Manager

The foregoing information reflects our analysis, opinions and portfolio holdings as of May 31, 2019, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Performance Summary as of May 31, 2019

The performance table and graphs do not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses. Your dividend income will vary depending on dividends or interest paid by securities in the Fund's portfolio, adjusted for operating expenses of each class. Capital gain distributions are net profits realized from the sale of portfolio securities.

Performance as of 5/31/19¹

*Cumulative total return excludes sales charges. Average annual total return includes maximum sales charges. Sales charges will vary depending on the size of the investment and the class of share purchased. The maximum is 5.50% and the minimum is 0%. **Class A:** 5.50% maximum initial sales charge; **Advisor Class:** no sales charges. For other share classes, visit franklintempleton.com.*

Share Class	Cumulative Total Return ²	Average Annual Total Return ³
A⁴		
1-Year	+1.35%	-4.20%
5-Year	+12.93%	+1.31%
Since Inception (10/11/13)	+20.63%	+2.35%
Advisor		
1-Year	+1.61%	+1.61%
5-Year	+14.39%	+2.73%
Since Inception (10/11/13)	+22.30%	+3.64%

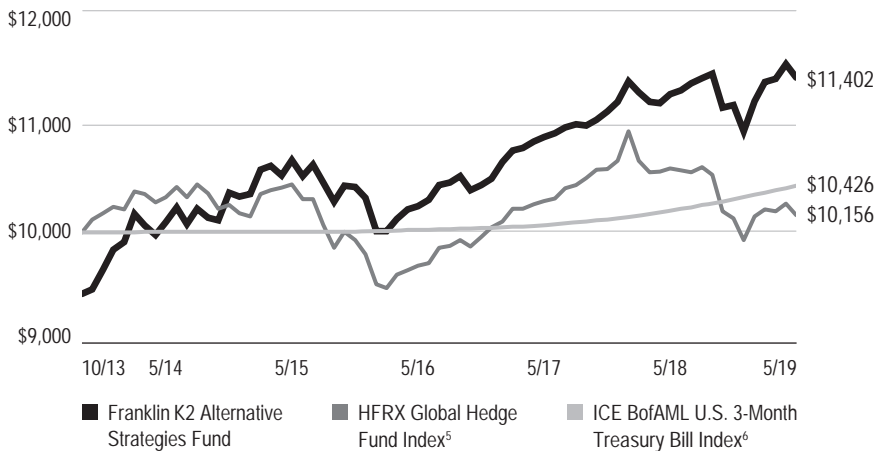
Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to franklintempleton.com or call (800) 342-5236.

See page 9 for Performance Summary footnotes.

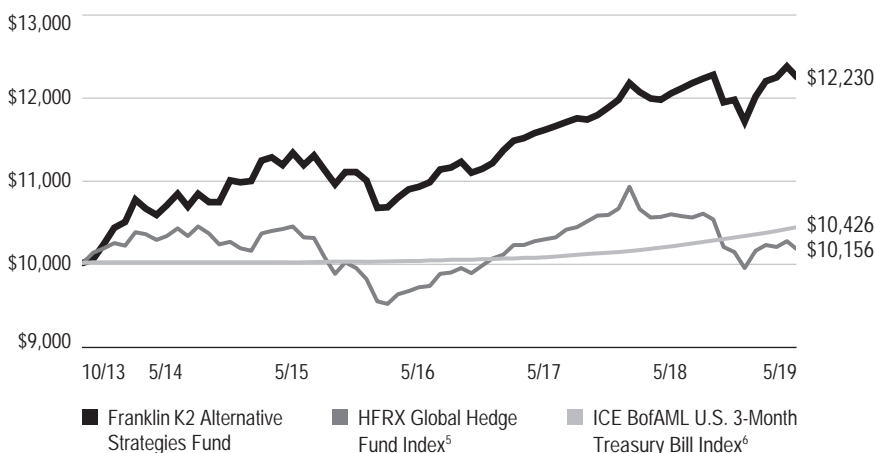
Total Return Index Comparison for a Hypothetical \$10,000 Investment¹

Total return represents the change in value of an investment over the periods shown. It includes any applicable maximum sales charge, Fund expenses, account fees and reinvested distributions. The unmanaged indexes include reinvestment of any income or distributions. These differ from the Fund in composition and, except for the HFR Index, do not pay management fees or expenses. Unlike most asset class indexes, HFR Index returns reflect management fees and expenses. One cannot invest directly in an index.

Class A (10/11/13–5/31/19)



Advisor Class (10/11/13–5/31/19)



See page 9 for Performance Summary footnotes.

Distributions (6/1/18–5/31/19)

Share Class	Long-Term Capital Gain
A	\$0.2519
C	\$0.2519
R	\$0.2519
R6	\$0.2519
Advisor	\$0.2519

Total Annual Operating Expenses⁷

Share Class	With Fee Waiver	Without Fee Waiver
A	2.61%	2.82%
Advisor	2.36%	2.57%

Each class of shares is available to certain eligible investors and has different annual fees and expenses, as described in the prospectus.

All investments involve risks, including possible loss of principal. The market values of securities owned by the Fund will go up or down, sometimes rapidly or unpredictably. The Fund's performance depends on the manager's skill in selecting, overseeing and allocating Fund assets to the subadvisors. The Fund is actively managed and could experience losses if the investment manager's and subadvisors' judgment about particular investments made for the Fund's portfolio prove to be incorrect. Some subadvisors may have little or no experience managing the assets of a registered investment company. Foreign investments are subject to greater investment risk such as political, economic, credit and information risks as well as risk of currency fluctuations. Investments in derivatives involve costs and create economic leverage, which may result in significant volatility and cause the Fund to participate in losses (as well as gains) that significantly exceed the Fund's initial investment. Lower-rated or high-yield debt securities involve greater credit risk, including the possibility of default or bankruptcy. Currency management strategies could result in losses to the Fund if currencies do not perform as the investment manager or subadvisor expects. The Fund may make short sales of securities, which involves the risk that losses may exceed the original amount invested. Merger arbitrage investments risk loss if a proposed reorganization in which the Fund invests is renegotiated or terminated. Liquidity risk exists when securities have become more difficult to sell, or are unable to be sold, at the price at which they have been valued. The Fund's prospectus also includes a description of the main investment risks.

1. The Fund has an expense reduction contractually guaranteed through 9/30/19 and a fee waiver related to the management fee paid by a subsidiary. The Fund also has a fee waiver associated with any investments it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund contractually guaranteed through 9/30/19. Fund investment results reflect the expense reduction and fee waivers; without these reductions, the results would have been lower.
2. Cumulative total return represents the change in value of an investment over the periods indicated.
3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Return for less than one year, if any, has not been annualized.
4. Prior to 9/10/18, these shares were offered at a higher initial sales charge of 5.75%, thus actual returns (with sales charges) would have differed. Average annual total returns (with sales charges) have been restated to reflect the current maximum initial sales charge of 5.50%.
5. Source: FactSet. Hedge Fund Research, Inc. – www.hedgefundresearch.com. The HFRX Global Hedge Fund Index is being used under license from Hedge Fund Research, Inc., which does not endorse or approve of any of the contents of this report. The HFRX Global Hedge Fund Index is designed to be representative of the overall composition of the hedge fund universe. It is composed of all eligible hedge fund strategies, including but not limited to convertible arbitrage, distressed securities, equity hedge, equity market neutral, event driven, macro, merger arbitrage and relative value arbitrage. The strategies are asset weighted based on the distribution of assets in the hedge fund industry.
6. Source: Morningstar. The ICE BofAML U.S. 3-Month Treasury Bill Index is an index of short-term U.S. government securities with a remaining term to final maturity of less than three months.
7. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Consolidated Financial Highlights sections in this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown. See www.franklintempletondatasources.com for additional data provider information.

Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs: (1) transaction costs, including sales charges (loads) on Fund purchases and redemptions; and (2) ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses. The table below shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

Actual Fund Expenses

The table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value" for each class of shares. You can estimate the expenses you paid during the period by following these steps (*of course, your account value and expenses will differ from those in this illustration*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then $\$8,600 \div \$1,000 = 8.6$*). Then multiply the result by the number in the row for your class of shares under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were \$7.50, then $8.6 \times \$7.50 = \64.50*). In this illustration, the actual expenses paid this period are \$64.50.

Hypothetical Example for Comparison with Other Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example for the class of shares you hold with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading "Hypothetical" is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

Share Class	Beginning Account Value 12/1/18	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 5/31/19	Expenses Paid During Period 12/1/18–5/31/19 ^{1,2}	Ending Account Value 5/31/19	Expenses Paid During Period 12/1/18–5/31/19 ^{1,2}	
A	\$1,000	\$1,022.50	\$12.76	\$1,012.32	\$12.69	2.53%
C	\$1,000	\$1,018.30	\$16.50	\$1,008.58	\$16.43	3.28%
R	\$1,000	\$1,020.60	\$14.00	\$1,011.07	\$13.94	2.78%
R6	\$1,000	\$1,023.30	\$11.10	\$1,013.96	\$11.05	2.20%
Advisor	\$1,000	\$1,022.40	\$11.50	\$1,013.56	\$11.45	2.28%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 182/365 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

Consolidated Financial Highlights

Franklin K2 Alternative Strategies Fund

	Year Ended May 31,				
	2019	2018	2017	2016	2015
Class A					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	\$11.38	\$11.14	\$10.55	\$11.16	\$10.64
Income from investment operations ^a :					
Net investment income (loss) ^b	0.04	0.01	0.03	(0.05)	(0.11)
Net realized and unrealized gains (losses)	0.11	0.38	0.61	(0.38)	0.70
Total from investment operations	0.15	0.39	0.64	(0.43)	0.59
Less distributions from:					
Net investment income	—	(0.15)	(0.05)	(0.14)	(0.07)
Net realized gains	(0.25)	—	—	(0.04)	—
Total distributions	(0.25)	(0.15)	(0.05)	(0.18)	(0.07)
Net asset value, end of year	\$11.28	\$11.38	\$11.14	\$10.55	\$11.16
Total return ^c	1.35%	3.57%	6.07%	(3.89)%	5.53%
Ratios to average net assets					
Expenses before waiver, payments by affiliates and expense reduction ^d	2.73%	2.81%	3.07%	3.22%	3.40%
Expenses net of waiver, payments by affiliates and expense reduction ^d	2.56%	2.59%	2.73%	2.88% ^e	2.99% ^e
Expenses incurred in connection with securities sold short	0.36%	0.39%	0.53%	0.67%	0.65%
Net investment income (loss)	0.36%	0.06%	0.10%	(0.44)%	(0.95)%
Supplemental data					
Net assets, end of year (000's)	\$104,452	\$119,214	\$119,385	\$177,412	\$148,991
Portfolio turnover rate	235.47%	234.77%	209.45%	229.90%	295.81%

^aThe 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.

^bBased on average daily shares outstanding.

^cTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable.

^dIncludes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(h).

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

Franklin K2 Alternative Strategies Fund (continued)

Year Ended May 31,

	2019	2018	2017	2016	2015
Class C					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	\$11.25	\$11.00	\$10.45	\$11.09	\$10.60
Income from investment operations ^a :					
Net investment income (loss) ^b	(0.05)	(0.08)	(0.04)	(0.12)	(0.17)
Net realized and unrealized gains (losses)	0.10	0.39	0.59	(0.39)	0.69
Total from investment operations	0.05	0.31	0.55	(0.51)	0.52
Less distributions from:					
Net investment income	—	(0.06)	—	(0.09)	(0.03)
Net realized gains	(0.25)	—	—	(0.04)	—
Total distributions	(0.25)	(0.06)	—	(0.13)	(0.03)
Net asset value, end of year	\$11.05	\$11.25	\$11.00	\$10.45	\$11.09
Total return ^c	0.56%	2.82%	5.26%	(4.62)%	4.87%
Ratios to average net assets					
Expenses before waiver, payments by affiliates and expense reduction ^d	3.48%	3.56%	3.79%	3.96%	4.04%
Expenses net of waiver, payments by affiliates and expense reduction ^d	3.31%	3.34%	3.45%	3.62% ^e	3.63% ^e
Expenses incurred in connection with securities sold short	0.36%	0.39%	0.53%	0.67%	0.65%
Net investment income (loss)	(0.39)%	(0.69)%	(0.62)%	(1.18)%	(1.59)%
Supplemental data					
Net assets, end of year (000's)	\$44,897	\$53,196	\$55,496	\$71,154	\$37,937
Portfolio turnover rate	235.47%	234.77%	209.45%	229.90%	295.81%

^aThe 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.

^bBased on average daily shares outstanding.

^cTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable.

^dIncludes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(h).

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

Franklin K2 Alternative Strategies Fund (continued)

Year Ended May 31,

	2019	2018	2017	2016	2015
Class R					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	\$11.42	\$11.17	\$10.61	\$11.15	\$10.62
Income from investment operations ^a :					
Net investment income (loss) ^b	0.02	(0.02)	(0.25)	(0.10)	(0.16)
Net realized and unrealized gains (losses)	0.09	0.39	0.86	(0.40)	0.73
Total from investment operations	0.11	0.37	0.61	(0.50)	0.57
Less distributions from:					
Net investment income	—	(0.12)	(0.05)	—	(0.04)
Net realized gains	(0.25)	—	—	(0.04)	—
Total distributions	(0.25)	(0.12)	(0.05)	(0.04)	(0.04)
Net asset value, end of year	\$11.28	\$11.42	\$11.17	\$10.61	\$11.15
Total return	1.08%	3.28%	5.79%	(4.51)%	5.39%
Ratios to average net assets					
Expenses before waiver, payments by affiliates and expense reduction ^c	2.98%	3.06%	3.32%	3.46%	3.57%
Expenses net of waiver, payments by affiliates and expense reduction ^c	2.81%	2.84%	2.98%	3.12% ^d	3.16% ^d
Expenses incurred in connection with securities sold short	0.36%	0.39%	0.53%	0.67%	0.65%
Net investment income (loss)	0.11%	(0.19)%	(0.15)%	(0.68)%	(1.12)%
Supplemental data					
Net assets, end of year (000's)	\$844	\$648	\$597	\$341	\$9,173
Portfolio turnover rate	235.47%	234.77%	209.45%	229.90%	295.81%

^aThe 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.

^bBased on average daily shares outstanding.

^cIncludes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(h).

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

Franklin K2 Alternative Strategies Fund (continued)

Year Ended May 31,

	2019	2018	2017	2016	2015
Class R6					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	\$11.41	\$11.17	\$10.59	\$11.18	\$10.66
Income from investment operations ^a :					
Net investment income (loss) ^b	0.08	0.03	0.02	(0.01)	(0.08)
Net realized and unrealized gains (losses)	0.10	0.40	0.65	(0.37)	0.70
Total from investment operations	0.18	0.43	0.67	(0.38)	0.62
Less distributions from:					
Net investment income	—	(0.19)	(0.09)	(0.17)	(0.10)
Net realized gains	(0.25)	—	—	(0.04)	—
Total distributions	(0.25)	(0.19)	(0.09)	(0.21)	(0.10)
Net asset value, end of year	\$11.34	\$11.41	\$11.17	\$10.59	\$11.18
Total return	1.70%	3.83%	6.40%	(3.45)%	5.80%
Ratios to average net assets					
Expenses before waiver, payments by affiliates and expense reduction ^c . .	2.41%	2.46%	2.73%	2.87%	2.98%
Expenses net of waiver, payments by affiliates and expense reduction ^c . .	2.23%	2.24%	2.39%	2.53% ^d	2.60% ^d
Expenses incurred in connection with securities sold short	0.36%	0.39%	0.53%	0.67%	0.65%
Net investment income (loss)	0.69%	0.41%	0.44%	(0.09)%	(0.56)%
Supplemental data					
Net assets, end of year (000's)	\$42,842	\$31,805	\$265,247	\$265,517	\$239,754
Portfolio turnover rate	235.47%	234.77%	209.45%	229.90%	295.81%

^aThe 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.

^bBased on average daily shares outstanding.

^cIncludes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(h).

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

Franklin K2 Alternative Strategies Fund (continued)

	Year Ended May 31,				
	2019	2018	2017	2016	2015
Advisor Class					
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	\$11.40	\$11.16	\$10.58	\$11.18	\$10.65
Income from investment operations ^a :					
Net investment income (loss) ^b	0.07	0.04	0.04	(0.02)	(0.02)
Net realized and unrealized gains (losses)	0.11	0.38	0.62	(0.38)	0.64
Total from investment operations	0.18	0.42	0.66	(0.40)	0.62
Less distributions from:					
Net investment income	—	(0.18)	(0.08)	(0.16)	(0.09)
Net realized gains	(0.25)	—	—	(0.04)	—
Total distributions	(0.25)	(0.18)	(0.08)	(0.20)	(0.09)
Net asset value, end of year	\$11.33	\$11.40	\$11.16	\$10.58	\$11.18
Total return	1.61%	3.75%	6.29%	(3.58)%	5.88%
Ratios to average net assets					
Expenses before waiver, payments by affiliates and expense reduction ^c	2.48%	2.56%	2.82%	2.96%	3.07%
Expenses net of waiver, payments by affiliates and expense reduction ^c	2.31%	2.34%	2.48%	2.62% ^d	2.66% ^d
Expenses incurred in connection with securities sold short	0.36%	0.39%	0.53%	0.67%	0.65%
Net investment income (loss)	0.61%	0.31%	0.35%	(0.18)%	(0.62)%
Supplemental data					
Net assets, end of year (000's)	\$1,046,252	\$896,278	\$674,828	\$722,216	\$329,139
Portfolio turnover rate	235.47%	234.77%	209.45%	229.90%	295.81%

^aThe 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.

^bBased on average daily shares outstanding.

^cIncludes dividend and/or interest expense on securities sold short and security borrowing fees, if any. See below for the ratios of such expenses to average net assets for the periods presented. See Note 1(h).

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

Consolidated Statement of Investments, May 31, 2019

Franklin K2 Alternative Strategies Fund

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests 39.3%			
Aerospace & Defense 1.7%			
^{a,b} The Boeing Co.	United States	7,713	\$ 2,634,838
General Dynamics Corp.	United States	6,337	1,019,116
Harris Corp.	United States	8,657	1,620,504
^a Heico Corp.	United States	23,807	2,894,693
^c Kratos Defense & Security Solutions Inc.	United States	31,380	691,929
^a L3 Technologies Inc.	United States	52,156	12,624,882
			21,485,962
Air Freight & Logistics 0.0%†			
United Parcel Service Inc., B	United States	253	23,509
Airlines 0.3%			
Delta Air Lines Inc.	United States	24,880	1,281,320
^b Southwest Airlines Co.	United States	1,081	51,456
WestJet Airlines Ltd.	Canada	126,395	2,823,220
			4,155,996
Auto Components 0.0%†			
Brembo SpA	Italy	3,598	38,628
Banks 0.9%			
^a Bank of America Corp.	United States	114,228	3,038,465
Barclays PLC	United Kingdom	108,406	204,675
Cadence Bancorp, A	United States	41,002	758,537
^b Citigroup Inc.	United States	862	53,573
^{a,b} JPMorgan Chase & Co.	United States	25,391	2,690,430
SunTrust Banks Inc.	United States	79,000	4,740,790
			11,486,470
Beverages 0.3%			
^a Brown-Forman Corp., B	United States	836	41,783
Daive Campari-Milano SpA	Italy	320,814	3,134,202
^b Molson Coors Brewing Co., B	United States	901	49,537
			3,225,522
Biotechnology 3.5%			
^b AbbVie Inc.	United States	710	54,464
^c Agios Pharmaceuticals Inc.	United States	8,738	403,433
^{c,d} Aileron Therapeutics Inc.	United States	6,656	6,656
^c Alexion Pharmaceuticals Inc.	United States	13,854	1,574,923
^{c,d} Allogene Therapeutics Inc.	United States	11,567	303,402
^b Amgen Inc.	United States	312	52,010
^c Amicus Therapeutics Inc.	United States	103,605	1,167,628
^c AnaptysBio Inc.	United States	3,565	259,568
^c Apellis Pharmaceuticals Inc.	United States	12,174	244,576
^c Argenx SE, ADR	Netherlands	5,689	703,331
^{c,e} Ascleptis Pharma Inc., 144A	China	144,430	118,093
^c Assembly Biosciences Inc.	United States	60,844	854,250
^c Audentes Therapeutics Inc.	United States	14,794	519,565
^{a,c} BioMarin Pharmaceutical Inc.	United States	36,574	3,007,846
^c Bluebird Bio Inc.	United States	7,050	845,436
^c Blueprint Medicines Corp.	United States	4,592	348,992
^{a,c} Celgene Corp.	United States	130,954	12,282,176
^{c,e} CStone Pharmaceuticals, 144A	China	166,367	244,047
^{c,d} DBV Technologies SA, ADR	France	13,159	118,694
^{a,c} Exact Sciences Corp.	United States	19,058	1,974,981
^c Fate Therapeutics Inc.	United States	12,176	234,753
^b Gilead Sciences Inc.	United States	856	53,286

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Biotechnology (continued)			
^c GlycoMimetics Inc.	United States	33,890	\$ 401,258
^c Gossamer Bio Inc.	United States	16,762	306,912
^c Immunomedics Inc.	United States	66,092	863,822
^{c,e} Innovent Biologics Inc., 144A	China	19,588	59,842
^c Intercept Pharmaceuticals Inc.	United States	3,125	258,812
^c Invitae Corp.	United States	8,635	150,681
^c Madrigal Pharmaceuticals Inc.	United States	4,719	436,036
^c Mirati Therapeutics Inc.	United States	11,190	758,570
^c Natera Inc.	United States	58,987	1,350,802
^c Neurocrine Biosciences Inc.	United States	12,892	1,092,984
^{c,d} ProQR Therapeutics NV	Netherlands	46,914	569,067
^c Repligen Corp.	United States	5,221	362,703
^{c,d} Rubius Therapeutics Inc.	United States	11,880	171,785
^c Sage Therapeutics Inc.	United States	18,506	3,180,626
^{a,c} Sarepta Therapeutics Inc.	United States	22,774	2,592,820
^{c,e} Shanghai Junshi Biosciences Co. Ltd., H, 144A	China	33,161	121,400
^c Spark Therapeutics Inc.	United States	30,341	3,307,169
^c Sutro Biopharma Inc.	United States	3,932	45,021
^c Turning Point Therapeutics Inc.	United States	5,350	186,287
^c Vertex Pharmaceuticals Inc.	United States	8,170	1,357,691
^{c,d} Viking Therapeutics Inc.	United States	10,962	84,298
^c Zai Lab Ltd., ADR	China	5,100	133,671
			43,164,367
Building Products 0.1%			
^c Builders FirstSource Inc.	United States	20,843	293,469
^c Johnson Controls International PLC	United States	31,126	1,198,974
			1,492,443
Capital Markets 0.3%			
^e Amundi SA, 144A	France	27,598	1,791,297
^e Anima Holding SpA, 144A	Italy	102,616	310,669
^b LPL Financial Holdings Inc.	United States	683	54,790
Moody's Corp.	United States	10,197	1,864,828
^b Morgan Stanley	United States	169	6,877
			4,028,461
Chemicals 0.8%			
^{a,c} DowDuPont Inc.	United States	69,380	2,117,478
^c Ingevity Corp.	United States	20,733	1,818,284
^b LyondellBasell Industries NV, A	United States	694	51,530
The Sherwin-Williams Co.	United States	15,603	6,544,678
^{c,g,h} TerraVia Holdings Inc., Contingent Distribution	United States	1,117,000	—
			10,531,970
Commercial Services & Supplies 0.7%			
^c Advanced Disposal Services Inc.	United States	37,657	1,210,296
^c Atento SA	Spain	72,806	193,664
Cintas Corp.	United States	15,123	3,354,735
Edenred	France	17,027	777,993
Republic Services Inc., A	United States	32,764	2,771,507
Waste Management Inc.	United States	6,567	718,101
			9,026,296
Communications Equipment 0.2%			
^b Cisco Systems Inc.	United States	737	38,346
^c Commscope Holding Co. Inc.	United States	75,967	1,226,867

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Communications Equipment (continued)			
^c Lumentum Holdings Inc.	United States	25,457	\$ 1,030,245
			2,295,458
Construction Materials 0.2%			
Cemex SAB de CV, ADR	Mexico	72,599	299,108
Vulcan Materials Co.	United States	14,016	1,750,738
			2,049,846
Containers & Packaging 0.5%			
^a Ball Corp.	United States	103,438	6,350,059
Distributors 0.1%			
Pool Corp.	United States	7,884	1,417,385
Diversified Consumer Services 0.1%			
^c Frontdoor Inc.	United States	37,341	1,501,482
^b H&R Block Inc.	United States	2,062	54,127
			1,555,609
Diversified Financial Services 0.0%†			
^c ARYA Sciences Acquisition Corp.	United States	20,099	212,748
Diversified Telecommunication Services 0.4%			
^c Bandwidth Inc., A	United States	5,000	362,850
^e China Tower Corp. Ltd., H, 144A	China	4,382,000	983,771
China Unicom Hong Kong Ltd., ADR	China	32,547	341,744
Inmarsat PLC	United Kingdom	107,013	738,963
^c ORBCOMM Inc.	United States	34,432	230,006
^b Verizon Communications Inc.	United States	647	35,164
^c Zayo Group Holdings Inc.	United States	74,580	2,438,766
			5,131,264
Electric Utilities 0.2%			
Edp - Energias de Portugal SA	Portugal	627,796	2,285,687
^b FirstEnergy Corp.	United States	1,338	55,179
^{a,b,c} PG&E Corp.	United States	16,758	286,562
^b PPL Corp.	United States	1,869	55,621
^b The Southern Co.	United States	391	20,919
			2,703,968
Electrical Equipment 0.0%†			
^b Eaton Corp. PLC	United States	712	53,037
Electronic Equipment, Instruments & Components 0.3%			
^b CDW Corp.	United States	539	53,059
^c Coherent Inc.	United States	5,776	635,533
^c Flex Ltd.	Singapore	192,421	1,720,244
^c Itron Inc.	United States	10,011	567,123
^c Zebra Technologies Corp., A	United States	1,229	210,700
			3,186,659
Entertainment 0.4%			
Entertainment One Ltd.	Canada	43,368	239,599
^c NetFlix Inc.	United States	2,776	952,945
^c Nexon Co. Ltd.	Japan	28,060	418,706
^c Sciplay Corp., A	United States	6,200	99,200
^c Spotify Technology SA	United States	5,514	692,448
The Walt Disney Co.	United States	20,483	2,704,575
			5,107,473

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Equity Real Estate Investment Trusts (REITs) 0.0%†			
^b EPR Properties	United States	719	\$ 56,154
Iron Mountain Inc.	United States	845	25,899
^b Lamar Advertising Co., A	United States	689	53,887
			135,940
Food & Staples Retailing 0.3%			
Costco Wholesale Corp.	United States	12,902	3,091,061
^b Walgreens Boots Alliance Inc.	United States	1,075	53,041
			3,144,102
Food Products 0.1%			
Chocoladefabriken Lindt & Spruengli AG	Switzerland	10	749,064
Health Care Equipment & Supplies 1.1%			
Abbott Laboratories	United States	19,906	1,515,444
^c ABIOMED Inc.	United States	1,254	328,448
^c Align Technology Inc.	United States	3,440	978,164
^c Avedro Inc.	United States	6,165	112,573
^c Boston Scientific Corp.	United States	44,647	1,714,891
Danaher Corp.	United States	5,988	790,476
^c DexCom Inc.	United States	10,720	1,300,336
^c Edwards Lifesciences Corp.	United States	8,452	1,442,756
^c IDEXX Laboratories Inc.	United States	8,767	2,189,733
^c Insulet Corp.	United States	1,773	194,658
^c Intuitive Surgical Inc.	United States	3,987	1,853,357
^c iRhythm Technologies Inc.	United States	3,743	256,246
^c Shockwave Medical Inc.	United States	3,430	205,080
^c Silk Road Medical Inc.	United States	6,605	281,769
Teleflex Inc.	United States	1,812	522,399
			13,686,330
Health Care Providers & Services 0.8%			
^b AmerisourceBergen Corp., A	United States	728	56,682
Anthem Inc.	United States	5,242	1,457,171
^c Centene Corp.	United States	6,570	379,418
Cigna Corp.	United States	6,309	933,858
^c Guardant Health Inc.	United States	8,061	619,730
^c Healthequity Inc.	United States	3,031	198,106
Humana Inc.	United States	5,151	1,261,274
^b McKesson Corp.	United States	372	45,436
UnitedHealth Group Inc.	United States	9,650	2,333,370
^{a,c} WellCare Health Plans Inc.	United States	10,894	3,008,814
			10,293,859
Health Care Technology 0.1%			
^c Evolent Health Inc., A	United States	700	7,448
^c Tabula Rasa HealthCare Inc.	United States	10,392	469,407
^c Teladoc Health Inc.	United States	4,810	279,557
			756,412
Hotels, Restaurants & Leisure 0.2%			
Domino's Pizza Inc.	United States	6,915	1,932,743
Las Vegas Sands Corp.	United States	894	49,170
^b Starbucks Corp.	United States	720	54,763
			2,036,676
Household Durables 1.0%			
^a D.R. Horton Inc.	United States	122,714	5,247,251

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Household Durables (continued)			
^{a,c} Mohawk Industries Inc.	United States	38,431	\$ 5,209,322
^{a,c} NVR Inc.	United States	637	2,039,400
			12,495,973
Independent Power & Renewable Electricity Producers 0.1%			
Uniper SE	Germany	29,917	839,225
Industrial Conglomerates 0.0%†			
Honeywell International Inc.	United States	95	15,609
Smiths Group PLC	United Kingdom	17,888	325,769
			341,378
Insurance 0.3%			
^b Aflac Inc.	United States	1,090	55,917
^b Fidelity National Financial Inc.	United States	932	35,929
Kemper Corp.	United States	26,294	2,182,139
^b MetLife Inc.	United States	1,173	54,204
^b Prudential Financial Inc.	United States	545	50,347
RSA Insurance Group PLC	United Kingdom	44,331	309,708
^{c,d} Trupanion Inc.	United States	43,545	1,277,175
			3,965,419
Interactive Media & Services 1.2%			
^{a,c} Alphabet Inc., A	United States	3,808	4,213,553
^c Alphabet Inc., C	United States	1,202	1,326,563
^{a,c} Facebook Inc., A	United States	22,624	4,015,081
Tencent Holdings Ltd.	China	100,410	4,175,451
^c Yandex NV, A	Russia	29,249	1,050,624
^c Zillow Group Inc., C	United States	600	25,812
			14,807,084
Internet & Direct Marketing Retail 0.9%			
^{a,c} Alibaba Group Holding Ltd., ADR	China	28,652	4,276,598
^c Amazon.com Inc.	United States	1,492	2,648,404
^c Booking Holdings Inc.	United States	505	836,391
^{c,e} Delivery Hero AG, 144A	Germany	13,672	588,803
^a eBay Inc.	United States	34,878	1,253,167
^a Expedia Group Inc.	United States	9,405	1,081,575
^c Just Eat PLC	United Kingdom	67,910	516,850
			11,201,788
IT Services 4.7%			
^b Accenture PLC, A	United States	3,995	711,389
^b Automatic Data Processing Inc.	United States	4,024	644,322
^b Broadridge Financial Solutions Inc.	United States	461	57,565
^c EPAM Systems Inc.	United States	7,619	1,314,963
^c ExlService Holdings Inc.	United States	26,239	1,554,923
^c First Data Corp., A	United States	246,913	6,276,528
^c FleetCor Technologies Inc.	United States	14,928	3,854,559
^{b,c} GDS Holdings Ltd., ADR	China	734	23,848
Genpact Ltd.	United States	83,845	3,030,997
Global Payments Inc.	United States	27,061	4,168,476
^c GoDaddy Inc., A	United States	19,004	1,413,898
^a MasterCard Inc., A	United States	27,696	6,965,267
^b Paychex Inc.	United States	657	56,364
^{a,c} PayPal Holdings Inc.	United States	56,398	6,189,681
Safecharge International Group Ltd.	United Kingdom	100,974	552,754

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
IT Services (continued)			
^c StoneCo. Ltd.	Brazil	14,799	\$ 372,935
Total System Services Inc.	United States	33,299	4,113,426
^{a,c} VeriSign Inc.	United States	8,726	1,701,395
^b Visa Inc., A	United States	16,115	2,599,833
^c WEX Inc.	United States	18,088	3,417,547
Wirecard AG	Germany	14,200	2,222,493
^c Worldpay Inc., A	United States	55,729	6,778,876
			58,022,039
Leisure Products 0.1%			
Hasbro Inc.	United States	6,847	651,424
Life Sciences Tools & Services 1.4%			
^c Avantor Inc.	United States	72,028	1,260,490
Eurofins Scientific SE	Luxembourg	4,033	1,834,636
^c Gerresheimer AG	Germany	58,747	4,187,167
^{a,c} Illumina Inc.	United States	10,497	3,221,634
^c Iqvia Holdings Inc.	United States	19,928	2,707,219
^c Mettler-Toledo International Inc.	United States	1,665	1,203,945
^{a,c} Pacific Biosciences of California Inc.	United States	9,346	62,618
^c PRA Health Sciences Inc.	United States	3,329	288,724
^b Thermo Fisher Scientific Inc.	United States	8,887	2,372,651
^{c,e} Wuxi Biologics Cayman Inc., 144A	China	38,199	361,060
			17,500,144
Machinery 0.9%			
Altra Industrial Motion Corp., W	United States	13,819	433,502
^b Cummins Inc.	United States	350	52,766
Deere & Co.	United States	12,440	1,743,715
^b Illinois Tool Works Inc.	United States	365	50,969
^c Navistar International Corp.	United States	36,331	1,130,257
^b PACCAR Inc.	United States	804	52,919
Toro Co.	United States	6,220	405,295
^a Trinity Industries Inc.	United States	83,952	1,618,595
^c Wabco Holdings Inc.	United States	27,138	3,552,636
Wabtec Corp.	United States	9,380	585,124
Xylem Inc.	United States	25,877	1,920,591
			11,546,369
Marine 0.2%			
^c Kirby Corp.	United States	7,474	578,338
^c Star Bulk Carriers Corp.	Greece	169,425	1,296,101
			1,874,439
Media 2.2%			
Axel Springer SE	Germany	3,356	208,267
CBS Corp., B	United States	20,779	1,003,210
^b Comcast Corp., A	United States	1,234	50,594
^a Fox Corp.	United States	127,804	4,502,535
ITV PLC	United Kingdom	293,248	397,619
^c Liberty Global PLC, C	United Kingdom	53,723	1,302,245
^b Nexstar Media Group Inc., A	United States	476	47,671
^b Omnicom Group Inc.	United States	688	53,224
^c Postmedia Network Canada Corp., B	Canada	666,338	663,084
^b Sinclair Broadcast Group Inc., A	United States	961	51,586
^b Sirius XM Holdings, Inc.	United States	5,286	28,069
Stroeer SE & Co. KGaA	Germany	9,563	639,934

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Media (continued)			
^a Tribune Media Co., A	United States	382,863	\$ 17,726,557
			26,674,595
Metals & Mining 0.3%			
^c B2Gold Corp.	Canada	21,486	58,659
^a Rio Tinto PLC, ADR	Australia	20,396	1,181,540
Teck Resources Ltd., B	Canada	103,745	2,107,061
^a Warrior Met Coal Inc.	United States	30,735	793,270
			4,140,530
Multiline Retail 0.0%†			
^b Kohl's Corp.	United States	890	43,895
Multi-Utilities 0.2%			
^b Dominion Energy Inc.	United States	761	57,212
Innogy SE	Germany	55,778	2,314,918
			2,372,130
Oil, Gas & Consumable Fuels 1.3%			
^b Anadarko Petroleum Corp.	United States	177,402	12,483,778
^b ConocoPhillips	United States	897	52,887
^b CVR Energy Inc.	United States	1,229	52,196
EnCana Corp.	Canada	6,937	36,558
^a Equitrans Midstream Corp.	United States	91,004	1,807,340
Frontera Energy Corp.	Colombia	614	6,110
^c Halcon Resources Corp., wts., 9/09/20	United States	2,159	16
^a Hess Corp.	United States	31,943	1,784,336
^b Occidental Petroleum Corp.	United States	762	37,925
^{b,c} Plains GP Holdings LP, A	United States	2,155	48,531
^c Ship Finance International Ltd.	Norway	3,267	40,446
^c Whiting Petroleum Corp.	United States	4,509	82,875
			16,432,998
Paper & Forest Products 0.0%†			
^b Domtar Corp.	United States	628	26,407
Pharmaceuticals 1.2%			
^{c,d} Aerie Pharmaceuticals Inc.	United States	18,085	658,656
^b Allergan PLC	United States	21,494	2,620,333
AstraZeneca PLC, ADR	United Kingdom	35,603	1,330,840
^b Bristol-Myers Squibb Co.	United States	27,295	1,238,374
^{c,e} Cansino Biologics Inc., H, 144A	China	9,415	40,532
^c Charlottes Web Holdings Inc.	United States	13,116	173,508
^c Cymbay Therapeutics Inc.	United States	10,410	125,753
Eli Lilly & Co., W	United States	14,291	1,656,899
^c GW Pharmaceuticals PLC, ADR	United Kingdom	4,074	705,780
Hikma Pharmaceuticals PLC	Jordan	16,874	337,062
^{c,e} Hua Medicine, 144A	China	114,314	102,218
^b Johnson & Johnson	United States	412	54,034
^{c,d} Marinus Pharmaceuticals Inc.	United States	86,592	373,212
^b Merck & Co. Inc.	United States	22,461	1,779,135
Novo Nordisk AS, ADR	Denmark	28,364	1,338,781
Pfizer Inc.	United States	12,858	533,864
^c Restorbio Inc.	United States	46,665	336,455
Takeda Pharmaceutical Co. Ltd.	Japan	9,439	319,584
Zoetis Inc., A	United States	7,690	777,074
			14,502,094

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Professional Services 1.1%			
^c CoStar Group Inc.	United States	1,904	\$ 970,354
Equifax Inc.	United States	15,307	1,850,616
Experian PLC	United Kingdom	41,887	1,264,056
^c Huron Consulting Group Inc.	United States	23,809	1,172,117
^e Intertrust NV, 144A	Netherlands	226,926	4,299,560
TransUnion	United States	21,980	1,440,569
^c TriNet Group Inc.	United States	39,891	2,528,292
			13,525,564
Real Estate Management & Development 0.1%			
Savills PLC	United Kingdom	69,124	740,196
Road & Rail 1.4%			
^a CSX Corp.	United States	58,782	4,377,495
DSV A/S	Denmark	59,746	5,339,396
^a Norfolk Southern Corp.	United States	25,474	4,970,996
^c Uber Technologies Inc.	United States	7,400	299,034
Union Pacific Corp.	United States	13,138	2,191,156
			17,178,077
Semiconductors & Semiconductor Equipment 1.9%			
^{a,c} Advanced Micro Devices Inc.	United States	57,140	1,566,207
ASML Holding NV, N.Y. shares, G	Netherlands	501	94,213
Broadcom Inc.	United States	190	47,812
^c First Solar Inc.	United States	33,693	1,955,542
^c FormFactor Inc.	United States	25,526	366,553
KLA-Tencor Corp.	United States	8,161	841,154
^c Lattice Semiconductor Corp.	United States	43,034	550,835
Marvell Technology Group Ltd.	Bermuda	184,189	4,107,415
Mediatek Inc.	Taiwan	106,000	1,042,815
^c Mellanox Technologies Ltd.	United States	10,142	1,113,389
^c Micron Technology Inc.	United States	19,786	645,222
^b QUALCOMM Inc.	United States	25,039	1,673,106
^{c,e,h} SunEdison Inc., Contingent Distribution, 144A	United States	35,000	809
^b Texas Instruments Inc.	United States	203	21,175
^a Versum Materials Inc.	United States	191,851	9,851,549
			23,877,796
Software 2.9%			
^c Adobe Inc.	United States	3,670	994,203
^c Atlassian Corp. PLC, A	United States	10,041	1,263,961
Blackbaud Inc.	United States	9,722	747,816
^c Ceridian Hcm Holding Inc.	United States	19,364	952,322
^c Guidewire Software Inc.	United States	17,551	1,764,227
^c HubSpot Inc.	United States	5,020	869,866
^b Intuit Inc.	United States	11,568	2,832,424
^{a,b} Microsoft Corp.	United States	53,962	6,674,020
^b Oracle Corp.	United States	1,035	52,371
^{a,c} Red Hat Inc.	United States	77,128	14,214,690
^c Salesforce.com Inc.	United States	10,447	1,581,780
^c ServiceNow Inc.	United States	6,709	1,757,289
^c Splunk Inc.	United States	5,372	612,354
^c Workday Inc., A	United States	7,926	1,617,855
^c Zscaler Inc.	United States	7,466	512,392
			36,447,570
Specialty Retail 0.8%			
^b Best Buy Co. Inc.	United States	766	48,005

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Specialty Retail (continued)			
^c Carmax Inc.	United States	16,587	\$ 1,298,430
^b Dick's Sporting Goods Inc.	United States	1,441	49,729
^b Foot Locker Inc.	United States	1,024	40,295
^b The Home Depot Inc.	United States	37,731	7,163,230
Pets at Home Group PLC	United Kingdom	166,908	388,055
^c Sports Direct International PLC	United Kingdom	180,900	657,294
Tractor Supply Co.	United States	5,996	604,277
			10,249,315
Technology Hardware, Storage & Peripherals 0.3%			
Apple Inc.	United States	3,854	674,720
^c Cray Inc.	United States	19,877	695,894
^{a,b,c} Dell Technologies Inc., C	United States	18,926	1,127,043
^b Hewlett Packard Enterprise Co.	United States	3,388	46,483
^b HP Inc.	United States	3,002	56,077
^c Pure Storage Inc., A	United States	10,926	173,287
Western Digital Corp.	United States	34,722	1,292,353
			4,065,857
Textiles, Apparel & Luxury Goods 0.2%			
^c Capri Holdings Ltd.	United States	42,766	1,389,039
^a Tapestry Inc.	United States	39,805	1,136,831
			2,525,870
Tobacco 0.0%†			
^b Altria Group Inc.	United States	1,087	53,328
Trading Companies & Distributors 0.7%			
Brenntag AG	Germany	94,223	4,376,786
^{a,c} Herc Holdings Inc.	United States	66,698	2,269,733
^{a,c} United Rentals Inc.	United States	19,823	2,182,512
			8,829,031
Wireless Telecommunication Services 0.2%			
Millicom International Cellular SA, IDR	Colombia	31,532	1,769,986
^a Vodafone Group PLC, ADR	United Kingdom	5,878	95,282
			1,865,268
Total Common Stocks and Other Equity Interests (Cost \$398,617,244)			486,321,316
Management Investment Companies (Cost \$1,044,189) 0.1%			
Diversified Financial Services 0.1%			
^c Altaba Inc.	United States	13,818	818,026
Exchange Traded Funds 0.1%			
Invesco QQQ Series 1 ETF	United States	2,179	379,037
iShares China Large-Capital ETF	United States	7,525	303,784
			682,821
Total Exchange Traded Funds (Cost \$654,184)			
Convertible Preferred Stocks 0.0%†			
Gas Utilities 0.0%†			
^c El Paso Energy Capital Trust I, 4.75%, cvt. pfd.	United States	114	5,769
Oil, Gas & Consumable Fuels 0.0%†			
^c Chesapeake Energy Corp., 5.75%, cvt. pfd.	United States	139	69,500
			75,269

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Preferred Stocks 0.1%			
Food Products 0.0%†			
^c Bunge Ltd., 4.875%, pfd.	United States	2,819	\$ 273,668
Thriffs & Mortgage Finance 0.1%			
^{c,d} FHLMC, 8.375%, pfd., Z	United States	45,425	615,509
Total Preferred Stocks (Cost \$688,811)			889,177
		Principal Amount*	
Convertible Bonds 8.6%			
Air Freight & Logistics 0.2%			
^a Air Transport Services Group Inc., senior note, 1.125%, 10/15/24	United States	732,000	710,062
^a Atlas Air Worldwide Holdings Inc., senior note, 1.875%, 6/01/24	United States	1,081,000	1,009,795
			1,719,857
Auto Components 0.0%†			
Veoneer Inc., senior note, 4.00%, 6/01/24	Sweden	180,000	175,918
Banks 0.1%			
^e Hope Bancorp Inc., senior bond, 144A, 2.00%, 5/15/38	United States	1,212,000	1,070,347
Biotechnology 0.8%			
Alder Biopharmaceuticals Inc., senior note, 2.50%, 2/01/25	United States	722,000	636,714
BioMarin Pharmaceutical Inc., senior sub. note, 0.599%, 8/01/24	United States	325,000	329,451
Flexion Therapeutics Inc., senior note, 3.375%, 5/01/24	United States	50,000	42,417
Intercept Pharmaceuticals Inc., senior note, 3.25%, 7/01/23	United States	1,284,000	1,180,287
2.00%, 5/15/26	United States	734,000	745,566
^a Ionis Pharmaceuticals Inc., senior note, 1.00%, 11/15/21	United States	1,365,000	1,635,469
^e Karyopharm Therapeutics Inc., senior note, 144A, 3.00%, 10/15/25	United States	1,131,000	723,840
^a Ligand Pharmaceuticals Inc., senior note, 0.75%, 5/15/23	United States	1,190,000	1,002,575
^a Neurocrine Biosciences Inc., senior note, 2.25%, 5/15/24	United States	1,019,000	1,343,806
OPKO Health Inc., senior note, 4.50%, 2/15/25	United States	725,000	575,503
^a PDL BioPharma Inc., senior note, 2.75%, 12/01/21	United States	1,321,000	1,318,254
Retrophin Inc., senior note, 2.50%, 9/15/25	United States	977,000	854,875
			10,388,757
Building Products 0.1%			
^d Patrick Industries Inc., senior note, 1.00%, 2/01/23	United States	852,000	740,431
Capital Markets 0.1%			
Cowen Inc., senior note, 3.00%, 12/15/22	United States	915,000	983,972
Commercial Services & Supplies 0.2%			
RWT Holdings Inc., senior note, 5.625%, 11/15/19	United States	876,000	882,609
Team Inc., senior note, 5.00%, 8/01/23	United States	1,131,000	1,129,429
			2,012,038
Communications Equipment 0.1%			
^e CalAmp Corp., senior note, 144A, 2.00%, 8/01/25	United States	907,000	701,111
Infinera Corp., senior note, 2.125%, 9/01/24	United States	870,000	605,631
			1,306,742
Construction Materials 0.2%			
Cemex SAB de CV, sub. note, 3.72%, 3/15/20	Mexico	2,846,000	2,844,382
Consumer Finance 0.5%			
^a Encore Capital Group Inc., senior note, 3.25%, 3/15/22	United States	1,415,000	1,421,191
EZCORP Inc., senior note, ^a 2.125%, 6/15/19	United States	2,010,000	2,017,482
2.375%, 5/01/25	United States	1,083,000	927,589

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Convertible Bonds (continued)			
Consumer Finance (continued)			
PRA Group Inc., senior note,			
^a 3.00%, 8/01/20	United States	977,000	\$ 954,143
3.50%, 6/01/23	United States	1,109,000	1,021,992
			6,342,397
Diversified Consumer Services 0.2%			
Chegg Inc., senior note,			
0.25%, 5/15/23	United States	869,000	1,301,871
^e 144A, 0.125%, 3/15/25	United States	796,000	778,302
			2,080,173
Diversified Financial Services 0.1%			
Element Fleet Management Corp., sub. note,			
^e 144A, 5.125%, 6/30/19	Canada	1,062,000 CAD	786,199
4.25%, 6/30/20	Canada	331,000 CAD	245,240
4.25%, 6/30/24	Canada	811,000 CAD	642,152
			1,673,591
Diversified Telecommunication Services 0.1%			
^e IAC Financeco 3 Inc., senior bond, 144A, 2.00%, 1/15/30	United States	1,081,000	1,099,914
^e Intelsat SA, senior note, 144A, 4.50%, 6/15/25	United States	226,000	296,841
			1,396,755
Electrical Equipment 0.0%†			
^e Enphase Energy Inc., senior note, 144A, 1.00%, 6/01/24	United States	217,000	219,141
Electronic Equipment, Instruments & Components 0.4%			
II-VI Inc., senior note, 0.25%, 9/01/22	United States	798,000	788,410
^a Knowles Corp., senior note, 3.25%, 11/01/21	United States	1,236,000	1,372,702
OSI Systems Inc., senior note, 1.25%, 9/01/22	United States	974,000	1,095,866
^e PAR Technology Corp., senior note, 144A, 4.50%, 4/15/24	United States	543,000	658,446
^{a,e} Vishay Intertechnology Inc., senior note, 144A, 2.25%, 6/15/25	United States	1,592,000	1,415,410
			5,330,834
Energy Equipment & Services 0.1%			
ⁱ Fugro NV, sub. note, Reg S,			
4.00%, 10/26/21	Netherlands	600,000 EUR	579,363
4.50%, 11/02/24	Netherlands	300,000 EUR	286,994
Nabors Industries Inc., senior note, 0.75%, 1/15/24	United States	145,000	99,943
			966,300
Entertainment 0.3%			
^e Bilibili Inc., senior note, 144A, 1.375%, 4/01/26	China	325,000	272,462
^e iQIYI Inc., senior note, 144A, 2.00%, 4/01/25	China	362,000	330,238
Liberty Media Corp., senior bond,			
2.25%, 9/30/46	United States	50,000	25,625
^{a,e} 144A, 2.25%, 12/01/48	United States	1,427,000	1,544,141
^e Sea Ltd., senior note, 144A, 2.25%, 7/01/23	Thailand	732,000	1,174,833
			3,347,299
Equity Real Estate Investment Trusts (REITs) 0.5%			
IH Merger Sub LLC, senior note, 3.50%, 1/15/22	United States	1,011,000	1,198,885
^e IIP Operating Partnership LP, senior note, 144A, 3.75%, 2/21/24	United States	1,013,000	1,323,048
iStar Inc., senior note, 3.125%, 9/15/22	United States	250,000	245,041
^a Starwood Waypoint Homes, senior note, 3.00%, 7/01/19	United States	1,991,000	2,789,889
			5,556,863
Health Care Equipment & Supplies 0.0%†			
^e CONMED Corp., senior note, 144A, 2.625%, 2/01/24	United States	290,000	316,901

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Convertible Bonds (continued)			
Health Care Technology 0.3%			
^a Allscripts Healthcare Solutions Inc., senior note, 1.25%, 7/01/20	United States	1,888,000	\$ 1,864,535
Evolut Health Inc., senior note, 2.00%, 12/01/21	United States	603,000	566,100
^e 144A, 1.50%, 10/15/25	United States	755,000	547,016
^e Tabula Rasa Healthcare Inc., senior sub. note, 144A, 1.75%, 2/15/26	United States	988,000	944,887
			3,922,538
Hotels, Restaurants & Leisure 0.1%			
^a Huazhu Group Ltd., senior note, 0.375%, 11/01/22	China	362,000	368,012
Marriott Vacations Worldwide Corp., senior note, 1.50%, 9/15/22	United States	1,313,000	1,241,907
			1,609,919
Independent Power & Renewable Electricity Producers 0.1%			
NRG Energy Inc., 2.75%, 6/01/48	United States	1,533,000	1,587,138
Interactive Media & Services 0.2%			
Twitter Inc., senior note, 1.00%, 9/15/21	United States	319,000	305,632
^e 144A, 0.25%, 6/15/24	United States	638,000	624,709
Zillow Group Inc., senior note, 2.00%, 12/01/21	United States	1,160,000	1,277,450
			2,207,791
Internet & Direct Marketing Retail 0.1%			
Booking Holdings Inc., senior note, 0.35%, 6/15/20	United States	315,000	407,284
^d Wayfair Inc., senior note, 0.375%, 9/01/22	United States	548,000	821,907
			1,229,191
IT Services 0.8%			
^a Carbonite Inc., senior note, 2.50%, 4/01/22	United States	762,000	872,249
CSG Systems International Inc., senior bond, 4.25%, 3/15/36	United States	891,000	958,051
^e GDS Holdings Ltd., senior note, 144A, 2.00%, 6/01/25	China	360,000	325,062
^e KBR Inc., senior note, 144A, 2.50%, 11/01/23	United States	798,000	872,620
^{a,e} MongoDB Inc., senior note, 144A, 0.75%, 6/15/24	United States	1,009,000	2,146,017
^a Okta Inc., senior note, 0.25%, 2/15/23	United States	925,000	2,222,335
^e Perficient Inc., senior note, 144A, 2.375%, 9/15/23	United States	970,000	1,000,745
^a Twilio Inc., senior note, 0.25%, 6/01/23	United States	740,000	1,447,163
			9,844,242
Machinery 0.0%†			
The Greenbrier Cos. Inc., senior note, 2.875%, 2/01/24	United States	428,000	407,192
Media 0.2%			
DISH Network Corp., senior bond, 3.375%, 8/15/26	United States	325,000	299,448
senior note, 2.375%, 3/15/24	United States	280,000	243,967
Liberty Interactive LLC, senior bond, 4.00%, 11/15/29	United States	1,122,000	788,205
senior note, 3.75%, 2/15/30	United States	949,000	648,879
			1,980,499
Metals & Mining 0.2%			
^a Cleveland-Cliffs Inc., senior note, 1.50%, 1/15/25	United States	1,134,000	1,406,647
First Majestic Silver Corp., senior note, 1.875%, 3/01/23	Canada	770,000	728,131
^e SSR Mining Inc., senior bond, 144A, 2.50%, 4/01/39	Canada	552,000	535,095
			2,669,873
Mortgage Real Estate Investment Trusts (REITs) 0.1%			
Redwood Trust Inc., senior note, 4.75%, 8/15/23	United States	714,000	686,592

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Convertible Bonds (continued)			
Oil, Gas & Consumable Fuels 0.3%			
Chesapeake Energy Corp., senior note, 5.50%, 9/15/26	United States	95,000	\$ 77,187
Golar LNG Ltd., senior note, 2.75%, 2/15/22	Bermuda	458,000	424,749
Green Plains Inc., senior note, 3.25%, 10/01/19	United States	1,379,000	1,385,895
4.125%, 9/01/22	United States	522,000	475,699
^a Ship Finance International Ltd., 5.75%, 10/15/21	Norway	1,009,000	1,001,475
SM Energy Co., senior note, 1.50%, 7/01/21	United States	30,000	27,148
Teekay Corp., senior note, 5.00%, 1/15/23	Canada	659,000	523,905
Whiting Petroleum Corp., senior note, 1.25%, 4/01/20	United States	45,000	43,679
			<u>3,959,737</u>
Personal Products 0.1%			
Herbalife Nutrition Ltd., senior note, 2.625%, 3/15/24	United States	1,011,000	951,720
Pharmaceuticals 0.7%			
^e Aphria Inc., senior note, 144A, 5.25%, 6/01/24	Canada	942,000	831,904
^{a,e} Aurora Cannabis Inc., senior note, 144A, 5.50%, 2/28/24	Canada	1,377,000	1,624,860
^e Canopy Growth Corp., senior note, 144A, 4.25%, 7/15/23	Canada	1,235,000	1,238,107
^a Innoviva Inc., sub. note, 2.125%, 1/15/23	United States	1,047,000	1,067,020
Jazz Investments I Ltd., senior note, 1.50%, 8/15/24	United States	875,000	830,121
^e The Medicines Co., senior note, 144A, 3.50%, 1/15/24	United States	462,000	731,404
^e Omeros Corp., senior note, 144A, 6.25%, 11/15/23	United States	200,000	220,893
Pacira Biosciences Inc., senior note, 2.375%, 4/01/22	United States	1,281,000	1,310,623
^e Tilray Inc., senior note, 144A, 5.00%, 10/01/23	Canada	1,194,000	996,225
			<u>8,851,157</u>
Professional Services 0.1%			
^e FTI Consulting Inc., senior note, 144A, 2.00%, 8/15/23	United States	1,526,000	1,630,912
Real Estate Management & Development 0.1%			
Forestar Group Inc., senior note, 3.75%, 3/01/20	United States	356,000	356,563
Redfin Corp., senior note, 1.75%, 7/15/23	United States	1,526,000	1,343,536
			<u>1,700,099</u>
Semiconductors & Semiconductor Equipment 0.3%			
Inphi Corp., senior note, 0.75%, 9/01/21	United States	907,000	958,709
^a Microchip Technology Inc., senior sub. bond, 1.625%, 2/15/27	United States	900,000	983,709
Silicon Laboratories Inc., senior note, 1.375%, 3/01/22	United States	615,000	721,087
Synaptics Inc., senior note, 0.50%, 6/15/22	United States	650,000	573,160
			<u>3,236,665</u>
Software 0.8%			
^e Benefitfocus Inc., senior note, 144A, 1.25%, 12/15/23	United States	1,098,000	996,606
^a Five9 Inc., senior note, 0.125%, 5/01/23	United States	949,000	1,315,978
Nuance Communications Inc., senior bond, 1.00%, 12/15/35	United States	1,217,000	1,149,444
Nutanix Inc., senior note, zero cpn., 1/15/23	United States	765,000	729,415
^e Palo Alto Networks Inc., senior note, 144A, 0.75%, 7/01/23	United States	712,000	739,937
^e Pluralsight Inc., senior note, 144A, 0.375%, 3/01/24	United States	1,268,000	1,372,723
PROS Holdings Inc., senior bond, 2.00%, 6/01/47	United States	1,076,000	1,357,901
^e senior note, 144A, 1.00%, 5/15/24	United States	435,000	469,844
^{a,e} Rapid7 Inc., senior note, 144A, 1.25%, 8/01/23	United States	930,000	1,317,679
			<u>9,449,527</u>
Specialty Retail 0.0%†			
^e Restoration Hardware Holdings Inc., senior note, 144A, zero cpn., 6/15/23	United States	421,000	335,221
Trading Companies & Distributors 0.0%†			
Kaman Corp., senior note, 3.25%, 5/01/24	United States	398,000	426,040

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Convertible Bonds (continued)			
Wireless Telecommunication Services 0.1%			
^e Boingo Wireless Inc., senior note, 144A, 1.00%, 10/01/23	United States	930,000	\$ 791,221
Total Convertible Bonds (Cost \$103,900,313)			<u>105,949,972</u>
Corporate Bonds and Notes 9.9%			
Aerospace & Defense 0.1%			
The Boeing Co., senior note, 2.70%, 5/01/22	United States	375,000	377,966
^e Leonardo US Holdings Inc., senior bond, 144A, 6.25%, 1/15/40	Italy	236,000	227,740
^e Rolls-Royce PLC, senior note, 144A, 2.375%, 10/14/20	United Kingdom	400,000	398,825
			<u>1,004,531</u>
Air Freight & Logistics 0.0%†			
FedEx Corp., senior note, 3.40%, 1/14/22	United States	170,000	173,706
Automobiles 0.2%			
^e ⁱ BMW US Capital LLC, senior note, 144A, FRN, 3.014%, (3-Month USD LIBOR + 0.41%), 4/12/21	Germany	465,000	465,958
^e Daimler Finance North America LLC, senior note, 144A, 3.40%, 2/22/22	Germany	385,000	390,153
General Motors Financial Co. Inc., senior note, 3.70%, 11/24/20	United States	155,000	156,298
ⁱ FRN, 3.442%, (3-Month USD LIBOR + 0.85%), 4/09/21	United States	275,000	275,015
^e Hyundai Capital America, senior note, 144A, 3.95%, 2/01/22	United States	375,000	383,552
^e Nissan Motor Acceptance Corp., senior note, 144A, 3.65%, 9/21/21	United States	375,000	380,943
Toyota Motor Credit Corp., G, senior note, 3.05%, 1/08/21	United States	325,000	328,144
			<u>2,380,063</u>
Banks 0.5%			
^e Banco Macro SA, senior note, 144A, 17.50%, 5/08/22	Argentina	1,740,000 ARS	24,388
Citibank NA, senior note, 3.05%, 5/01/20	United States	435,000	436,712
ⁱ FRN, 3.165%, (3-Month USD LIBOR + 0.53%), 2/19/22	United States	250,000	251,607
ⁱ HSBC Holdings PLC, senior note, FRN, 3.247%, (3-Month USD LIBOR + 0.65%), 9/11/21	United Kingdom	375,000	375,627
ⁱ JPMorgan Chase & Co., senior note, FRN, 3.20%, (3-Month USD LIBOR + 0.68%), 6/01/21	United States	140,000	140,584
ⁱ JPMorgan Chase Bank NA, senior note, FRN, 2.75%, (3-Month USD LIBOR + 0.23%), 9/01/20	United States	755,000	755,049
Keybank NA, senior note, 3.30%, 2/01/22	United States	250,000	255,526
Mitsubishi UFJ Financial Group Inc., senior note, ⁱ FRN, 3.236%, (3-Month USD LIBOR + 0.65%), 7/26/21	Japan	380,000	381,523
3.535%, 7/26/21	Japan	380,000	387,436
^e ⁱ Standard Chartered PLC, 144A, FRN, senior note, 3.742%, (3-Month USD LIBOR + 1.15%), 1/20/23	United Kingdom	200,000	200,007
4.247%, (3-Month USD LIBOR + 1.15%), 1/20/23	United Kingdom	200,000	203,829
ⁱ Sumitomo Mitsui Financial Group Inc., senior note, FRN, 3.551%, (3-Month USD LIBOR + 0.97%), 1/11/22	Japan	115,000	116,197
US Bank NA, senior note, 3.00%, 2/04/21	United States	375,000	378,681
^d ⁱ FRN, 2.905%, (3-Month USD LIBOR + 0.38%), 11/16/21	United States	380,000	381,537
ⁱ ^o VTB Capital SA, loan participation, sub. senior note, Reg S, 6.95%, 10/17/22	Russia	486,000	512,564
ⁱ Wells Fargo & Co., senior note, FRN, 3.843%, (3-Month USD LIBOR + 1.34%), 3/04/21	United States	230,000	233,717
3.465%, (3-Month USD LIBOR + 0.93%), 2/11/22	United States	495,000	498,017
Wells Fargo Bank NA, senior note, 3.625%, 10/22/21	United States	250,000	255,736
			<u>5,788,737</u>

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds and Notes (continued)			
Biotechnology 0.0%†			
Celgene Corp., senior note, 2.875%, 8/15/20	United States	195,000	\$ 196,034
Capital Markets 0.2%			
^{a,e} Adient Global Holdings Ltd., senior note, 144A, 4.875%, 8/15/26	United States	1,400,000	1,046,500
ⁱ Bank of America NA, senior note, FRN, 2.771%, (3-Month USD LIBOR + 0.25%), 8/28/20	United States	755,000	755,213
ⁱ The Bank of New York Mellon, senior note, FRN, 2.803%, (3-Month USD LIBOR + 0.30%), 12/04/20	United States	385,000	385,329
			<u>2,187,042</u>
Chemicals 0.5%			
Momentive Performance Materials Inc., senior secured note, 3.88%, 10/24/21	United States	5,379,000	6,075,580
Commercial Services & Supplies 1.8%			
^e Harland Clarke Holdings Corp., 144A, ^a senior note, 9.25%, 3/01/21	United States	13,051,500	12,806,784
senior secured note, 8.375%, 8/15/22	United States	3,207,000	2,741,985
R.R. Donnelley & Sons Co., senior bond, 8.875%, 4/15/21	United States	141,000	146,288
senior bond, 6.50%, 11/15/23	United States	2,416,000	2,391,840
senior bond, 6.00%, 4/01/24	United States	2,744,000	2,719,990
senior bond, 6.625%, 4/15/29	United States	300,000	283,500
senior note, 7.00%, 2/15/22	United States	1,338,000	1,351,380
			<u>22,441,767</u>
Consumer Finance 0.1%			
American Express Co., senior note, 3.00%, 2/22/21	United States	165,000	166,121
ⁱ FRN, 3.165%, (3-Month USD LIBOR + 0.60%), 11/05/21	United States	260,000	261,305
Paccar Financial Corp., senior note, 2.65%, 5/10/22	United States	420,000	424,340
Synchrony Financial, senior bond, 5.15%, 3/19/29	United States	215,000	223,294
			<u>1,075,060</u>
Distributors 0.1%			
^{e,k} American News Co. LLC, secured note, senior note, 144A, PIK, 8.50%, (all cash), 9/01/26	United States	1,426,629	1,469,428
Diversified Financial Services 0.8%			
^{e,i} Banco Supervielle SA, senior note, 144A, FRN, 47.667%, (ARS Badlar + 4.50%), 8/09/20	Argentina	3,800,000 ARS	75,752
Citizens Bank NA, senior note, 3.25%, 2/14/22	United States	390,000	396,056
^e Financiera de Desarrollo Territorial SA Findeter, senior bond, 144A, 7.875%, 8/12/24	Colombia	795,000,000 COP	247,405
ⁱ MDC-GMTN BV, senior bond, Reg S, 4.50%, 11/07/28	United Arab Emirates	261,000	284,653
^e Mitsubishi UFJ Lease & Finance Co. Ltd., senior note, 144A, 3.406%, 2/28/22	Japan	320,000	325,463
^e One Call Corp., 144A, secured note, second lien, 10.00%, 10/01/24	United States	3,001,000	2,580,860
senior secured note, first lien, 7.50%, 7/01/24	United States	5,619,000	5,029,005
^e Topaz Solar Farms LLC, senior secured bond, 144A, 5.75%, 9/30/39	United States	415,044	434,669
^e USAA Capital Corp., senior note, 144A, 2.625%, 6/01/21	United States	180,000	180,902
			<u>9,554,765</u>
Diversified Telecommunication Services 0.1%			
AT&T Inc., senior note, ⁱ FRN, 3.27%, (3-Month USD LIBOR + 0.75%), 6/01/21	United States	155,000	155,997
3.80%, 3/15/22	United States	530,000	545,971
			<u>701,968</u>

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds and Notes (continued)			
Electric Utilities 0.3%			
ⁱ 1MDB Energy Ltd., senior note, Reg S, 5.99%, 5/11/22	Malaysia	1,300,000	\$ 1,356,764
^e Enel SpA, sub. bond, 144A, 8.75% to 9/24/23, FRN thereafter	Italy	545,000	609,746
ⁱ Eskom Holdings SOC Ltd., senior bond, Reg S, 5.75%, 1/26/21	South Africa	414,000	414,017
8.45%, 8/10/28	South Africa	894,000	981,091
ⁱ Florida Power & Light Co., senior note, FRN, 2.965%, (3-Month USD LIBOR + 0.40%), 5/06/22	United States	415,000	415,162
			<u>3,776,780</u>
Electronic Equipment, Instruments & Components 0.0%†			
Flex Ltd., senior bond, 4.875%, 6/15/29	Singapore	415,000	411,605
Energy Equipment & Services 0.0%†			
^e Transocean Sentry Ltd., senior secured note, 144A, 5.375%, 5/15/23	United States	120,000	119,100
Entertainment 0.0%†			
^e NetFlix Inc., senior bond, 144A, 5.375%, 11/15/29	United States	440,000	447,700
Equity Real Estate Investment Trusts (REITs) 0.2%			
^e AHP Health Partners Inc., senior note, 144A, 9.75%, 7/15/26	United States	2,195,000	2,332,187
Food & Staples Retailing 0.1%			
^{e,j} Alimentation Couche-Tard Inc., senior note, 144A, FRN, 3.108%, (3-Month USD LIBOR + 0.50%), 12/13/19	Canada	123,000	123,003
^e NBM US Holdings Inc., senior note, 144A, 7.00%, 5/14/26	Brazil	325,000	335,969
Unilever Capital Corp., senior note, 3.00%, 3/07/22	United Kingdom	380,000	386,301
			<u>845,273</u>
Food Products 0.0%†			
ⁱ Campbell Soup Co., senior note, FRN, 3.115%, (3-Month USD LIBOR + 0.50%), 3/16/20	United States	235,000	234,818
^e JBS USA LUX SA / Food Co. / Finance Inc., senior bond, 144A, 6.50%, 4/15/29	United States	180,000	189,450
			<u>424,268</u>
Health Care Providers & Services 0.1%			
^e Cigna Corp., senior note, 144A, 3.40%, 9/17/21	United States	380,000	385,498
CVS Health Corp., senior note, 2.80%, 7/20/20	United States	390,000	390,571
^d 2.125%, 6/01/21	United States	400,000	395,190
			<u>1,171,259</u>
Hotels, Restaurants & Leisure 0.7%			
^e MGM China Holdings Ltd., senior note, 144A, 5.375%, 5/15/24	Hong Kong	200,000	204,250
^e Mohegan Gaming & Entertainment, senior note, 144A, 7.875%, 10/15/24	United States	8,656,000	8,353,040
			<u>8,557,290</u>
Independent Power & Renewable Electricity Producers 0.0%†			
^e Adani Green Energy Up Ltd. / Prayatna Developers Pvt Ltd. / Parampujya Solar Energy Ltd., senior secured note, 144A, 6.25%, 12/10/24	India	200,000	200,000
Insurance 0.2%			
AEGON Funding Co. LLC, senior bond, 5.75%, 12/15/20	Netherlands	220,000	230,776
^{e,j} AIA Group Ltd., senior note, 144A, FRN, 3.153%, (3-Month USD LIBOR + 0.52%), 9/20/21	Hong Kong	200,000	200,034
ⁱ Genworth Holdings Inc., senior bond, FRN, 4.521%, (3-Month USD LIBOR + 2.00%), 11/15/36	United States	577,000	297,155
^e Jackson National Life Global Funding, secured note, 144A, 3.30%, 2/01/22	United States	375,000	381,985
Marsh & McLennan Cos. Inc., senior note, 3.50%, 12/29/20	United States	185,000	187,774

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds and Notes (continued)			
Insurance (continued)			
^e Metropolitan Life Global Funding I, secured note, 144A, 3.375%, 1/11/22	United States	210,000	\$ 214,880
^e New York Life Global Funding, secured note, 144A, 2.95%, 1/28/21	United States	230,000	232,247
ⁱ FRN, 2.885%, (3-Month USD LIBOR + 0.32%), 8/06/21	United States	380,000	380,752
			<u>2,125,603</u>
Interactive Media & Services 0.2%			
^e Rackspace Hosting Inc., senior note, 144A, 8.625%, 11/15/24	United States	3,273,000	2,855,692
IT Services 0.1%			
International Business Machines Corp., senior note, 2.50%, 1/27/22	United States	785,000	784,206
Machinery 0.1%			
Caterpillar Financial Services Corp., senior note, 3.15%, 9/07/21	United States	265,000	268,834
John Deere Capital Corp., senior note, 3.125%, 9/10/21	United States	750,000	761,096
			<u>1,029,930</u>
Media 2.2%			
^e Fox Corp., senior note, 144A, 3.666%, 1/25/22	United States	230,000	235,937
ⁱ HeartCommunications Inc., senior note, 8.375%, 5/01/27	United States	100,000	105,125
^e The McClatchy Co., 144A, senior secured bond, 6.875%, 7/15/31	United States	4,095,000	4,729,725
senior secured note, 9.00%, 7/15/26	United States	8,088,000	7,986,900
^{e,k} Postmedia Network Inc., secured note, second lien, 144A, PIK, 10.25%, 7/15/23	Canada	5,264,856	5,528,099
^e Worldwide Media Services Group Inc., sub. note, 144A, zero cpn., 12/01/24	United States	12,601,854	8,947,316
			<u>27,533,102</u>
Metals & Mining 0.0%†			
^e First Quantum Minerals Ltd., senior note, 144A, 7.50%, 4/01/25	Zambia	205,000	183,988
^e Glencore Funding LLC, senior note, 144A, 4.125%, 3/12/24	Switzerland	170,000	173,240
			<u>357,228</u>
Multiline Retail 0.1%			
^e Neiman Marcus Group Ltd. LLC, senior note, 144A, 8.00%, 10/15/21	United States	2,317,000	1,204,840
Oil, Gas & Consumable Fuels 0.8%			
^{e,g} Bellatrix Exploration Ltd., senior note, 144A, 8.50%, 5/15/20	Canada	410,000	210,535
^e Bruin E&P Partners LLC, senior note, 144A, 8.875%, 8/01/23	United States	590,000	532,475
^{d,e} California Resources Corp., secured note, second lien, 144A, 8.00%, 12/15/22	United States	1,025,000	720,062
^{i,j} EP PetroEcuador via Noble Sovereign Funding I Ltd., secured note, Reg S, FRN, 8.227%, (3-Month USD LIBOR + 5.63%), 9/24/19	Ecuador	84,947	85,372
^e Gran Tierra Energy International Holdings Ltd., senior note, 144A, 6.25%, 2/15/25	Canada	200,000	190,252
Gulfport Energy Corp., senior note, 6.00%, 10/15/24	United States	505,000	419,150
^d Halcon Resources Corp., senior note, 6.75%, 2/15/25	United States	645,000	282,187
Jagged Peak Energy LLC, senior note, 5.875%, 5/01/26	United States	115,000	112,844
^e Kosmos Energy Ltd., senior note, 144A, 7.125%, 4/04/26	Ghana	255,000	252,450
^e Lonestar Resources America Inc., senior note, 144A, 11.25%, 1/01/23	United States	95,000	92,862
Montage Resources Corp., senior note, 8.875%, 7/15/23	United States	195,000	172,575
Petrobras Global Finance BV, senior bond, 5.75%, 2/01/29	Brazil	270,000	272,859
senior bond, 5.625%, 5/20/43	Brazil	90,000	82,462
senior bond, 6.90%, 3/19/49	Brazil	545,000	545,545
senior note, 6.25%, 3/17/24	Brazil	284,000	308,816
senior note, 8.75%, 5/23/26	Brazil	509,000	614,541

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds and Notes (continued)			
Oil, Gas & Consumable Fuels (continued)			
Petroleos Mexicanos,			
senior bond, 5.50%, 1/21/21	Mexico	1,152,000	\$ 1,185,984
senior note, 4.875%, 1/24/22	Mexico	712,000	722,965
senior note, 3.50%, 1/30/23	Mexico	535,000	515,794
senior note, 4.625%, 9/21/23	Mexico	850,000	848,619
^e Saudi Arabian Oil Co., senior bond, 144A,			
3.50%, 4/16/29	Saudi Arabia	200,000	199,869
4.25%, 4/16/39	Saudi Arabia	231,000	231,088
4.375%, 4/16/49	Saudi Arabia	200,000	198,800
^e Transportadora de Gas del Sur SA, senior note, 144A, 6.75%,			
5/02/25	Argentina	155,000	144,538
^e Ultrapar International SA, senior bond, 144A, 5.25%, 6/06/29	Brazil	205,000	204,283
^e Vine Oil & Gas LP / Vine Oil & Gas Finance Corp., senior note, 144A,			
8.75%, 4/15/23	United States	415,000	297,763
9.75%, 4/15/23	United States	190,000	139,650
^e YPF Sociedad Anonima, 144A			
senior bond, 6.95%, 7/21/27	Argentina	220,000	189,728
ⁱ senior note, FRN, 48.75%, (ARS Badlar + 4.00%), 7/07/20	Argentina	245,000	68,692
			<u>9,842,760</u>
Pharmaceuticals 0.2%			
^e Bristol-Myers Squibb Co., senior note, 144A, 2.60%, 5/16/22	United States	830,000	836,226
Mylan Inc., senior bond, 5.20%, 4/15/48	United States	50,000	45,019
Mylan NV, senior bond, 5.25%, 6/15/46	United States	135,000	123,098
Pfizer Inc., senior note, 3.00%, 9/15/21	United States	755,000	767,687
Teva Pharmaceutical Finance Netherlands III BV, senior bond, 4.10%,			
10/01/46	Israel	435,000	283,294
			<u>2,055,324</u>
Road & Rail 0.1%			
^e Penske Truck Leasing Co. LP / PTL Finance Corp., senior note, 144A,			
3.65%, 7/29/21	United States	285,000	290,096
^e Uber Technologies Inc., senior note, 144A,			
^d 7.50%, 11/01/23	United States	370,000	387,575
8.00%, 11/01/26	United States	240,000	254,700
Union Pacific Corp., senior note, 2.95%, 3/01/22	United States	230,000	232,943
			<u>1,165,314</u>
Semiconductors & Semiconductor Equipment 0.0%†			
^e Broadcom Inc., senior bond, 144A, 4.75%, 4/15/29	United States	590,000	582,721
Specialty Retail 0.0%†			
ⁱ The Home Depot Inc., senior note, FRN, 2.83%, (3-Month USD LIBOR +			
0.31%), 3/01/22	United States	310,000	310,633
Technology Hardware, Storage & Peripherals 0.1%			
^e Dell International LLC / EMC Corp., senior secured note, 144A, 4.90%,			
10/01/26	United States	570,000	583,876
Western Digital Corp., senior note, 4.75%, 2/15/26	United States	250,000	237,588
			<u>821,464</u>
Wireless Telecommunication Services 0.0%†			
^e Millicom International Cellular SA, senior bond, 144A, 6.25%, 3/25/29 ..	Colombia	200,000	209,832
Total Corporate Bonds and Notes			
(Cost \$117,239,548)			<u>122,212,792</u>
Corporate Bonds and Notes in Reorganization 0.8%			
Chemicals 0.0%†			
^{d,e,f} Hexion Inc., senior secured note, 144A, 10.375%, 2/01/22	United States	403,000	320,385

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds and Notes in Reorganization			
(continued)			
Electric Utilities 0.8%			
^f Bruce Mansfield Unit 1 2007 Pass-Through Trust, secured bond, 6.85%, 6/01/34	United States	4,278,603	\$ 4,080,249
^f Pacific Gas & Electric Co., senior bond, 5.80%, 3/01/37	United States	1,458,000	1,454,355
5.40%, 1/15/40	United States	597,000	586,179
^d 4.75%, 2/15/44	United States	3,640,000	3,414,775
			<u>9,535,558</u>
Metals & Mining 0.0%[†]			
^{e,f} Samarco Mineracao SA, senior bond, 144A, 4.125%, 11/01/22	Brazil	600,000	445,506
Oil, Gas & Consumable Fuels 0.0%[†]			
^{f,i} Petroleos de Venezuela SA, senior note, Reg S, 6.00%, 10/28/22	Venezuela	506,036	91,087
Total Corporate Bonds and Notes in Reorganization (Cost \$7,298,908)			<u>10,392,536</u>
^{j,l} Senior Floating Rate Interests 0.4%			
Auto Components 0.0%[†]			
Tectum Holdings, Term Loan, 6.189%, (1-Month USD LIBOR + 3.75%), 4/22/24	United States	179,725	171,637
Automobiles 0.0%[†]			
SAIC Motor Corp. Ltd., Term Loan, 4.189%, (1-Month USD LIBOR + 1.75%), 10/31/25	United States	109,400	108,896
Building Products 0.0%[†]			
Jeld-Wen Inc., Term Loan, 4.601%, (3-Month USD LIBOR + 2.00%), 12/14/24	United States	189,039	188,212
Chemicals 0.0%[†]			
Axalta Coating Systems Dutch Holding BV, Term Loan B, 4.351%, (3-Month USD LIBOR + 1.75%), 6/01/24	United States	147,205	144,997
Construction Materials 0.0%[†]			
ABC Supply, Term Loan B, 4.439%, (1-Month USD LIBOR + 2.00%), 10/31/23	United States	114,337	112,988
Summit Materials LLC, Term Loan, 4.439%, (1-Month USD LIBOR + 2.00%), 11/21/24	United States	189,043	188,363
			<u>301,351</u>
Diversified Financial Services 0.1%			
The AES Corp., Term Loan, 4.272%, (3-Month USD LIBOR + 1.75%), 5/31/22	United States	203,700	203,827
B.C. Unlimited Liability Co., Term Loan B-3, 4.689%, (1-Month USD LIBOR + 2.25%), 2/16/24	United States	274,972	272,509
Ziggo BV, Term Loan E, 4.94%, (1-Month USD LIBOR + 2.50%), 4/15/25	United States	200,522	199,360
			<u>675,696</u>
Equity Real Estate Investment Trusts (REITs) 0.0%[†]			
Iron Mountain Inc., Term Loan B, 4.189%, (1-Month USD LIBOR + 1.75%), 1/02/26	United States	217,800	211,538
Food & Staples Retailing 0.0%[†]			
ARAMARK Services Inc., Term Loan B-3, 4.189%, (1-Month USD LIBOR + 1.75%), 3/11/25	United States	189,226	188,600
Food Products 0.0%[†]			
Post Holdings Inc., Term Loan B, 4.44%, (1-Month USD LIBOR + 2.00%), 5/24/24	United States	113,257	113,116

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Senior Floating Rate Interests (continued)			
Health Care Providers & Services 0.0%†			
Catalent Pharma Solutions Inc., Term Loan B, 4.682%, (1-Month USD LIBOR + 2.25%), 5/18/26	United States	60,000	\$ 60,000
Health Care Technology 0.0%†			
Quintiles IMS Inc., Term Loan B-2, 4.601%, (3-Month USD LIBOR + 2.00%), 1/17/25	United States	78,800	78,735
Hotels, Restaurants & Leisure 0.0%†			
Wyndham Hotels, Term Loan, 4.189%, (1-Month USD LIBOR + 1.75%), 5/30/25	United States	64,675	64,502
Independent Power & Renewable Electricity Producers 0.0%†			
Vistra Energy Corp., Term Loan B-3, 4.432%, (1-Month USD LIBOR + 2.00%), 12/31/25	United States	148,202	147,879
4.439%, (1-Month USD LIBOR + 2.00%), 12/31/25	United States	52,822	52,706
			200,585
IT Services 0.0%†			
First Data Corp., Term Loan B, 4.437%, (1-Month USD LIBOR + 2.00%), 7/08/22	United States	151,472	151,437
Life Sciences Tools & Services 0.0%†			
Iqvia Holdings Inc., Term Loan B, 4.189%, (1-Month USD LIBOR + 1.75%), 6/11/25	United States	203,463	202,572
Media 0.0%†			
UPC Financing Partnership, Term Loan, 4.94%, (1-Month USD LIBOR + 2.50%), 1/15/26	United States	96,442	96,356
Oil, Gas & Consumable Fuels 0.1%			
California Resources Corp., Initial Term Loan, 7.178%, (1-Month USD LIBOR + 4.75%), 12/31/22	United States	873,000	839,171
Gavilan Resources LLC, Initial Term Loan, second lien, 8.43%, (1-Month USD LIBOR + 6.00%), 3/01/24	United States	200,000	146,000
			985,171
Pharmaceuticals 0.0%†			
Grifols Worldwide Operations USA Inc., Term Loan, 4.637%, (1-Week USD LIBOR + 2.25%), 1/31/25	United States	194,314	193,751
Road & Rail 0.0%†			
Uber Technologies Inc., Term Loan, Term Loan, 5.93%, (1-Month USD LIBOR + 3.50%), 7/13/23	United States	292,795	292,703
Semiconductors & Semiconductor Equipment 0.0%†			
Microchip Technology Inc., Term Loan B, 4.44%, (1-Month USD LIBOR + 2.00%), 5/29/25	United States	63,238	63,159
Trading Companies & Distributors 0.1%			
Reece Ltd., Term Loan B, 4.61%, (3-Month USD LIBOR + 2.00%), 7/02/25	United States	210,670	209,617
United Rentals Inc., Term Loan, 4.189%, (1-Month USD LIBOR + 1.75%), 10/31/25	United States	109,450	109,557
			319,174
Wireless Telecommunication Services 0.1%			
Unitymedia Hessen GmbH & Co. KG, Term Loan B, 4.44%, (1-Month USD LIBOR + 2.00%), 6/01/23	United States	80,000	79,657
4.69%, (1-Month USD LIBOR + 2.25%), 9/30/25	United States	301,134	299,785
			379,442
Total Senior Floating Rate Interests			
(Cost \$5,258,419)			5,191,630

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Foreign Government and Agency Securities 2.1%			
Argentina Treasury Bill, Strip, 4/30/20	Argentina	21,502,465 ARS	\$ 504,309
7/31/20	Argentina	10,826,261 ARS	220,709
Government of Argentina, 3.38% to 3/31/29, 4.74% thereafter, 12/31/38	Argentina	1,325,000 EUR	781,044
senior bond, 3.38%, 12/31/38	Argentina	319,071 EUR	184,678
ⁱ senior note, FRN, 68.805%, (ARLLMONP), 6/21/20	Argentina	10,866,182 ARS	244,117
senior note, 6.875%, 4/22/21	Argentina	979,000	813,059
ⁱ senior note, Reg S, 3.875%, 1/15/22	Argentina	1,171,000 EUR	998,165
senior note, 5.625%, 1/26/22	Argentina	2,711,000	2,099,670
ⁱ Government of Bahrain, senior bond, Reg S, 7.00%, 1/26/26	Bahrain	467,000	496,099
Government of Brazil, senior bond, 4.875%, 1/22/21	Brazil	640,000	661,760
ⁱ Government of Ecuador, senior note, Reg S, 10.75%, 3/28/22	Ecuador	316,000	351,945
Government of Indonesia, senior note, 4.45%, 2/11/24	Indonesia	240,000	251,573
ⁱ Government of Nigeria, senior note, Reg S, 7.625%, 11/21/25	Nigeria	363,000	381,114
ⁱ Government of Paraguay, senior bond, Reg S, 4.625%, 1/25/23	Paraguay	945,000	982,020
^e Government of Qatar, senior bond, 144A, 4.00%, 3/14/29	Qatar	420,000	442,906
4.817%, 3/14/49	Qatar	530,000	584,325
Government of Russia, senior bond, 7.25%, 5/10/34	Russia	306,742,000 RUB	4,401,397
^e senior bond, 144A, 5.10%, 3/28/35	Russia	200,000	209,129
ⁱ senior note, Reg S, 5.00%, 4/29/20	Russia	400,000	408,106
ⁱ senior note, Reg S, 4.50%, 4/04/22	Russia	400,000	415,941
ⁱ Government of Saudi Arabia, Reg S, senior bond, 5.25%, 1/16/50	Saudi Arabia	903,000	996,497
senior note, 2.375%, 10/26/21	Saudi Arabia	800,000	791,206
Government of South Africa, senior bond, 5.50%, 3/09/20	South Africa	746,000	757,824
8.75%, 1/31/44	South Africa	24,725,000 ZAR	1,531,389
8.75%, 2/28/48	South Africa	7,720,000 ZAR	476,993
R186, 10.50%, 12/21/26	South Africa	38,895,296 ZAR	2,965,295
Government of Turkey, senior bond, 7.00%, 6/05/20	Turkey	1,124,000	1,139,921
5.625%, 3/30/21	Turkey	203,000	200,184
Indonesia Treasury Bond, senior note, 8.125%, 5/15/24	Indonesia	2,795,000,000 IDR	200,825
ⁱ National Highways Authority of India, senior note, Reg S, 7.30%, 5/18/22	India	50,000,000 INR	702,870
Provincia de Buenos Aires, ⁱ FRN, 56.73%, (ARS Badlar + 3.83%), 5/31/22	Argentina	18,295,000 ARS	326,285
^{ij} Reg S, FRN, 45.741%, (ARS Badlar + 3.75%), 4/12/25	Argentina	3,670,000 ARS	65,158
^e senior note, 144A, 6.50%, 2/15/23	Argentina	185,000	139,675
ⁱ ZAR Sovereign Capital Fund Property Ltd., senior note, Reg S, 3.903%, 6/24/20	South Africa	573,000	574,475
Total Foreign Government and Agency Securities (Cost \$28,858,577)			26,300,663
Asset-Backed Securities and Commercial Mortgage-Backed Securities 2.1%			
Airlines 0.0%[†]			
Latam Airlines Pass Through Trust, 2015-1, B, secured note, 4.50%, 8/15/25	Chile	537,066	530,782
Banks 0.0%[†]			
^{e,m} Banco Hipotecario SA, senior note, 144A, FRN, 50.417%, (ARS Badlar + 2.50%), 1/12/20	Argentina	3,890,000 ARS	79,368
56.688%, (ARS Badlar + 4.00%), 11/07/22	Argentina	3,160,000 ARS	58,668
			138,036

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Asset-Backed Securities and Commercial			
Mortgage-Backed Securities (continued)			
Capital Markets 0.0%†			
Citigroup Mortgage Loan Trust,			
ⁿ 2005-3, 2A3, FRN, 4.627%, 8/25/35	United States	46,286	\$ 46,384
^{e,n} 2009-10, 6A2, 144A, FRN, 4.75%, 9/25/34	United States	36,884	37,482
^{e,n} 2018-A, A1, 144A, FRN, 4.00%, 1/25/68	United States	97,131	98,470
^e 2018-C, A1, 144A, 4.125%, 3/25/59	United States	160,492	162,346
			344,682
Consumer Finance 0.1%			
American Express Credit Account Master Trust,			
^m 2017-8, A, FRN, 2.56%, (1-Month USD LIBOR + 0.12%),			
5/16/22	United States	210,000	210,066
2019-1, A, 2.87%, 10/15/24	United States	115,000	117,338
Capital One Multi-Asset Execution Trust, 2019-A1, A1, 2.84%,			
12/15/24	United States	165,000	167,780
Citibank Credit Card Issuance Trust, 2017-A8, A8, 1.86%, 8/08/22 ...	United States	425,000	423,067
Discover Card Execution Note Trust,			
^m 2018-A3, A3, FRN, 2.67%, (1-Month USD LIBOR + 0.23%),			
12/15/23	United States	345,000	345,362
2019-A1, A1, 3.04%, 7/15/24	United States	155,000	158,337
			1,421,950
Diversified Financial Services 1.3%			
^e Accelerated Assets LLC, 2018-1, B, 144A, 4.51%, 12/02/33	United States	82,972	84,779
^e Adams Outdoor Advertising LP, 2018-1, A, 144A, 4.81%, 11/15/48 ...	United States	188,640	199,445
^e AIM Aviation Finance Ltd., 2015-1A, B1, 144A, 5.072%, 2/15/40	Cayman Islands	216,143	218,804
Ally Auto Receivables Trust, 2016-3, A3, 1.44%, 8/17/20	United States	5,487	5,484
^e Ascentium Equipment Receivables Trust, 2017-2A, C, 144A, 2.87%,			
8/10/22	United States	25,000	25,153
^e Bayview Opportunity Master Fund IIB Trust, 2018-RN5, A1, 144A,			
3.82%, 4/28/33	United States	11,173	11,233
^e Bayview Opportunity Master Fund IVA Trust, 2019-RN2, A1, 144A,			
3.967%, 3/28/34	United States	158,693	159,603
^e Bayview Opportunity Master Fund IVB Trust, 144A,			
2018-RN9, A1, 4.213%, 10/29/33	United States	85,340	86,024
2019-RN1, A1, 4.09%, 2/28/34	United States	113,232	114,891
^e Blackbird Capital Aircraft Lease Securitization Ltd., 2016-1A, A, 144A,			
4.213%, 12/16/41	United States	217,813	224,486
California Republic Auto Receivables Trust, 2018-1, D, 4.33%,			
4/15/25	United States	115,000	119,512
Carmax Auto Owner Trust,			
^m 2017-4, A2B, FRN, 2.57%, (1-Month USD LIBOR + 0.13%),			
4/15/21	United States	57,670	57,665
2018-2, D, 3.99%, 4/15/25	United States	100,000	102,939
2018-4, D, 4.15%, 4/15/25	United States	60,000	62,384
2019-1, A3, 3.05%, 3/15/24	United States	355,000	361,804
^e Chesapeake Funding II LLC, 144A,			
^m 2017-4A, A2, FRN, 2.78%, (1-Month USD LIBOR + 0.34%),			
11/15/29	Canada	123,841	123,999
2018-1A, D, 3.92%, 4/15/30	Canada	115,000	117,495
^e Cig Auto Receivables Trust, 2017-1A, A, 144A, 2.71%, 5/15/23	United States	13,577	13,557
^e Coinstar Funding LLC, 2017-1A, A2, 144A, 5.216%, 4/25/47	United States	240,100	246,541
^{e,m} Colony Starwood Homes Trust, 2016-2A, E, 144A, FRN, 5.79%,			
(1-Month USD LIBOR + 3.35%), 12/17/33	United States	62,391	63,064
^e CPS Auto Receivables Trust, 144A,			
2014-B, D, 4.62%, 5/15/20	United States	110,000	110,051
2018-D, C, 3.83%, 9/15/23	United States	100,000	102,242

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Asset-Backed Securities and Commercial			
Mortgage-Backed Securities (continued)			
Diversified Financial Services (continued)			
^e CSMC Trust, 2018-RPL2, A1, 144A, 4.03%, 8/25/62	United States	215,681	\$ 216,311
^{e,m} CVP Cascade Ltd., 2017-2A, A1R, 144A, FRN, 3.801%, (3-Month USD LIBOR + 1.20%), 7/18/26	United States	232,834	233,360
^e Diamond Resorts Owner Trust, 144A, 2017-1A, C, 6.07%, 10/22/29	United States	43,766	44,853
2018-1, C, 4.53%, 1/21/31	United States	121,290	123,593
Drive Auto Receivables Trust, 2018-1, D, 3.81%, 5/15/24	United States	220,000	223,460
^m 2018-5, A2B, FRN, 2.76%, (1-Month USD LIBOR + 0.32%), 7/15/21	United States	149,053	149,092
2018-5, D, 4.30%, 4/15/26	United States	125,000	130,432
^e Driven Brands Funding LLC, 2018-1A, A2, 144A, 4.739%, 4/20/48 ...	United States	59,400	62,264
^e DT Auto Owner Trust, 144A, 2016-1A, D, 4.66%, 12/15/22	United States	133,071	134,131
2016-2A, D, 5.43%, 11/15/22	United States	204,393	206,676
2018-2A, D, 4.15%, 3/15/24	United States	90,000	92,351
2018-3A, C, 3.79%, 7/15/24	United States	120,000	122,075
^e Fairstone Financial Issuance Trust I, 2019-1A, A, 144A, 3.948%, 3/21/33	Canada	150,000 CAD	112,148
^e First Investors Auto Owner Trust, 2016-1A, D, 144A, 4.70%, 4/18/22	United States	110,000	111,661
^e Five Guys Funding LLC, 2017-1A, A2, 144A, 4.60%, 7/25/47	United States	129,025	135,723
^e Flagship Credit Auto Trust, 2019-2, D, 144A, 3.53%, 5/15/25	United States	165,000	167,191
Ford Credit Auto Owner Trust, ^e 2014-2, A, 144A, 2.31%, 4/15/26	United States	100,000	99,882
^m 2017-C, A2B, FRN, 2.56%, (1-Month USD LIBOR + 0.12%), 9/15/20	United States	45,649	45,703
^e GCAT LLC, 144A, 2017-2, A1, 3.50%, 4/25/47	United States	25,871	25,910
2018-1, A1, 3.844%, 6/25/48	United States	63,641	63,944
2018-2, A1, 4.09%, 6/26/23	United States	99,844	100,376
^e GLS Auto Receivables Trust, 144A, 2018-3A, B, 3.78%, 8/15/23	United States	70,000	71,150
2019-2A, C, 3.54%, 2/18/25	United States	255,000	258,464
^{e,m} Gosforth Funding PLC, 2018-1A, A1, 144A, FRN, 2.971%, (3-Month USD LIBOR + 0.45%), 8/25/60	United Kingdom	162,224	162,426
^{e,m} Halcyon Loan Advisors Funding Ltd., 2017-2A, A1BR, 144A, FRN, 3.762%, (3-Month USD LIBOR + 1.18%), 4/28/25	United States	270,225	270,767
^e Hertz Vehicle Financing II LP, 2017-2A, A, 144A, 3.29%, 10/25/23 ...	United States	100,000	101,353
^{e,m} Home Partners of America Trust, 144A, FRN, 2016-2, E, 6.212%, (1-Month USD LIBOR + 3.78%), 10/17/33	United States	100,000	100,502
2016-2, F, 7.132%, (1-Month USD LIBOR + 4.70%), 10/17/33	United States	100,000	100,670
Honda Auto Receivables Owner Trust, 2017-3, A3, 1.79%, 9/20/21	United States	107,911	107,509
2019-1, A3, 2.83%, 3/20/23	United States	150,000	152,170
^e Horizon Aircraft Finance I Ltd., 2018-1, A, 144A, 4.458%, 12/15/38 ...	United States	253,664	262,436
^{e,m} Jamestown CLO VII Ltd., 2017-7A, A1R, 144A, FRN, 3.41%, (3-Month USD LIBOR + 0.83%), 7/25/27	United States	250,000	249,548
^e Kestrel Aircraft Funding Ltd., 2018-1A, A, 144A, 4.25%, 12/15/38	United States	241,918	246,283
^e Legacy Mortgage Asset Trust, 2019-GS3, A1, 144A, 3.75%, 4/25/59	United States	128,471	130,185
^{e,m} Navistar Financial Dealer Note Master Owner Trust II, 2018-1, A, 144A, FRN, 3.06%, (1-Month USD LIBOR + 0.63%), 9/25/23	United States	60,000	60,141

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Asset-Backed Securities and Commercial			
Mortgage-Backed Securities (continued)			
Diversified Financial Services (continued)			
^{e,m} NextGear Floorplan Master Owner Trust, 144A, FRN, 2017-1A, A1, 3.29%, (1-Month USD LIBOR + 0.85%), 4/18/22	United States	240,000	\$ 241,064
2017-2A, A1, 3.12%, (1-Month USD LIBOR + 0.68%), 10/17/22 . . .	United States	220,000	220,871
2018-1A, A1, 3.08%, (1-Month USD LIBOR + 0.64%), 2/15/23	United States	500,000	501,654
^m Nissan Auto Lease Trust, 2017-B, A2B, FRN, 2.65%, (1-Month USD LIBOR + 0.21%), 12/16/19	United States	43,136	43,140
Nissan Auto Receivables Owner Trust, 2016-C, A3, 1.18%, 1/15/21	United States	29,811	29,670
^m 2017-C, A2B, FRN, 2.51%, (1-Month USD LIBOR + 0.07%), 10/15/20	United States	115,435	115,411
2018-A, A3, 2.65%, 5/16/22	United States	250,000	251,182
^m 2018-C, A2B, FRN, 2.61%, (1-Month USD LIBOR + 0.17%), 10/15/21	United States	335,000	335,216
^e OneMain Financial Issuance Trust, 144A, 2015-2A, D, 5.64%, 7/18/25	United States	285,000	286,346
2015-3A, B, 4.16%, 11/20/28	United States	155,000	158,736
2016-2A, B, 5.94%, 3/20/28	United States	335,000	336,503
^e Oxford Finance Funding LLC, 2019-1A, A2, 144A, 4.459%, 2/15/27	United States	50,000	51,161
^e Planet Fitness Master Issuer LLC, 2018-1A, A2I, 144A, 4.262%, 9/05/48	United States	169,150	174,759
^e Progress Residential Trust, 2019-SFR1, E, 144A, 4.466%, 8/17/35 . .	United States	115,000	117,785
^e RCO V Mortgage LLC, 2019-1, A1, 144A, 3.721%, 5/24/24	United States	185,000	185,000
^e RMAT LP, 2018-NPL1, A1, 144A, 4.09%, 5/25/48	United States	100,237	100,953
Santander Drive Auto Receivables Trust, 2018-2, D, 3.88%, 2/15/24	United States	275,000	281,313
2018-3, D, 4.07%, 8/15/24	United States	210,000	215,886
^m 2018-5, A2B, FRN, 2.67%, (1-Month USD LIBOR + 0.23%), 7/15/21	United States	196,697	196,719
2018-5, C, 3.81%, 12/16/24	United States	150,000	153,597
2019-2, D, 3.22%, 7/15/25	United States	210,000	212,326
^e SCF Equipment Leasing LLC, 2018-1A, C, 144A, 4.21%, 4/20/27	United States	255,000	267,606
^e Shenton Aircraft Investment I Ltd., 2015-1A, A, 144A, 4.75%, 10/15/42	United States	101,197	103,762
^e S-Jets Ltd., 2017-1, A, 144A, 3.967%, 8/15/42	Bermuda	251,750	256,905
^m SLM Private Credit Student Loan Trust, 2003-B, FRN, A3, 5.29%, (28-Day T-Bill), 3/15/33	United States	300,000	299,372
A4, 5.06%, (28-Day T-Bill), 3/15/33	United States	50,000	49,895
^{e,m} SMB Private Education Loan Trust, 2017-B, A2B, 144A, FRN, 3.19%, (1-Month USD LIBOR + 0.75%), 10/15/35	United States	100,000	99,852
^e Sofi Consumer Loan Program Trust, 2018-2, A2, 144A, 3.35%, 4/26/27	United States	155,000	156,493
^e Sofi Professional Loan Program LLC, 2016-A, B, 144A, 3.57%, 1/26/38	United States	85,215	84,385
^e Sprite Ltd., 2017-1, B, 144A, 5.75%, 12/15/37	Cayman Islands	216,794	223,214
^e Stack Infrastructure Issuer LLC, 2019-1A, A2, 144A, 4.54%, 2/25/44	United States	124,688	129,616
^{e,m} Staniford Street CLO Ltd., 2017-1A, AR, 144A, FRN, 3.791%, (3-Month USD LIBOR + 1.18%), 6/15/25	United States	175,124	175,221
^e Stanwich Mortgage Loan Trust, 2018-NPB1, A1, 144A, 4.016%, 5/16/23	United States	119,915	120,654
^{e,m} Starwood Retail Property Trust, 2014-STAR, E, 144A, FRN, 6.59%, (1-Month USD LIBOR + 4.15%), 11/15/27	United States	200,000	154,901
^e TAL Advantage V LLC, 2013-2A, A, 144A, 3.55%, 11/20/38	United States	45,000	45,419
^e Thunderbolt Aircraft Lease Ltd., 2017-A, B, 144A, 5.75%, 5/17/32 . . .	United States	201,171	209,768
Toyota Auto Receivables Owner Trust, 2016-C, A3, 1.14%, 8/17/20	United States	13,029	12,997
^m 2017-D, A2B, FRN, 2.49%, (1-Month USD LIBOR + 0.05%), 8/17/20	United States	103,344	103,337

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Asset-Backed Securities and Commercial			
Mortgage-Backed Securities (continued)			
Diversified Financial Services (continued)			
^e United Auto Credit Securitization Trust, 2019-1, C, 144A, 3.16%, 8/12/24	United States	155,000	\$ 155,702
^e Vericrest Opportunity Loan Trust, 2019-NPL3, A1, 144A, 3.967%, 3/25/49	United States	118,901	119,743
^{e,m} Verizon Owner Trust, 144A, FRN, 2017-3A, A1B, 2.711%, (1-Month USD LIBOR + 0.27%), 4/20/22	United States	295,000	295,656
2018-1A, A1B, 2.701%, (1-Month USD LIBOR + 0.26%), 9/20/22	United States	175,000	175,272
^e Veros Automobile Receivables Trust, 2017-1, A, 144A, 2.84%, 4/17/23	United States	14,559	14,544
^e VOLT LXIII LLC, 2018-NPL4, A1A, 144A, 4.336%, 7/27/48	United States	85,501	86,113
^e VOLT LXX LLC, 2018-NPL6, A1A, 144A, 4.115%, 9/25/48	United States	98,577	99,405
^e VOLT LXXII LLC, 2018-NPL8, A1A, 144A, 4.213%, 10/26/48	United States	473,985	480,353
^e VOLT LXXV LLC, 2019-NPL1, A1A, 144A, 4.336%, 1/25/49	United States	174,438	176,558
^e Westlake Automobile Receivables Trust, 144A, 2018-1A, D, 3.41%, 5/15/23	United States	60,000	60,567
2018-2A, D, 4.00%, 1/16/24	United States	50,000	51,102
^m 2018-3A, A2B, FRN, 2.79%, (1-Month USD LIBOR + 0.35%), 1/18/22	United States	271,339	271,367
			16,174,966
Equity Real Estate Investment Trusts (REITs) 0.1%			
^e American Homes 4 Rent, 144A, 2014-SFR2, E, 6.231%, 10/17/36	United States	250,000	278,926
2014-SFR3, E, 6.418%, 12/17/36	United States	100,000	112,180
2015-SFR1, E, 5.639%, 4/17/52	United States	210,000	228,377
^e Colony American Finance Ltd., 2015-1, D, 144A, 5.649%, 10/15/47	United States	115,000	118,769
^e Oak Hill Advisors Residential Loan Trust, 2017-NPL2, A1, 144A, 3.00%, 7/25/57	United States	95,971	95,880
			834,132
Mortgage Real Estate Investment Trusts (REITs) 0.5%			
^{e,n} Ajax Mortgage Loan Trust, 2017-B, A, 144A, FRN, 3.163%, 9/25/56	United States	115,577	116,266
American Home Mortgage Investment Trust, FRN, ⁿ 2004-2, 5A, 5.50%, 2/25/44	United States	8,533	8,757
^m 2006-1, 11A1, 2.71%, (1-Month USD LIBOR + 0.28%), 3/25/46	United States	249,013	241,721
ⁿ ARM Trust, 2005-1, 3A1, FRN, 4.413%, 5/25/35	United States	72,806	75,047
Banc of America Alternative Loan Trust, 2003-8, 1CB1, 5.50%, 10/25/33	United States	7,145	7,479
Banc of America Funding Trust, 2005-5, 1A1, 5.50%, 9/25/35	United States	10,285	11,271
2007-4, 5A1, 5.50%, 11/25/34	United States	110,350	109,106
ⁿ Banc of America Mortgage Trust, FRN, 2005-A, 2A1, 4.494%, 2/25/35	United States	6,202	6,304
2005-I, 4A1, 3.428%, 10/25/35	United States	69,351	67,428
BCAP LLC Trust, 2007-AA2, 22A1, 6.00%, 3/25/22	United States	67,985	67,642
^{e,n} CCRESG Commercial Mortgage Trust, 2016-HEAT, D, 144A, FRN, 5.488%, 4/10/29	United States	100,000	102,284
Countrywide Alternative Loan Trust, 2003-22CB, 1A1, 5.75%, 12/25/33	United States	46,436	48,213
2004-16CB, 1A1, 5.50%, 7/25/34	United States	30,613	32,023
2004-16CB, 3A1, 5.50%, 8/25/34	United States	34,252	35,783
2004-28CB, 5A1, 5.75%, 1/25/35	United States	5,407	5,514
2004-J3, 1A1, 5.50%, 4/25/34	United States	26,851	27,681
2004-J10, 2CB1, 6.00%, 9/25/34	United States	89,551	95,344
2005-J1, 2A1, 5.50%, 2/25/25	United States	5,422	5,565

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Asset-Backed Securities and Commercial			
Mortgage-Backed Securities (continued)			
Mortgage Real Estate Investment Trusts (REITs) (continued)			
ⁿ Countrywide Home Loans Mortgage Pass-Through Trust, FRN,			
2004-12, 8A1, 4.567%, 8/25/34	United States	5,952	\$ 5,952
2004-HYB4, 2A1, 4.209%, 9/20/34	United States	67,651	66,904
Credit Suisse First Boston Mortgage Securities Corp.,			
2003-27, 4A4, 5.75%, 11/25/33	United States	19,321	20,160
ⁿ 2003-AR26, 7A1, FRN, 4.395%, 11/25/33	United States	6,275	6,436
ⁿ 2003-AR28, 4A1, FRN, 4.65%, 12/25/33	United States	2,999	3,083
^e CSMC OA LLC, 2014-USA, E, 144A, 4.373%, 9/15/37	United States	400,000	374,761
^m Deutsche Mortgage Securities Inc. Mortgage Loan Trust, 2004-4,			
7AR1, FRN, 2.78%, (1-Month USD LIBOR + 0.35%), 6/25/34	United States	61,509	60,906
^m DSLA Mortgage Loan Trust, 2005-AR5, 2A1A, FRN, 2.771%,			
(1-Month USD LIBOR + 0.33%), 9/19/45	United States	45,682	37,799
^{i,m} Dukinfield II PLC, 2016-2, A, Reg S, FRN, 2.087%, (3-Month GBP			
LIBOR + 1.25%), 12/20/52	United Kingdom	173,225	GBP 221,582
^{i,m} Eurosail-UK PLC, 2007-2X, A3C, Reg S, FRN, 0.993%, (3-Month			
GBP LIBOR + 0.15%), 3/13/45	United Kingdom	48,628	GBP 60,421
^m FHLMC Structured Agency Credit Risk Debt Notes, FRN,			
2015-DNA1, M2, 4.28%, (1-Month USD LIBOR + 1.85%),			
10/25/27	United States	172,219	174,521
2015-DNA1, M3, 5.73%, (1-Month USD LIBOR + 3.30%),			
10/25/27	United States	250,000	272,561
ⁿ GMACM Mortgage Loan Trust, FRN,			
2005-AR1, 3A, 4.72%, 3/18/35	United States	69,343	71,992
2005-AR4, 3A1, 4.124%, 7/19/35	United States	90,683	87,431
^{e,n} GS Mortgage Securities Trust, 2011-GC5, D, 144A, FRN, 5.39%,			
8/10/44	United States	195,000	191,388
GSR Mortgage Loan Trust,			
2005-4F, 6A1, 6.50%, 2/25/35	United States	10,339	10,476
ⁿ 2005-AR6, 4A5, FRN, 4.403%, 9/25/35	United States	69,547	71,345
^m Harborview Mortgage Loan Trust, FRN,			
2003-2, 1A, 3.181%, (1-Month USD LIBOR + 0.74%), 10/19/33	United States	55,571	54,726
2004-11, 2A2A, 3.081%, (1-Month USD LIBOR + 0.64%),			
1/19/35	United States	108,305	105,558
2004-2, 1A1, 2.961%, (1-Month USD LIBOR + 0.52%), 6/19/34	United States	92,245	92,219
IndyMac Index Mortgage Loan Trust, FRN,			
^m 2004-AR12, A1, 3.21%, (1-Month USD LIBOR + 0.78%),			
12/25/34	United States	162,273	143,926
ⁿ 2004-AR6, 4A, 4.711%, 10/25/34	United States	162,599	171,131
^m 2004-AR7, A5, 3.65%, (1-Month USD LIBOR + 1.22%), 9/25/34	United States	53,789	50,799
ⁿ 2005-AR11, A3, 3.938%, 8/25/35	United States	61,331	55,882
^m 2006-AR2, 2A1, 2.64%, (1-Month USD LIBOR + 0.21%),			
2/25/46	United States	256,436	219,827
^{e,m} Invitation Homes Trust, 144A, FRN,			
2018-SFR1, E, 4.432%, (1-Month USD LIBOR + 2.00%),			
3/17/37	United States	100,000	99,966
2018-SFR2, E, 4.44%, (1-Month USD LIBOR + 2.00%), 6/17/37	United States	200,000	199,936
ⁿ JP Morgan Chase Commercial Mortgage Securities Trust,			
2007-LDPX, AM, FRN, 5.464%, 1/15/49	United States	7,700	7,714
JP Morgan Mortgage Trust,			
ⁿ 2003-A2, 3A1, FRN, 4.323%, 11/25/33	United States	8,628	8,924
2004-S1, 2A1, 6.00%, 9/25/34	United States	103,839	110,659
ⁿ 2005-A1, 6T1, FRN, 4.685%, 2/25/35	United States	14,985	15,226
ⁿ 2005-A3, 4A1, FRN, 4.841%, 6/25/35	United States	3,259	3,378
ⁿ 2006-A1, 1A2, FRN, 4.688%, 2/25/36	United States	49,436	46,075
ⁿ 2007-A1, 4A2, FRN, 4.56%, 7/25/35	United States	3,927	4,091
^m Lehman XS Trust Series, 2006-2N, 1A1, FRN, 2.69%, (1-Month USD			
LIBOR + 0.26%), 2/25/46	United States	48,664	46,784

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Asset-Backed Securities and Commercial			
Mortgage-Backed Securities (continued)			
Mortgage Real Estate Investment Trusts (REITs) (continued)			
i,m Ludgate Funding PLC, Reg S, FRN, 2007-1, A2B, 0.665%, (3-Month EURIBOR + 0.16%), 1/01/61	United Kingdom	30,884 EUR	\$ 32,887
2008-W1X, A1, 1.441%, (3-Month GBP LIBOR + 0.60%), 1/01/61	United Kingdom	139,319 GBP	172,569
n MASTR Adjustable Rate Mortgages Trust, 2004-7, 3A1, FRN, 4.22%, 7/25/34	United States	33,591	33,639
MASTR Alternative Loan Trust, 2004-2, 8A4, 5.50%, 3/25/34	United States	175,259	182,368
2004-8, 2A1, 6.00%, 9/25/34	United States	59,346	65,260
n Merrill Lynch Mortgage Investors MLCC, 2006-2, 2A, FRN, 4.419%, 5/25/36	United States	5,942	6,099
e,n Morgan Stanley Capital I Trust, 2011-C2, E, 144A, FRN, 5.485%, 6/15/44	United States	150,000	147,727
i,m Newgate Funding PLC, 2007-3X, A2B, Reg S, FRN, 0.291%, (3-Month EURIBOR + 0.60%), 12/15/50	United Kingdom	65,447 EUR	71,567
e PRPM LLC, 144A, 2017-2A, A1, 3.47%, 9/25/22	United States	155,038	155,541
2017-2A, A2, 5.00%, 9/25/22	United States	100,000	100,534
n 2017-3A, A1, FRN, 3.47%, 11/25/22	United States	78,124	78,298
m RALI Trust, 2006-QO4, 2A1, FRN, 2.62%, (1-Month USD LIBOR + 0.19%), 4/25/46	United States	69,043	66,390
Residential Asset Securitization Trust, 2003-A9, A2, 4.00%, 8/25/33	United States	122,323	121,291
n RFMSI Trust, FRN, 2005-SA1, 1A1, 4.991%, 3/25/35	United States	113,779	89,290
2006-SA2, 3A1, 5.235%, 8/25/36	United States	117,963	111,807
i,m RMAC Securities PLC, 2006-NS1X, A2C, Reg S, FRN, 0.229%, (3-Month EURIBOR + 0.15%), 6/12/44	United Kingdom	42,927 EUR	46,283
Structured ARM Loan Trust, FRN, n 2004-12, 7A3, 4.448%, 9/25/34	United States	10,875	11,086
m 2005-14, A1, 2.74%, (1-Month USD LIBOR + 0.31%), 7/25/35	United States	280,525	226,207
Structured Asset Securities Corp. Trust, 2005-1, 7A7, 5.50%, 2/25/35	United States	11,009	11,230
n Wells Fargo Bank, N.A., Adjustable Rate Mortgage Trust, 2004-4, 3A1, FRN, 4.255%, 3/25/35	United States	31,807	32,347
Wells Fargo Mortgage Backed Securities Trust, n 2003-M, A1, FRN, 4.901%, 12/25/33	United States	17,749	18,601
n 2004-I, 2A1, FRN, 4.928%, 7/25/34	United States	80,636	84,318
n 2004-O, A1, FRN, 4.682%, 8/25/34	United States	6,217	6,515
2005-16, A18, 6.00%, 12/25/35	United States	3,383	3,439
n 2005-AR10, 2A4, FRN, 4.904%, 5/01/35	United States	8,699	9,099
n 2005-AR12, 2A5, FRN, 4.976%, 6/25/35	United States	25,960	27,063
n 2005-AR2, 3A1, FRN, 5.139%, 3/25/35	United States	30,357	31,402
2006-3, A11, 5.50%, 3/25/36	United States	32,541	33,043
n WF-RBS Commercial Mortgage Trust, FRN, e 2011-C2, D, 144A, 5.652%, 2/15/44	United States	35,000	35,719
e 2011-C3, D, 144A, 5.683%, 3/15/44	United States	90,000	80,932
e 2012-C6, D, 144A, 5.582%, 4/15/45	United States	150,000	156,629
2012-C7, C, 4.815%, 6/15/45	United States	25,000	25,494
e 2012-C7, E, 144A, 4.815%, 6/15/45	United States	75,000	65,932
			6,578,573
Thriffs & Mortgage Finance 0.1%			
AmeriCredit Automobile Receivables Trust,			
m 2017-3, A2B, 2.681%, (1-Month USD LIBOR + 0.24%), 12/18/20	United States	16,670	16,671

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Asset-Backed Securities and Commercial			
Mortgage-Backed Securities (continued)			
Thriffs & Mortgage Finance (continued)			
2018-2, D, 4.01%, 7/18/24	United States	155,000	\$ 161,142
^m 2018-3, A2B, FRN, 2.691%, (1-Month USD LIBOR + 0.25%), 1/18/22	United States	208,119	208,143
2018-3, D, 4.04%, 11/18/24	United States	205,000	213,737
			599,693
Total Asset-Backed Securities and Commercial Mortgage-Backed Securities (Cost \$26,294,621)			26,622,814
Municipal Bonds in Reorganization 0.5%			
Puerto Rico 0.5%			
^f Puerto Rico Commonwealth GO, Public Improvement, Refunding, Series A, 5.50%, 7/01/39	United States	1,115,000	623,006
5.00%, 7/01/41	United States	1,000,000	558,750
^f Puerto Rico Commonwealth GO, Refunding, Series A, 8.00%, 7/01/35	United States	4,015,000	1,967,350
^f Puerto Rico Electric Power Authority Power Revenue, Refunding, Series A, 5.00%, 7/01/42	United States	775,000	620,000
^f Puerto Rico Electric Power Authority Power Revenue, Series TT, 5.00%, 7/01/37	United States	865,000	692,000
^f Puerto Rico Electric Power Authority Power Revenue, Series WW, 5.25%, 7/01/33	United States	20,000	16,050
^{a,f} Puerto Rico Electric Power Authority Power Revenue, Series XX, 5.25%, 7/01/40	United States	2,180,000	1,749,450
Total Municipal Bonds in Reorganization (Cost \$6,033,879)			6,226,606
	Number of Contracts	Notional Amount#	
Options Purchased 0.2%			
Calls – Exchange-Traded 0.0%[†]			
Alder Biopharmaceuticals Inc., July Strike Price \$15.00, Expires 7/19/19	60	6,000	750
Allergan PLC, August Strike Price \$160.00, Expires 8/16/19	17	1,700	510
Allergan PLC, August Strike Price \$165.00, Expires 8/16/19	385	38,500	7,315
Carbonite Inc., June Strike Price \$35.00, Expires 6/21/19	29	2,900	290
Cemex SAB de CV, ADR, July Strike Price \$7.00, Expires 7/19/19	33	3,300	198
Dell Technologies Inc., July Strike Price \$60.00, Expires 7/19/19	385	38,500	109,725
Dell Technologies Inc., July Strike Price \$62.50, Expires 7/19/19	58	5,800	11,078
Dell Technologies Inc., July Strike Price \$65.00, Expires 7/19/19	84	8,400	9,660
DJ EURO STOXX 50 Index, December Strike Price 3,700.00 EUR, Expires 12/20/19	350	3,500	38,710
DJ EURO STOXX Banks, June Strike Price 100.00 EUR, Expires 6/21/19	250	12,500	698
DJ EURO STOXX Banks, December Strike Price 105.00 EUR, Expires 12/20/19	200	10,000	8,937
DJ EURO STOXX Banks, December Strike Price 115.00 EUR, Expires 12/20/19	600	30,000	6,703
DJ EURO STOXX Banks, December Strike Price 120.00 EUR, Expires 12/20/19	137	6,850	765
Golar LNG Ltd., June Strike Price \$25.00, Expires 6/21/19	41	4,100	123
Health Care Select Sector SPDR Fund, June Strike Price \$90.00, Expires 6/21/19	159	15,900	5,406
Infinera Corp., June Strike Price \$5.00, Expires 6/21/19	73	7,300	292
Innoviva Inc., June Strike Price \$17.50, Expires 6/21/19	53	5,300	530

Franklin K2 Alternative Strategies Fund (continued)

	Number of Contracts	Notional Amount#	Value
Options Purchased (continued)			
Calls – Exchange-Traded (continued)			
Koninklijke KPN NV, June Strike Price 2.80 EUR, Expires 6/21/19	4,236	423,600	\$ 18,929
Newpark Resources Inc., June Strike Price \$10.00, Expires 6/21/19	165	16,500	660
NII Holdings Inc., June Strike Price \$5.00, Expires 6/21/19	50	5,000	250
NII Holdings Inc., June Strike Price \$7.50, Expires 6/21/19	73	7,300	292
Occidental Petroleum Corp., June Strike Price \$65.00, Expires 6/21/19	82	8,200	328
Technology Select Sector SPDR Fund, June Strike Price \$77.00, Expires 6/21/19	137	13,700	1,096
Technology Select Sector SPDR Fund, June Strike Price \$80.00, Expires 6/21/19	198	19,800	198
Telecom Italia SpA, June Strike Price 0.54 EUR, Expires 6/21/19	5,832	5,832,000	1,303
Telecom Italia SpA, June Strike Price 0.64 EUR, Expires 6/21/19	1,078	1,078,000	120
thyssenkrupp AG, June Strike Price 18.00 EUR, Expires 6/21/19	745	74,500	832
thyssenkrupp AG, June Strike Price 22.00 EUR, Expires 6/21/19	1,090	109,000	1,218
T-Mobile US Inc., August Strike Price \$85.00, Expires 8/16/19	275	27,500	20,350
Vodafone Group PLC, ADR, September Strike Price 135.00 GBP, Expires 9/20/19	368	368,000	15,121
Vodafone Group PLC, ADR, September Strike Price 170.00 GBP, Expires 9/20/19	1,010	1,010,000	3,192
Vodafone Group PLC, ADR, January Strike Price \$18.00, Expires 1/17/20	282	28,200	12,831
Vodafone Group PLC, ADR, January Strike Price \$20.00, Expires 1/17/20	120	12,000	1,800
			280,210

Calls – Over-the-Counter 0.0%†

Currency Options 0.0%†

EUR/CHF, Counterparty JPHQ, July Strike Price 1.16 CHF, Expires 7/09/19	1	2,000,000	EUR	241
EUR/USD, Counterparty JPHQ, June Strike Price \$1.18, Expires 6/25/19	1	2,200,000	EUR	225
EUR/USD, Counterparty JPHQ, July Strike Price \$1.17, Expires 7/11/19	1	700,000	EUR	126
EUR/USD, Counterparty JPHQ, July Strike Price \$1.15, Expires 7/15/19	1	1,500,000	EUR	1,756
EUR/USD, Counterparty JPHQ, September Strike Price \$1.17, Expires 9/12/19	1	4,000,000	EUR	7,878
GBP/USD, Counterparty JPHQ, July Strike Price \$1.34, Expires 7/05/19	1	1,000,000	GBP	266
USD/HKD, Counterparty JPHQ, July Strike Price 7.93 HKD, Expires 7/18/19	1	2,000,000		303
USD/HKD, Counterparty JPHQ, September Strike Price 7.95 HKD, Expires 9/16/19	1	2,000,000		1,081
USD/HKD, Counterparty JPHQ, September Strike Price 7.95 HKD, Expires 9/18/19	1	3,000,000		1,638
USD/HKD, Counterparty JPHQ, September Strike Price 7.95 HKD, Expires 9/19/19	1	2,000,000		1,097
USD/HKD, Counterparty JPHQ, January Strike Price 7.98 HKD, Expires 1/20/20	1	2,000,000		2,987
USD/ILS, Counterparty JPHQ, August Strike Price 3.71 ILS, Expires 8/28/19	1	1,200,000		2,363
USD/ILS, Counterparty JPHQ, September Strike Price 3.70 ILS, Expires 9/12/19	1	750,000		2,039
USD/ILS, Counterparty JPHQ, September Strike Price 3.68 ILS, Expires 9/23/19	1	1,050,000		4,148
USD/TRY, Counterparty JPHQ, June Strike Price 7.50 TRY, Expires 6/26/19	1	500,000		871

Franklin K2 Alternative Strategies Fund (continued)

	Number of Contracts	Notional Amount#	Value
Options Purchased (continued)			
Calls – Over-the-Counter (continued)			
Currency Options (continued)			
USD/TWD, Counterparty JPHQ, June Strike Price 31.50 TWD, Expires 6/06/19	1	4,000,000	\$ 11,512
USD/TWD, Counterparty JPHQ, June Strike Price 32.00 TWD, Expires 6/06/19	1	3,500,000	799
USD/TWD, Counterparty JPHQ, July Strike Price 31.75 TWD, Expires 7/19/19	1	3,500,000	14,894
			54,224
Puts – Exchange-Traded 0.2%			
Aeroports de Paris, December Strike Price 130.00 EUR, Expires 12/20/19	14	1,400	5,803
Anadarko Petroleum Corp., June Strike Price \$70.00, Expires 6/21/19	46	4,600	4,600
Anadarko Petroleum Corp., August Strike Price \$70.00, Expires 8/16/19	710	71,000	166,850
Bristol-Myers Squibb Co., June Strike Price \$47.00, Expires 6/21/19	377	37,700	81,432
Celgene Corp., June Strike Price \$80.00, Expires 6/21/19	91	9,100	1,365
Celgene Corp., June Strike Price \$85.00, Expires 6/21/19	483	48,300	14,490
Centene Corp., July Strike Price \$55.00, Expires 7/19/19	56	5,600	13,552
Centene Corp., September Strike Price \$45.00, Expires 9/20/19	196	19,600	19,208
Centene Corp., September Strike Price \$50.00, Expires 9/20/19	64	6,400	12,288
DJ EURO STOXX 50 Index, June Strike Price 3,175.00 EUR, Expires 6/21/19	16	160	3,664
DJ EURO STOXX 50 Index, June Strike Price 3,275.00 EUR, Expires 6/21/19	31	310	17,593
DJ EURO STOXX 50 Index, July Strike Price 3,100.00 EUR, Expires 7/19/19	120	1,200	38,609
Edison International, October Strike Price \$55.00, Expires 10/18/19	127	12,700	37,465
GDS Holdings Ltd., ADR, June Strike Price \$20.00, Expires 6/21/19	15	1,500	75
Genworth Financial Inc., July Strike Price \$3.50, Expires 7/19/19	201	20,100	16,422
Invesco QQQ Series 1 ETF, July Strike Price \$163.00, Expires 7/19/19	640	64,000	140,800
Invesco QQQ Series 1 ETF, July Strike Price \$173.00, Expires 7/19/19	1,070	107,000	558,540
The Medicines Co., January Strike Price \$20.00, Expires 1/17/20	41	4,100	15,170
S&P 500 Index, June Strike Price \$2,400.00, Expires 6/21/19	14	1,400	1,820
S&P 500 Index, June Strike Price \$2,600.00, Expires 6/21/19	379	37,900	341,100
S&P 500 Index, July Strike Price \$2,550.00, Expires 7/19/19	60	6,000	105,780
S&P 500 Index, July Strike Price \$2,650.00, Expires 7/19/19	15	1,500	51,000
STOXX Europe 600 Food & Beverage Index, December Strike Price 740.00 EUR, Expires 12/20/19	100	5,000	155,843
VMware Inc., July Strike Price \$170.00, Expires 7/19/19	80	8,000	40,800
			1,844,269
Total Options Purchased (Cost \$3,444,140)			2,178,703
Total Investments before Short Term Investments (Cost \$699,424,067)			793,862,325
	Country	Principal Amount*	
Short Term Investments 27.3%			
Foreign Government and Agency Securities (Cost \$885,253) 0.1%			
^P Argentina Treasury Bill, 6/28/19	Argentina	36,717,605 ARS	977,209

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Short Term Investments (continued)			
Convertible Bonds 0.3%			
Aerospace & Defense 0.1%			
Arconic Inc., senior note, 1.625%, 10/15/19	United States	743,000	\$ 741,142
Interactive Media & Services 0.1%			
Twitter Inc., senior note, 0.25%, 9/15/19	United States	763,000	756,643
Metals & Mining 0.0%†			
Royal Gold Inc., senior note, 2.875%, 6/15/19	United States	330,000	330,017
Semiconductors & Semiconductor Equipment 0.0%†			
NXP Semiconductors NV, senior note, 1.00%, 12/01/19	Netherlands	491,000	503,889
Specialty Retail 0.1%			
Restoration Hardware Holdings Inc., senior note, zero cpn., 6/15/19	United States	1,226,000	1,223,827
Technology Hardware, Storage & Peripherals 0.0%†			
Electronics For Imaging Inc., senior note, 0.75%, 9/01/19	United States	577,000	572,797
Total Convertible Bonds (Cost \$4,159,618)			4,128,315
q Credit-Linked Notes 0.1%			
Goldman Sachs International, senior note, (Nigeria OMO Bill), zero cpn., 9/30/19	United States	166,466,000 NGN	444,480
e HSBC Bank PLC, (Egypt Treasury Bill), 144A, zero cpn., 11/07/19 ...	United Kingdom	15,550,000 EGP	864,753
e Citigroup Global Markets Holdings Inc., senior note, (The Federal Republic of Nigeria), 144A, zero cpn., 12/03/19	United States	194,077,440 NGN	510,088
Total Credit-Linked Notes (Cost \$1,795,178)			1,819,321
		Shares	
Money Market Funds 23.1%			
r,s Dreyfus Government Cash Management, Institutional, 2.28%	United States	17,015,625	17,015,625
r Fidelity Investments Money Market Government Portfolio, Institutional, 2.27%	United States	269,168,672	269,168,672
Total Money Market Funds (Cost \$286,184,297)			286,184,297
		Principal Amount*	
Repurchase Agreements (Cost \$21,518,574) 1.7%			
t Joint Repurchase Agreement, 2.480%, 6/03/19 (Maturity Value \$21,523,021)	United States	21,518,574	21,518,574
BNP Paribas Securities Corp. (Maturity Value \$18,613,539) Deutsche Bank Securities Inc. (Maturity Value \$2,288,973) HSBC Securities (USA) Inc. (Maturity Value \$620,509) Collateralized by U.S. Government Agency Securities, 4.50%, 1/20/40; and U.S. Treasury Notes, 2.00%–3.125%, 5/15/21– 7/31/22; (valued at \$21,956,775)			
		Shares	
u Investments from Cash Collateral Received for Loaned Securities 0.5%			
Money Market Funds 0.4%			
r,v Institutional Fiduciary Trust Money Market Portfolio, 2.08%	United States	4,871,000	4,871,000

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Short Term Investments (continued)			
^uInvestments from Cash Collateral Received for			
Loaned Securities (continued)			
Repurchase Agreements 0.1%			
^t Joint Repurchase Agreement, 2.48%, 6/03/19 (Maturity Value \$1,200,309)	United States	1,200,061	\$ 1,200,061
J.P. Morgan Securities LLC Collateralized by various U.S. Government Agency Obligations, 0.00%–2.88%, 6/13/19–5/31/24, (valued at \$1,224,044)			
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$6,071,061)			6,071,061
U.S. Government and Agency Securities 1.5%			
^p U.S. Treasury Bill, 6/20/19–3/26/20	United States	5,020,000	4,943,404
^a 8/15/19	United States	13,140,000	13,079,349
Total U.S. Government and Agency Securities (Cost \$18,012,119)			18,022,753
Total Investments (Cost \$1,038,050,167) 91.4%			1,132,583,855
Options Written (0.0)%[†]			(378,169)
Securities Sold Short (18.2)%			(225,752,061)
Other Assets, less Liabilities 26.8%			332,833,551
Net Assets 100.0%			\$1,239,287,176
	Number of	Notional Amount#	
	Contracts		
^wOptions Written (0.0)%[†]			
Calls – Exchange-Traded (0.0)%[†]			
AbbVie Inc., June Strike Price \$82.50, Expires 6/21/19	2	200	(42)
AbbVie Inc., June Strike Price \$85.00, Expires 6/21/19	2	200	(14)
AbbVie Inc., June Strike Price \$87.50, Expires 6/21/19	2	200	(8)
Accenture PLC, A, June Strike Price \$175.00, Expires 6/21/19	1	100	(550)
Accenture PLC, A, June Strike Price \$190.00, Expires 6/21/19	1	100	(16)
Accenture PLC, A, August Strike Price \$190.00, Expires 8/16/19	1	100	(240)
Aeroports de Paris, December Strike Price 180.00 EUR, Expires 12/20/19	14	1,400	(3,425)
Aflac Inc., August Strike Price \$52.50, Expires 8/16/19	3	300	(414)
Aflac Inc., August Strike Price \$55.00, Expires 8/16/19	7	700	(301)
Allergan PLC, June Strike Price \$150.00, Expires 6/21/19	1	100	(4)
Allergan PLC, August Strike Price \$150.00, Expires 8/16/19	2	200	(135)
Altria Group Inc., June Strike Price \$55.00, Expires 6/21/19	8	800	(32)
Altria Group Inc., June Strike Price \$60.00, Expires 6/21/19	2	200	(2)
AmerisourceBergen Corp., A, June Strike Price \$82.50, Expires 6/21/19	2	200	(140)
AmerisourceBergen Corp., A, July Strike Price \$82.50, Expires 7/19/19	2	200	(315)
AmerisourceBergen Corp., A, August Strike Price \$85.00, Expires 8/16/19	2	200	(380)
Amgen Inc., June Strike Price \$180.00, Expires 6/21/19	1	100	(50)
Amgen Inc., July Strike Price \$185.00, Expires 7/19/19	1	100	(83)
Anadarko Petroleum Corp., August Strike Price \$80.00, Expires 8/16/19	120	12,000	(600)
Automatic Data Processing Inc., June Strike Price \$165.00, Expires 6/21/19	1	100	(115)
Automatic Data Processing Inc., August Strike Price \$170.00, Expires 8/16/19	1	100	(265)
Best Buy Co. Inc., June Strike Price \$75.00, Expires 6/21/19	2	200	(4)
Best Buy Co. Inc., June Strike Price \$80.00, Expires 6/21/19	2	200	(4)
Best Buy Co. Inc., July Strike Price \$75.00, Expires 7/19/19	2	200	(30)
The Boeing Co., June Strike Price \$375.00, Expires 6/21/19	1	100	(79)
Bristol-Myers Squibb Co., June Strike Price \$45.00, Expires 6/21/19	18	1,800	(2,412)

Franklin K2 Alternative Strategies Fund (continued)

	Number of Contracts	Notional Amount#	Value
^w Options Written (continued)			
Calls – Exchange-Traded (continued)			
Bristol-Myers Squibb Co., June Strike Price \$46.00, Expires 6/21/19	55	5,500	\$ (4,730)
Bristol-Myers Squibb Co., June Strike Price \$47.00, Expires 6/21/19	14	1,400	(700)
Bristol-Myers Squibb Co., June Strike Price \$48.00, Expires 6/21/19	151	15,100	(4,681)
Bristol-Myers Squibb Co., June Strike Price \$49.00, Expires 6/21/19	3	300	(60)
Bristol-Myers Squibb Co., June Strike Price \$50.00, Expires 6/21/19	3	300	(33)
Bristol-Myers Squibb Co., September Strike Price \$52.50, Expires 9/20/19	3	300	(138)
Broadridge Financial Solutions Inc., June Strike Price \$110.00, Expires 6/21/19	1	100	(1,530)
Broadridge Financial Solutions Inc., June Strike Price \$115.00, Expires 6/21/19	1	100	(1,053)
Broadridge Financial Solutions Inc., September Strike Price \$130.00, Expires 9/20/19	1	100	(375)
CDW Corp., June Strike Price \$105.00, Expires 6/21/19	2	200	(112)
CDW Corp., June Strike Price \$110.00, Expires 6/21/19	2	200	(24)
Cisco Systems Inc., June Strike Price \$57.50, Expires 6/21/19	2	200	(8)
Cisco Systems Inc., June Strike Price \$60.00, Expires 6/21/19	4	400	(8)
Citigroup Inc., September Strike Price \$70.00, Expires 9/20/19	2	200	(190)
Citigroup Inc., September Strike Price \$72.50, Expires 9/20/19	2	200	(102)
Comcast Corp., A, June Strike Price \$45.00, Expires 6/21/19	12	1,200	(36)
ConocoPhillips, June Strike Price \$67.50, Expires 6/21/19	4	400	(24)
ConocoPhillips, June Strike Price \$72.50, Expires 6/21/19	4	400	(4)
Cummins Inc., June Strike Price \$170.00, Expires 6/21/19	1	100	(10)
Cummins Inc., June Strike Price \$180.00, Expires 6/21/19	1	100	(5)
Cummins Inc., September Strike Price \$175.00, Expires 9/20/19	1	100	(125)
CVR Energy Inc., June Strike Price \$50.00, Expires 6/21/19	6	600	(135)
Dell Technologies Inc., July Strike Price \$70.00, Expires 7/19/19	191	19,100	(6,876)
Dick's Sporting Goods Inc., June Strike Price \$40.00, Expires 6/21/19	9	900	(45)
Dick's Sporting Goods Inc., June Strike Price \$44.00, Expires 6/21/19	4	400	(4)
DJ EURO STOXX 50 Index, December Strike Price 3,750.00 EUR, Expires 12/20/19	350	3,500	(25,024)
DJ EURO STOXX Banks, June Strike Price 105.00 EUR, Expires 6/21/19	250	12,500	(698)
DJ EURO STOXX Banks, December Strike Price 125.00 EUR, Expires 12/20/19	937	46,850	(2,617)
Dominion Energy Inc., June Strike Price \$77.50, Expires 6/21/19	2	200	(50)
Dominion Energy Inc., July Strike Price \$80.00, Expires 7/19/19	4	400	(100)
Domtar Corp., June Strike Price \$47.50, Expires 6/21/19	6	600	(60)
Eaton Corp. PLC, June Strike Price \$82.50, Expires 6/21/19	2	200	(16)
Eaton Corp. PLC, July Strike Price \$87.50, Expires 7/19/19	2	200	(20)
Eaton Corp. PLC, July Strike Price \$90.00, Expires 7/19/19	2	200	(6)
EPR Properties, June Strike Price \$80.00, Expires 6/21/19	2	200	(100)
Fidelity National Financial Inc., June Strike Price \$41.00, Expires 6/21/19	4	400	(40)
Fidelity National Financial Inc., September Strike Price \$43.00, Expires 9/20/19	3	300	(120)
FirstEnergy Corp., June Strike Price \$44.00, Expires 6/21/19	4	400	(8)
FirstEnergy Corp., July Strike Price \$43.00, Expires 7/19/19	4	400	(168)
FirstEnergy Corp., July Strike Price \$44.00, Expires 7/19/19	4	400	(80)
Foot Locker Inc., June Strike Price \$60.00, Expires 6/21/19	6	600	(12)
Foot Locker Inc., June Strike Price \$67.50, Expires 6/21/19	3	300	(6)
GDS Holdings Ltd., ADR, June Strike Price \$35.00, Expires 6/21/19	15	1,500	(1,163)
Gilead Sciences Inc., June Strike Price \$70.00, Expires 6/21/19	4	400	(20)
Gilead Sciences Inc., July Strike Price \$72.50, Expires 7/19/19	4	400	(44)
H&R Block Inc., June Strike Price \$30.00, Expires 6/21/19	6	600	(75)
H&R Block Inc., July Strike Price \$27.00, Expires 7/19/19	13	1,300	(1,300)
Hewlett Packard Enterprise Co., June Strike Price \$16.00, Expires 6/21/19	22	2,200	(66)

Franklin K2 Alternative Strategies Fund (continued)

	Number of Contracts	Notional Amount#	Value
^w Options Written (continued)			
Calls – Exchange-Traded (continued)			
Hewlett Packard Enterprise Co., August Strike Price \$18.00, Expires 8/16/19	11	1,100	\$ (55)
The Home Depot Inc., June Strike Price \$195.00, Expires 6/21/19	1	100	(135)
The Home Depot Inc., June Strike Price \$220.00, Expires 6/21/19	1	100	(2)
HP Inc., June Strike Price \$21.00, Expires 6/21/19	19	1,900	(38)
HP Inc., June Strike Price \$22.00, Expires 6/21/19	9	900	(18)
Illinois Tool Works Inc., June Strike Price \$155.00, Expires 6/21/19	1	100	(10)
Illinois Tool Works Inc., June Strike Price \$170.00, Expires 6/21/19	1	100	(2)
Illinois Tool Works Inc., September Strike Price \$170.00, Expires 9/20/19	1	100	(42)
Intuit Inc., June Strike Price \$260.00, Expires 6/21/19	1	100	(127)
Johnson & Johnson, June Strike Price \$145.00, Expires 6/21/19	2	200	(8)
Johnson & Johnson, July Strike Price \$145.00, Expires 7/19/19	1	100	(31)
JPMorgan Chase & Co., June Strike Price \$110.00, Expires 6/21/19	1	100	(68)
JPMorgan Chase & Co., June Strike Price \$120.00, Expires 6/21/19	1	100	(2)
JPMorgan Chase & Co., July Strike Price \$120.00, Expires 7/19/19	1	100	(15)
Kohl's Corp., June Strike Price \$70.00, Expires 6/21/19	5	500	(20)
Kohl's Corp., July Strike Price \$77.50, Expires 7/19/19	2	200	(6)
Koninklijke KPN NV, June Strike Price 3.20 EUR, Expires 6/21/19	4,236	423,600	(4,732)
Lamar Advertising Co., A, June Strike Price \$85.00, Expires 6/21/19	3	300	(30)
LPL Financial Holdings Inc., July Strike Price \$90.00, Expires 7/19/19	3	300	(135)
LyondellBasell Industries NV, A, June Strike Price \$85.00, Expires 6/21/19	2	200	(10)
LyondellBasell Industries NV, A, September Strike Price \$90.00, Expires 9/20/19	4	400	(192)
McKesson Corp., June Strike Price \$130.00, Expires 6/21/19	1	100	(70)
McKesson Corp., June Strike Price \$135.00, Expires 6/21/19	1	100	(20)
McKesson Corp., August Strike Price \$140.00, Expires 8/16/19	1	100	(128)
Merck & Co Inc., June Strike Price \$82.50, Expires 6/21/19	2	200	(60)
Merck & Co Inc., June Strike Price \$85.00, Expires 6/21/19	2	200	(12)
Merck & Co Inc., July Strike Price \$85.00, Expires 7/19/19	2	200	(54)
MetLife Inc., June Strike Price \$50.00, Expires 6/21/19	7	700	(70)
MetLife Inc., July Strike Price \$50.00, Expires 7/19/19	3	300	(126)
Microsoft Corp., June Strike Price \$130.00, Expires 6/21/19	1	100	(68)
Microsoft Corp., June Strike Price \$135.00, Expires 6/21/19	1	100	(13)
Microsoft Corp., July Strike Price \$135.00, Expires 7/19/19	1	100	(93)
Molson Coors Brewing Co., B, July Strike Price \$62.50, Expires 7/19/19 ..	8	800	(96)
Morgan Stanley, June Strike Price \$47.00, Expires 6/21/19	1	100	(4)
Nexstar Media Group Inc., A, June Strike Price \$115.00, Expires 6/21/19	2	200	(30)
Nexstar Media Group Inc., A, August Strike Price \$130.00, Expires 8/16/19	2	200	(35)
Occidental Petroleum Corp., August Strike Price \$60.00, Expires 8/16/19	3	300	(129)
Omnicom Group Inc., June Strike Price \$82.50, Expires 6/21/19	2	200	(20)
Omnicom Group Inc., July Strike Price \$87.50, Expires 7/19/19	2	200	(30)
Omnicom Group Inc., July Strike Price \$90.00, Expires 7/19/19	2	200	(45)
Oracle Corp., June Strike Price \$57.50, Expires 6/21/19	10	1,000	(30)
PACCAR Inc., June Strike Price \$72.50, Expires 6/21/19	4	400	(36)
PACCAR Inc., August Strike Price \$75.00, Expires 8/16/19	3	300	(159)
Paychex Inc., June Strike Price \$85.00, Expires 6/21/19	4	400	(808)
Paychex Inc., June Strike Price \$90.00, Expires 6/21/19	2	200	(52)
PG&E Corp., July Strike Price \$21.00, Expires 7/19/19	81	8,100	(8,019)
Plains GP Holdings LP, A, June Strike Price \$26.00, Expires 6/21/19	10	1,000	(100)
Plains GP Holdings LP, A, August Strike Price \$27.00, Expires 8/16/19 ..	10	1,000	(100)
PPL Corp., June Strike Price \$31.00, Expires 6/21/19	6	600	(30)
PPL Corp., July Strike Price \$33.00, Expires 7/19/19	6	600	(30)
PPL Corp., July Strike Price \$34.00, Expires 7/19/19	5	500	(15)
Prudential Financial Inc., June Strike Price \$105.00, Expires 6/21/19	2	200	(22)

Franklin K2 Alternative Strategies Fund (continued)

	Number of Contracts	Notional Amount#	Value
^wOptions Written (continued)			
Calls – Exchange-Traded (continued)			
Prudential Financial Inc., June Strike Price \$115.00, Expires 6/21/19	2	200	\$ (10)
QUALCOMM Inc., June Strike Price \$87.50, Expires 6/21/19	2	200	(6)
Sinclair Broadcast Group Inc., A, June Strike Price \$65.00, Expires 6/21/19	9	900	(315)
Sirius XM Holdings Inc., June Strike Price \$6.00, Expires 6/21/19	52	5,200	(156)
The Southern Co., August Strike Price \$55.00, Expires 8/16/19	2	200	(180)
Southwest Airlines Co., June Strike Price \$55.00, Expires 6/21/19	5	500	(10)
Starbucks Corp., June Strike Price \$82.50, Expires 6/21/19	2	200	(14)
Starbucks Corp., July Strike Price \$85.00, Expires 7/19/19	2	200	(22)
STOXX Europe 600 Food & Beverage Index, December Strike Price 740.00 EUR, Expires 12/20/19	100	5,000	(124,004)
Texas Instruments Inc., June Strike Price \$115.00, Expires 6/21/19	1	100	(17)
Thermo Fisher Scientific Inc., June Strike Price \$280.00, Expires 6/21/19	2	200	(300)
Verizon Communications Inc., September Strike Price \$62.50, Expires 9/20/19	4	400	(88)
Visa Inc., A, June Strike Price \$165.00, Expires 6/21/19	1	100	(150)
Visa Inc., A, June Strike Price \$170.00, Expires 6/21/19	1	100	(36)
Walgreens Boots Alliance Inc., July Strike Price \$57.50, Expires 7/19/19	7	700	(147)
			<u>(204,098)</u>
Calls – Over-the-Counter (0.0)%[†]			
Currency Options (0.0)%[†]			
USD/HKD, Counterparty JPHQ, July Strike Price 7.85 HKD, Expires 7/18/19	1	1,000,000	(528)
USD/HKD, Counterparty JPHQ, September Strike Price 7.85 HKD, Expires 9/16/19	1	1,000,000	(1,248)
USD/HKD, Counterparty JPHQ, September Strike Price 7.85 HKD, Expires 9/18/19	1	1,500,000	(1,930)
USD/HKD, Counterparty JPHQ, September Strike Price 7.85 HKD, Expires 9/19/19	1	1,000,000	(1,304)
USD/HKD, Counterparty JPHQ, January Strike Price 7.85 HKD, Expires 1/20/20	1	1,000,000	(3,066)
USD/JPY, Counterparty JPHQ, August Strike Price 112.50 JPY, Expires 8/08/19	1	300,000	(195)
USD/TRY, Counterparty JPHQ, October Strike Price 7.50 TRY, Expires 10/17/19	1	250,000	(4,519)
USD/TWD, Counterparty JPHQ, June Strike Price 31.50 TWD, Expires 6/06/19	1	3,500,000	(10,073)
USD/TWD, Counterparty JPHQ, June Strike Price 32.00 TWD, Expires 6/06/19	1	4,000,000	(914)
USD/TWD, Counterparty JPHQ, September Strike Price 33.05 TWD, Expires 9/19/19	1	3,500,000	(5,708)
EUR/CHF, Counterparty JPHQ, July Strike Price 1.20 CHF, Expires 7/09/19	1	4,000,000 EUR	(46)
EUR/USD, Counterparty JPHQ, July Strike Price \$1.16, Expires 7/30/19	1	1,000,000 EUR	(748)
GBP/USD, Counterparty JPHQ, October Strike Price \$1.43, Expires 10/07/19	1	1,250,000 GBP	(718)
			<u>(30,997)</u>
Puts – Exchange-Traded (0.0)%[†]			
Anadarko Petroleum Corp., August Strike Price \$65.00, Expires 8/16/19 . .	139	13,900	(20,850)
Celgene Corp., June Strike Price \$70.00, Expires 6/21/19	95	9,500	(570)
Celgene Corp., June Strike Price \$75.00, Expires 6/21/19	358	35,800	(2,506)
Centene Corp., July Strike Price \$47.50, Expires 7/19/19	56	5,600	(3,024)

Franklin K2 Alternative Strategies Fund (continued)

	Number of Contracts	Notional Amount#	Value
^wOptions Written (continued)			
Puts – Exchange-Traded (continued)			
Centene Corp., September Strike Price \$37.50, Expires 9/20/19	260	26,000	\$ (11,050)
DJ EURO STOXX 50 Index, July Strike Price 2,900.00 EUR, Expires 7/19/19	120	1,200	(11,663)
DJ EURO STOXX Banks, December Strike Price 65.00 EUR, Expires 12/20/19	80	4,000	(4,692)
DJ EURO STOXX Banks, December Strike Price 70.00 EUR, Expires 12/20/19	40	2,000	(3,687)
Edison International, October Strike Price \$45.00, Expires 10/18/19 ...	127	12,700	(13,653)
S&P 500 Index, July Strike Price \$2,350.00, Expires 7/19/19	60	6,000	(25,800)
S&P 500 Index, July Strike Price \$2,450.00, Expires 7/19/19	15	1,500	(13,050)
			<u>(110,545)</u>
Puts – Over-the-Counter (0.0)%[†]			
Currency Options (0.0)%[†]			
EUR/USD, Counterparty JPHQ, June Strike Price \$1.11, Expires 6/25/19	1	2,200,000 EUR	(6,411)
EUR/USD, Counterparty JPHQ, July Strike Price \$1.10, Expires 7/11/19	1	700,000 EUR	(1,278)
EUR/USD, Counterparty JPHQ, July Strike Price \$1.11, Expires 7/15/19	1	1,500,000 EUR	(3,880)
EUR/USD, Counterparty JPHQ, July Strike Price \$1.10, Expires 7/30/19	1	1,000,000 EUR	(2,218)
EUR/USD, Counterparty JPHQ, September Strike Price \$1.10, Expires 9/12/19	1	4,000,000 EUR	(14,948)
GBP/USD, Counterparty JPHQ, July Strike Price \$1.20, Expires 7/05/19	1	500,000 GBP	(250)
USD/ILS, Counterparty JPHQ, August Strike Price 3.45 ILS, Expires 8/28/19	1	1,200,000	(1,041)
USD/ILS, Counterparty JPHQ, September Strike Price 3.45 ILS, Expires 9/12/19	1	750,000	(920)
USD/ILS, Counterparty JPHQ, September Strike Price 3.45 ILS, Expires 9/23/19	1	1,050,000	(1,583)
			<u>(32,529)</u>
Total Options Written (Premiums Received \$635,119)			<u>(378,169)</u>
	Country	Shares/Rights	
^xSecurities Sold Short (18.2)%			
Common Stocks (8.7)%			
Aerospace & Defense (1.4)%			
The Boeing Co.	United States	2,886	(985,886)
Harris Corp.	United States	67,803	(12,692,044)
Huntington Ingalls Industries Inc.	United States	7,083	(1,452,865)
Northrop Grumman Corp.	United States	8,154	(2,472,701)
			<u>(17,603,496)</u>
Air Freight & Logistics (0.2)%			
Air Transport Services Group Inc.	United States	13,718	(300,973)
Atlas Air Worldwide Holdings Inc.	United States	9,590	(339,390)
XPO Logistics Inc.	United States	40,221	(2,095,112)
			<u>(2,735,475)</u>
Airlines (0.1)%			
American Airlines Group Inc.	United States	37,965	(1,033,787)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/Rights	Value
^xSecurities Sold Short (continued)			
Common Stocks (continued)			
Auto Components (0.0)%[†]			
Veoneer Inc.	Sweden	4,843	\$ (77,149)
Automobiles (0.0)%[†]			
Ferrari N.V.	Italy	1,809	(257,871)
Banks (0.4)%			
BB&T Corp.	United States	102,305	(4,782,759)
Hope Bancorp Inc.	United States	16,385	(210,875)
			(4,993,634)
Biotechnology (0.4)%			
Alder Biopharmaceuticals Inc.	United States	23,807	(257,592)
Amgen Inc.	United States	1,297	(216,210)
^{9,v} Celgene Corp., rts, 2/20/49, when-issued	United States	109,328	(273,320)
Intercept Pharmaceuticals Inc.	United States	8,347	(691,299)
Ionis Pharmaceuticals Inc.	United States	14,177	(930,011)
Karyopharm Therapeutics Inc.	United States	60,640	(342,010)
Ligand Pharmaceuticals Inc.	United States	1,721	(184,801)
Neurocrine Biosciences Inc.	United States	10,630	(901,211)
OPKO Health Inc.	United States	136,884	(245,022)
PDL BioPharma Inc.	United States	209,726	(591,427)
Retrophin Inc.	United States	14,455	(267,851)
			(4,900,754)
Building Products (0.0)%[†]			
Patrick Industries Inc.	United States	3,358	(136,973)
Capital Markets (0.1)%			
Cowen Inc., A	United States	36,662	(555,429)
Partners Group Holding AG	Switzerland	551	(386,870)
			(942,299)
Chemicals (0.0)%[†]			
Dow Inc.	United States	3,148	(147,201)
The Scotts Miracle-GRO Co.	United States	2,195	(196,518)
			(343,719)
Commercial Services & Supplies (0.1)%			
Team Inc.	United States	34,395	(499,415)
Communications Equipment (0.0)%[†]			
CalAmp Corp.	United States	8,773	(89,134)
Infinera Corp.	United States	58,956	(183,353)
			(272,487)
Consumer Finance (0.1)%			
Encore Capital Group Inc.	United States	18,234	(626,155)
EZCORP Inc., A	United States	44,211	(388,173)
PRA Group Inc.	United States	14,230	(392,890)
			(1,407,218)
Diversified Consumer Services (0.1)%			
Chegg Inc.	United States	37,349	(1,399,094)
Diversified Financial Services (0.0)%[†]			
Element Fleet Management Corp.	Canada	26,100	(188,856)
Diversified Telecommunication Services (0.0)%[†]			
Intelsat SA	United States	10,317	(186,222)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/Rights	Value
*Securities Sold Short (continued)			
Common Stocks (continued)			
Electrical Equipment (0.0)%†			
Enphase Energy Inc.	United States	7,303	\$ (110,787)
Electronic Equipment, Instruments & Components (0.2)%			
II-VI Inc.	United States	9,150	(287,585)
Knowles Corp.	United States	39,885	(627,391)
OSI Systems Inc.	United States	6,286	(651,167)
PAR Technology Corp.	United States	14,531	(408,466)
Vishay Intertechnology Inc.	United States	18,493	(281,833)
			(2,256,442)
Energy Equipment & Services (0.1)%			
Fugro NV, IDR, CVA	Netherlands	24,386	(201,598)
Tenaris SA	Luxembourg	29,393	(346,426)
			(548,024)
Entertainment (0.2)%			
Bilibili Inc., ADR	China	8,900	(120,150)
iQIYI Inc., ADR	China	8,066	(147,043)
Live Nation Entertainment Inc.	United States	12,627	(767,974)
Sea Ltd., ADR	Thailand	32,654	(928,680)
			(1,963,847)
Equity Real Estate Investment Trusts (REITs) (0.4)%			
Innovative Industrial Properties Inc., A	United States	11,938	(1,003,150)
Invitation Homes Inc.	United States	137,931	(3,535,179)
			(4,538,329)
Food Products (0.0)%†			
Mondelez International Inc., A	United States	8,225	(418,241)
Health Care Equipment & Supplies (0.0)%†			
CONMED Corp.	United States	2,000	(160,960)
Health Care Technology (0.1)%			
Allscripts Healthcare Solutions Inc.	United States	12,872	(125,245)
Evolut Health Inc., A	United States	17,434	(185,498)
Tabula Rasa HealthCare Inc.	United States	10,260	(463,444)
			(774,187)
Hotels, Restaurants & Leisure (0.1)%			
Huazhu Group Ltd., ADR	China	3,878	(118,667)
Marriott Vacations Worldwide Corp.	United States	2,788	(250,641)
Yum China Holdings Inc.	China	7,422	(296,954)
			(666,262)
Household Durables (0.0)%†			
Toll Brothers Inc.	United States	5,781	(201,005)
Independent Power & Renewable Electricity Producers (0.1)%			
NRG Energy Inc.	United States	17,531	(596,755)
Interactive Media & Services (0.1)%			
IAC/InterActiveCorp	United States	1,727	(381,408)
Pinterest Inc., A	United States	7,537	(187,822)
Twitter Inc.	United States	7,096	(258,578)
Zillow Group Inc., C	United States	11,044	(475,113)
			(1,302,921)
Internet & Direct Marketing Retail (0.2)%			
Alibaba Group Holding Ltd., ADR	China	10,590	(1,580,663)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/Rights	Value
^xSecurities Sold Short (continued)			
Common Stocks (continued)			
Internet & Direct Marketing Retail (continued)			
Wayfair Inc., A	United States	6,100	\$ (878,461)
			(2,459,124)
IT Services (1.7)%			
Carbonite Inc.	United States	18,809	(445,209)
CSG Systems International Inc.	United States	5,472	(245,419)
Fidelity National Information Services Inc.	United States	51,755	(6,226,127)
Fiserv Inc.	United States	74,814	(6,423,530)
GDS Holdings Ltd., ADR	China	4,950	(160,825)
Global Payments Inc.	United States	8,189	(1,261,434)
KBR Inc.	United States	20,644	(458,710)
MongoDB Inc., A	United States	13,713	(1,924,482)
Okta Inc., A	United States	17,913	(2,028,110)
Perficient Inc.	United States	16,752	(509,763)
Twilio Inc., A	United States	9,306	(1,228,299)
			(20,911,908)
Machinery (0.5)%			
Cummins Inc.	United States	3,990	(601,533)
Epiroc AB, A	Sweden	12,897	(120,264)
Flowserve Corp.	United States	1,572	(73,019)
The Greenbrier Cos. Inc.	United States	2,106	(57,304)
Illinois Tool Works Inc.	United States	12,817	(1,789,766)
Lincoln Electric Holdings Inc.	United States	10,495	(796,990)
Parker-Hannifin Corp.	United States	3,734	(568,763)
Stadler Rail AG	Switzerland	14,687	(643,074)
Trinity Industries Inc.	United States	15,224	(293,519)
Wabtec Corp.	United States	11,543	(720,052)
			(5,664,284)
Marine (0.0)%[†]			
Scorpio Bulkers Inc.	United States	10,934	(46,251)
Metals & Mining (0.1)%			
Cleveland-Cliffs Inc.	United States	116,236	(1,011,253)
First Majestic Silver Corp.	Canada	50,423	(306,572)
SSR Mining Inc.	Canada	18,187	(212,424)
			(1,530,249)
Mortgage Real Estate Investment Trusts (REITs) (0.0)%[†]			
Redwood Trust Inc.	United States	18,191	(289,783)
Oil, Gas & Consumable Fuels (0.2)%			
Golar LNG Ltd.	Bermuda	4,233	(76,998)
Green Plains Inc.	United States	12,145	(158,492)
Occidental Petroleum Corp.	United States	43,556	(2,167,782)
Ship Finance International Ltd.	Norway	19,694	(243,812)
Teekay Corp.	Canada	23,889	(76,684)
			(2,723,768)
Personal Products (0.0)%[†]			
Herbalife Nutrition Ltd.	United States	8,614	(359,893)
Pharmaceuticals (0.6)%			
Aphria Inc.	Canada	65,636	(432,541)
Aurora Cannabis Inc.	Canada	126,299	(958,609)
Bristol-Myers Squibb Co.	United States	61,484	(2,789,529)
Canopy Growth Corp.	Canada	18,033	(726,870)
Innoviva Inc.	United States	30,340	(414,748)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/Rights	Value
*Securities Sold Short (continued)			
Common Stocks (continued)			
Pharmaceuticals (continued)			
Jazz Pharmaceuticals PLC	United States	1,699	\$ (213,310)
Johnson & Johnson	United States	1,736	(227,676)
The Medicines Co.	United States	16,411	(585,052)
Merck & Co. Inc.	United States	2,960	(234,462)
Omeros Corp.	United States	7,019	(124,798)
Pacira Biosciences Inc.	United States	9,571	(416,434)
Pfizer Inc.	United States	5,582	(231,765)
Tilray Inc.	Canada	1,851	(70,357)
			<u>(7,426,151)</u>
Professional Services (0.0)%†			
FTI Consulting Inc.	United States	5,299	(444,692)
Real Estate Management & Development (0.0)%†			
Redfin Corp.	United States	24,927	(392,850)
Road & Rail (0.3)%			
Avis Budget Group Inc.	United States	44,193	(1,253,313)
Old Dominion Freight Line Inc.	United States	8,552	(1,132,627)
Ryder System Inc.	United States	11,563	(583,931)
Schneider National Inc., B	United States	50,347	(845,830)
			<u>(3,815,701)</u>
Semiconductors & Semiconductor Equipment (0.1)%			
Inphi Corp.	United States	8,279	(363,282)
Microchip Technology Inc.	United States	9,873	(790,136)
NXP Semiconductors NV	Netherlands	1,435	(126,510)
Silicon Laboratories Inc.	United States	4,221	(394,959)
Synaptics Inc.	United States	2,306	(60,994)
			<u>(1,735,881)</u>
Software (0.4)%			
Benefitfocus Inc.	United States	10,636	(301,637)
Five9 Inc.	United States	19,162	(983,969)
Nuance Communications Inc.	United States	16,189	(277,965)
Nutanix Inc., A	United States	8,481	(238,061)
Palo Alto Networks Inc.	United States	1,500	(300,210)
Pluralsight Inc., A	United States	22,159	(705,986)
PROS Holdings Inc.	United States	22,241	(1,261,065)
Rapid7 Inc.	United States	18,307	(956,541)
Salesforce.com Inc.	United States	2,006	(303,728)
			<u>(5,329,162)</u>
Specialty Retail (0.1)%			
Floor & Decor Holdings Inc., A	United States	5,095	(180,974)
Lowe's Cos. Inc.	United States	6,473	(603,802)
Monro Inc.	United States	1,889	(150,572)
Restoration Hardware Holdings Inc.	United States	1,032	(87,875)
			<u>(1,023,223)</u>
Technology Hardware, Storage & Peripherals (0.1)%			
Apple Inc.	United States	4,563	(798,844)
Trading Companies & Distributors (0.1)%			
Fastenal Co.	United States	18,011	(550,957)
Kaman Corp.	United States	1,829	(101,711)
SiteOne Landscape Supply Inc.	United States	2,566	(166,456)
			<u>(819,124)</u>

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/Rights	Value
× Securities Sold Short (continued)			
Common Stocks (continued)			
Transportation Infrastructure (0.0)%†			
Westshore Terminals Investment Corp.	Canada	20,034	\$ (328,613)
Water Utilities (0.1)%			
American Water Works Co. Inc.	United States	5,048	(570,525)
Wireless Telecommunication Services (0.0)%†			
Boingo Wireless Inc.	United States	10,419	(196,919)
Total Common Stocks (Proceeds \$110,554,360)			(107,383,154)
Exchange Traded Funds (9.1)%			
Consumer Discretionary Select Sector SPDR Fund	United States	5,736	(636,352)
ETFMG Prime Cyber Security ETF	United States	61,267	(2,341,012)
Health Care Select Sector SPDR Fund	United States	105,131	(9,175,834)
Invesco QQQ Series 1 ETF	United States	20,535	(3,572,063)
iShares Core S&P Small-Cap ETF	United States	34,684	(2,537,828)
iShares MSCI Japan ETF	Japan	11,784	(621,252)
iShares MSCI Taiwan ETF	Taiwan	27,621	(913,703)
iShares NASDAQ Biotechnology ETF	United States	70,133	(7,011,897)
iShares North American Tech ETF	United States	23,258	(4,677,649)
iShares North American Tech-Multimedia Networking ETF	United States	125,800	(6,389,382)
iShares North American Tech-Software ETF	United States	21,449	(4,423,856)
iShares PHLX Semiconductor ETF	United States	31,718	(5,598,861)
iShares Russell 2000 Growth ETF	United States	17,852	(3,348,500)
iShares Russell Mid-Cap Growth ETF	United States	9,562	(1,276,336)
iShares S&P Small-Cap 600 Growth ETF	United States	8,140	(1,389,417)
iShares U.S. Technology ETF	United States	18,456	(3,393,136)
SPDR S&P 500 ETF Trust	United States	183,796	(50,593,525)
SPDR S&P MidCap 400 ETF Trust	United States	4,786	(1,580,002)
Vanguard Small-Cap Growth ETF	United States	20,072	(3,488,112)
Total Exchange Traded Funds (Proceeds \$116,133,298)			(112,968,717)
		Principal Amount*	
Corporate Bonds and Notes (0.3)%			
IT Services (0.1)%			
^e GTT Communications Inc., senior note, 144A, 7.875%, 12/31/24	United States	1,572,000	(1,328,340)
Media (0.2)%			
^e MDC Partners Inc., senior note, 144A, 6.50%, 5/01/24	United States	2,319,000	(2,133,480)
Total Corporate Bonds and Notes (Proceeds \$3,631,754)			(3,461,820)
U.S. Government and Agency Securities (Proceeds \$1,893,813) (0.1)%			
U.S. Treasury Note, 2.625%, 2/15/29	United States	1,859,000	(1,938,370)
Total Securities Sold Short (Proceeds \$232,213,225)			\$ (225,752,061)

Franklin K2 Alternative Strategies Fund (continued)

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

#Notional amount is the number of units specified in the contract, and can include currency units, bushels, shares, pounds, barrels or other units. Currency units are stated in U.S. dollars unless otherwise indicated.

†Rounds to less than 0.1% of net assets.

ªA portion or all of the security has been segregated as collateral for securities sold short, open swap contracts, open forward exchange contracts, open futures contracts and/or open written option contracts. At May 31, 2019, the aggregate value of these securities and/or cash pledged amounted to \$192,731,772, representing 15.6% of net assets.

ºA portion or all of the security is held in connection with written option contracts open at year end.

»Non-income producing.

¼A portion or all of the security is on loan at May 31, 2019. See Note 1(i).

½Security 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 public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At May 31, 2019, the net value of these securities was \$140,602,838, representing 11.3% of net assets.

¾See Note 7 regarding defaulted securities.

¸Fair valued using significant unobservable inputs. See Note 11 regarding fair value measurements.

¹Contingent distributions represent the right to receive additional distributions, if any, during the reorganization of the underlying company.

²Security 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 Trust's Board of Trustees. At May 31, 2019, the aggregate value of these securities was \$12,360,810, representing 1.0% of net assets.

³The coupon rate shown represents the rate at period end.

⁴Income may be received in additional securities and/or cash.

⁵See Note 1(k) regarding senior floating rate interests.

⁶The coupon rate shown represents the rate inclusive of any caps or floors, if applicable, in effect at period end.

⁷Adjustable rate security with an interest rate that is not based on a published reference index and spread. The rate is based on the structure of the agreement and current market conditions. The coupon rate shown represents the rate at period end.

⁸See Note 1(f) regarding loan participation notes.

⁹The security was issued on a discount basis with no stated coupon rate.

¹⁰See Note 1(g) regarding credit-linked notes.

¹¹The rate shown is the annualized seven-day yield at period end.

¹²A portion or all of the security is owned by K2 Holdings Investment Corp., a wholly-owned subsidiary of the Fund. See Note 1(j).

¹³See Note 1(c) regarding joint repurchase agreement.

¹⁴See Note 1(i) regarding securities on loan.

¹⁵See Note 3(f) regarding investments in affiliated management investment companies.

¹⁶See Note 1(d) regarding written options.

¹⁷See Note 1(h) regarding securities sold short.

¹⁸Security sold on a when-issued basis resulting in a short position. As such, the Fund is not subject to the deposit requirement or fees and expenses associated with short sale transactions. See Note 1(h).

At May 31, 2019, the Fund had the following futures contracts outstanding. See Note 1(d).

Futures Contracts

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/Unrealized Appreciation (Depreciation)
Commodity Contracts^a					
Aluminum	Long	46	\$2,044,125	6/17/19	\$ (80,702)
Aluminum	Short	46	2,044,125	6/17/19	97,667
Aluminum	Long	1	45,025	9/16/19	(397)
Aluminum	Short	28	1,260,700	9/16/19	15,531
Brent Crude Oil	Long	79	4,897,210	6/28/19	(706,440)
Cocoa	Long	7	157,969	7/16/19	(739)
Coffee	Short	16	642,600	9/18/19	(55,864)
Copper	Long	12	1,746,000	6/17/19	(194,210)
Copper	Short	12	1,746,000	6/17/19	112,336
Copper	Long	2	291,625	9/16/19	(23,643)
Copper	Short	5	729,062	9/16/19	29,636
Cotton No.2	Short	29	972,515	12/06/19	6,633
Gasoline RBOB	Long	5	371,994	6/28/19	(35,224)
Gasoline RBOB	Long	3	219,139	7/31/19	(5,236)
Hard Red Winter Wheat	Short	65	1,537,250	7/12/19	(1,540)
Low Sulphur Gas Oil	Long	13	750,750	7/11/19	(86,145)

Franklin K2 Alternative Strategies Fund (continued)

Futures Contracts

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/Unrealized Appreciation (Depreciation)
Commodity Contracts (continued)					
Natural Gas	Short	21	\$ 515,340	6/26/19	\$ 34,152
Natural Gas	Short	12	295,200	7/29/19	10,543
Silver	Short	4	291,340	7/29/19	151
Soybean	Short	26	1,141,075	7/12/19	1,479
Soybean Meal	Short	41	1,317,330	7/12/19	(25,222)
Wheat	Short	34	855,100	7/12/19	(55,992)
Zinc	Long	25	1,643,750	6/17/19	(123,179)
Zinc	Short	25	1,643,750	6/17/19	72,903
Zinc	Long	4	250,950	9/16/19	(8,212)
Zinc	Short	4	250,950	9/16/19	8,038
					<u>(1,013,676)</u>
Equity Contracts					
Amsterdam Index	Short	1	120,715	6/21/19	1,771
CAC 40 10 Euro Index ^a	Long	154	8,920,381	6/21/19	(134,805)
CME E-Mini Russell 2000 Index ^a	Short	188	13,785,100	6/21/19	746,004
DAX Index	Long	23	7,532,370	6/21/19	(73,072)
DAX Index ^a	Short	1	327,494	6/21/19	9,412
DJ EURO STOXX 50 Index ^a	Long	332	12,146,839	6/21/19	44,378
DJ EURO STOXX 50 Index	Short	317	11,598,036	6/21/19	(41,953)
DJIA Mini E-CBOT Index ^a	Short	43	5,336,300	6/21/19	318,026
FTSE 100 Index ^a	Long	204	18,442,995	6/21/19	56,126
FTSE 100 Index	Short	81	7,322,954	6/21/19	(103,328)
FTSE/JSE Top 40 Index	Short	40	1,364,222	6/20/19	46,284
FTSE/MIB Index	Short	4	442,304	6/21/19	8,063
Hang Seng Index ^a	Long	55	9,371,935	6/27/19	(171,770)
JPX-Nikkei 400 Index	Long	49	606,367	6/13/19	(38,420)
MSCI Emerging Market Index	Long	191	9,551,910	6/21/19	(359,154)
MSCI Singapore Index	Long	64	1,625,741	6/27/19	(32,485)
MSCI Taiwan Index	Short	20	759,800	6/27/19	(10,735)
NASDAQ 100 E-Mini Index ^a	Long	70	9,986,900	6/21/19	(28,158)
NASDAQ 100 E-Mini Index	Short	1	142,670	6/21/19	2,030
Nikkei 225 Index ^a	Short	6	758,547	6/13/19	30,019
S&P 500 E-Mini Index ^a	Long	2	275,260	6/21/19	(6,944)
S&P 500 E-Mini Index	Short	933	128,408,790	6/21/19	3,251,689
SPI 200 Index	Long	9	999,237	6/20/19	35,094
STOXX 600 Banks Index	Long	1,396	10,254,041	6/21/19	(537,045)
STOXX 600 Banks Index	Short	129	1,026,907	6/21/19	33,307
TOPIX Index	Long	22	3,057,445	6/13/19	(197,676)
TOPIX Index ^a	Short	30	4,169,243	6/13/19	110,025
Yen Denominated Nikkei 225 Index	Long	5	471,208	6/13/19	(22,460)
					<u>2,934,223</u>
Interest Rate Contracts					
3 Month EURIBOR ^a	Long	340	95,309,620	6/15/20	247,862
10 Yr. Japanese Government Bond	Short	10	14,137,406	6/13/19	(45,254)
90 Day Eurodollar ^a	Long	681	167,236,575	6/15/20	1,255,896
90 Day Sterling ^a	Long	510	79,967,572	6/17/20	262,360
Australian 10 Yr. Bond ^a	Long	110	10,839,835	6/17/19	418,573
Canadian 10 Yr. Bond ^a	Long	57	6,024,305	9/19/19	63,812
Canadian 10 Yr. Bond	Short	52	5,495,857	9/19/19	(56,543)
Euro BUXL 30 Yr. Bond	Long	3	656,821	6/06/19	37,593
Euro BUXL 30 Yr. Bond	Short	3	656,821	6/06/19	(46,543)
Euro-BOBL	Short	25	3,740,239	6/06/19	(41,597)
Euro-BTP	Long	130	18,891,557	6/06/19	445,408
Euro-BTP	Long	85	12,180,298	9/06/19	4,766
Euro-Bund	Short	96	18,053,959	6/06/19	(303,105)
Euro-Bund	Short	83	15,835,398	9/06/19	(14,291)
Euro-SCHATZ	Short	105	13,148,900	6/06/19	(18,214)
Euro-SCHATZ	Short	300	37,569,962	9/06/19	(6,824)

Franklin K2 Alternative Strategies Fund (continued)

Futures Contracts

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/Unrealized Appreciation (Depreciation)
Interest Rate Contracts (continued)					
Long Gilt ^a	Long	5	\$ 819,553	9/26/19	\$ 2,646
Long Gilt	Short	97	15,899,327	9/26/19	(65,483)
U.S. Treasury 5 Yr. Note	Short	382	44,834,266	9/30/19	(287,631)
U.S. Treasury 10 Yr. Note	Short	59	7,478,250	9/19/19	(75,997)
U.S. Treasury 10 Yr. Ultra Note	Short	17	2,321,297	9/19/19	(75)
U.S. Treasury Long Bond ^a	Long	150	23,057,812	9/19/19	686,661
U.S. Treasury Long Bond	Short	19	2,920,656	9/19/19	(39,013)
U.S. Treasury Ultra Bond	Long	19	3,339,844	9/19/19	62,074
U.S. Treasury Ultra Bond	Short	6	1,054,687	9/19/19	521
					2,487,602
Total Futures Contracts					\$4,408,149

*As of period end.

^aA portion or all of the contracts are owned by K2 Holdings Investment Corp., a wholly-owned subsidiary of the Fund. See Note 1(j).

At May 31, 2019, the Fund had the following forward exchange contracts outstanding. See Note 1(d).

Forward Exchange Contracts

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts							
Philippine Peso	BOFA	Buy	3,010,000	57,890	6/03/19	\$ —	\$ (197)
Philippine Peso	BOFA	Sell	860,000	16,564	6/03/19	80	—
Turkish Lira	BZWS	Buy	245,000	40,349	6/03/19	1,633	—
Brazilian Real	JPHQ	Buy	21,968,258	5,556,221	6/04/19	40,207	—
Brazilian Real	JPHQ	Sell	21,968,258	5,512,945	6/04/19	—	(83,483)
Canadian Dollar	BOFA	Buy	795,521	591,582	6/04/19	—	(2,943)
Colombian Peso	JPHQ	Buy	2,592,800,000	786,084	6/04/19	—	(18,730)
Colombian Peso	JPHQ	Sell	2,592,800,000	770,938	6/04/19	3,584	—
Mexican Peso	JPHQ	Buy	13,808,939	700,000	6/04/19	4,073	—
Argentine Peso	MSCS	Buy	695,000	15,050	6/06/19	324	—
Brazilian Real	MSCS	Buy	65,000	16,472	6/06/19	84	—
Brazilian Real	MSCS	Sell	65,000	16,437	6/06/19	—	(119)
Chilean Peso	MSCS	Sell	39,360,000	57,964	6/06/19	2,497	—
Czech Koruna	BOFA	Sell	955,000	41,564	6/06/19	268	—
Euro	BZWS	Buy	140,000	157,082	6/06/19	—	(598)
Indian Rupee	BOFA	Buy	7,510,000	107,410	6/06/19	311	(31)
Indian Rupee	BOFA	Sell	7,510,000	107,470	6/06/19	—	(219)
Norwegian Krone	UBSW	Sell	2,835,000	324,619	6/06/19	619	(12)
Peruvian Nuevo Sol	BOFA	Buy	305,000	92,248	6/06/19	—	(2,082)
Peruvian Nuevo Sol	BOFA	Sell	60,000	18,061	6/06/19	323	—
Swiss Franc	UBSW	Buy	105,000	103,579	6/06/19	1,353	—
Swiss Franc	UBSW	Sell	210,000	206,626	6/06/19	—	(3,237)
Argentine Peso	JPHQ	Buy	17,824,192	381,756	6/07/19	11,876	—
Argentine Peso	JPHQ	Sell	17,824,192	397,861	6/07/19	4,229	—
British Pound	BZWS	Buy	95,000	124,141	6/07/19	—	(3,992)
British Pound	BZWS	Sell	50,000	64,968	6/07/19	1,732	—
Colombian Peso	BOFA	Buy	53,725,000	16,547	6/07/19	—	(650)
Malaysian Ringgit	MSCS	Buy	105,000	25,037	6/07/19	17	—
Malaysian Ringgit	MSCS	Sell	105,000	25,332	6/07/19	278	—
South Korean Won	BOFA	Sell	48,510,000	41,630	6/07/19	885	—
Swedish Krona	CITI	Buy	630,000	65,974	6/07/19	474	—
Chinese Yuan	MSCS	Sell	170,000	25,143	6/10/19	517	—
Indonesian Rupiah	BOFA	Buy	896,650,000	62,593	6/10/19	147	—
Indonesian Rupiah	BOFA	Sell	896,650,000	62,379	6/10/19	—	(361)
Japanese Yen	BZWS	Buy	9,230,000	83,109	6/10/19	2,138	—
Russian Ruble	MSCS	Buy	1,020,000	15,729	6/10/19	—	(157)

Franklin K2 Alternative Strategies Fund (continued)

Forward Exchange Contracts

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Russian Ruble	MSCS	Sell	1,020,000	15,589	6/10/19	\$ 17	\$ —
Hungarian Forint	UBSW	Sell	4,800,000	16,675	6/13/19	160	—
Argentine Peso	JPHQ	Buy	17,824,192	393,557	6/14/19	—	(4,427)
British Pound	BNYM	Sell	2,457,591	3,158,521	6/14/19	49,169	—
Euro	BNYM	Sell	22,087,408	24,835,082	6/14/19	129,688	—
Hong Kong Dollar	BNYM	Sell	21,201,000	2,702,916	6/14/19	—	(1,754)
Swiss Franc	BNYM	Sell	208,093	206,921	6/14/19	—	(1,203)
Brazilian Real	BOFA	Sell	100,000	25,075	6/17/19	—	(369)
Chilean Peso	JPHQ	Buy	277,156,000	400,000	6/17/19	—	(9,491)
New Zealand Dollar	GSCO	Sell	4,277,481	2,821,436	6/17/19	22,010	—
New Zealand Dollar	MSCO	Buy	45,319	29,724	6/17/19	—	(65)
Australian Dollar	JPHQ	Sell	9,958,078	6,918,769	6/18/19	20,205	(13,275)
British Pound	JPHQ	Buy	1,000,000	1,303,939	6/18/19	—	(38,465)
Canadian Dollar	BOFA	Sell	145,000	108,933	6/18/19	1,602	—
Canadian Dollar	JPHQ	Buy	1,485,935	1,100,917	6/18/19	—	(1,005)
Canadian Dollar	JPHQ	Sell	3,877,180	2,880,912	6/18/19	10,963	—
Czech Koruna	JPHQ	Sell	32,455,884	1,418,310	6/18/19	14,433	—
Euro	JPHQ	Buy	717,525	805,767	6/18/19	547	(3,460)
Euro	JPHQ	Sell	200,000	223,553	6/18/19	—	(231)
Hong Kong Dollar	JPHQ	Sell	31,053,045	3,959,775	6/18/19	—	(1,876)
Hungarian Forint	JPHQ	Buy	130,668,969	446,837	6/18/19	2,917	—
Japanese Yen	JPHQ	Buy	11,746,878	107,781	6/18/19	784	—
Japanese Yen	JPHQ	Sell	119,719,845	1,090,920	6/18/19	—	(15,538)
Mexican Peso	JPHQ	Buy	259,084,870	13,436,825	6/18/19	—	(260,434)
New Zealand Dollar	JPHQ	Buy	400,000	260,314	6/18/19	1,475	—
New Zealand Dollar	JPHQ	Sell	12,735,660	8,368,848	6/18/19	43,364	(9,646)
Norwegian Krone	JPHQ	Buy	35,561,710	4,077,180	6/18/19	1,187	(12,113)
Singapore Dollar	JPHQ	Buy	1,684,191	1,229,725	6/18/19	—	(3,394)
Singapore Dollar	JPHQ	Sell	1,679,802	1,224,922	6/18/19	3,397	(1,610)
South African Rand	JPHQ	Sell	25,755,701	1,795,713	6/18/19	31,585	—
Swedish Krona	JPHQ	Buy	15,410,132	1,606,310	6/18/19	20,457	—
Swiss Franc	JPHQ	Sell	8,532,890	8,509,681	6/18/19	—	(27,872)
Turkish Lira	JPHQ	Buy	11,819,480	1,914,490	6/18/19	92,979	—
Canadian Dollar	BNYM	Sell	3,790,000	2,848,687	6/19/19	43,195	—
Colombian Peso	JPHQ	Buy	8,551,587,030	2,752,213	6/19/19	—	(223,705)
Colombian Peso	JPHQ	Sell	8,551,587,030	2,515,913	6/19/19	—	(12,595)
Euro	BNYM	Buy	1,451,029	1,643,100	6/19/19	—	(19,372)
Euro	BNYM	Sell	5,218,502	5,956,086	6/19/19	116,554	(68)
Hungarian Forint	JPHQ	Buy	407,675,159	1,485,706	6/19/19	—	(82,413)
Hungarian Forint	JPHQ	Sell	167,276,659	533,073	EUR 6/19/19	38,549	(17,828)
Euro	JPHQ	Buy	4,620,829	5,195,675	6/19/19	8,261	(33,142)
Euro	JPHQ	Sell	4,624,964	5,294,167	6/19/19	118,746	—
Euro	JPHQ	Sell	528,938	167,276,659	HUF 6/19/19	13,694	(29,788)
Hungarian Forint	JPHQ	Sell	407,675,159	1,460,428	6/19/19	57,134	—
Indian Rupee	JPHQ	Buy	50,915,148	727,567	6/19/19	1,476	—
Indian Rupee	JPHQ	Sell	50,915,148	705,905	6/19/19	—	(23,138)
Indonesian Rupiah	JPHQ	Buy	58,821,738,732	4,100,864	6/19/19	11,107	(1,096)
Indonesian Rupiah	JPHQ	Sell	58,821,738,732	4,112,823	6/19/19	2,029	(81)
Japanese Yen	BNYM	Buy	57,802,000	525,925	6/19/19	8,330	—
Japanese Yen	BNYM	Sell	57,802,000	521,222	6/19/19	—	(13,033)
Mexican Peso	JPHQ	Buy	35,887,476	1,817,452	6/19/19	7,361	—
Mexican Peso	JPHQ	Sell	35,887,476	1,848,260	6/19/19	23,447	—
Russian Ruble	JPHQ	Buy	155,117,931	2,365,425	6/19/19	203	(696)
Russian Ruble	JPHQ	Sell	155,117,931	2,349,355	6/19/19	4,358	(19,935)
South African Rand	JPHQ	Buy	55,184,992	3,785,818	6/19/19	11,891	(18,314)
South African Rand	JPHQ	Sell	55,184,992	3,826,536	6/19/19	47,724	(583)
Swiss Franc	BNYM	Buy	235,629	231,880	6/19/19	3,902	—
Swiss Franc	BNYM	Sell	966,171	972,092	6/19/19	5,297	—

Franklin K2 Alternative Strategies Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Turkish Lira	JPHQ	Buy	6,855,197	1,147,097	6/19/19	\$ 16,526	\$ —
Turkish Lira	JPHQ	Sell	9,641,679	1,611,223	6/19/19	10,614	(36,000)
British Pound	DBAB	Buy	649,000	853,693	6/20/19	33	(32,344)
British Pound	DBAB	Sell	848,000	1,121,769	6/20/19	48,539	(6)
Canadian Dollar	DBAB	Sell	3,425,000	2,548,737	6/20/19	13,364	—
Euro	DBAB	Buy	1,994,000	2,246,158	6/20/19	261	(14,903)
Euro	DBAB	Sell	4,900,000	5,570,766	6/20/19	87,149	(48)
Japanese Yen	DBAB	Buy	40,646,000	369,546	6/20/19	6,171	—
Japanese Yen	DBAB	Sell	76,127,000	688,555	6/20/19	—	(15,133)
Swiss Franc	DBAB	Buy	4,000,000	3,962,247	6/20/19	40,790	(53)
Swiss Franc	DBAB	Sell	4,000,000	4,025,214	6/20/19	22,230	—
Australian Dollar ^b	MSCO	Buy	10,743,000	7,568,717	6/21/19	7,251	(118,610)
Australian Dollar ^b	MSCO	Sell	18,201,000	12,871,345	6/21/19	237,421	(477)
British Pound ^b	MSCO	Buy	16,680,000	21,891,582	6/21/19	—	(780,079)
British Pound ^b	MSCO	Sell	21,224,000	27,549,456	6/21/19	691,108	(4,399)
Canadian Dollar ^b	MSCO	Buy	3,633,000	2,710,460	6/21/19	—	(21,044)
Canadian Dollar ^b	MSCO	Sell	24,684,000	18,512,621	6/21/19	239,692	—
Colombian Peso	JPHQ	Buy	763,600,000	230,000	6/21/19	—	(4,249)
Euro ^b	MSCO	Buy	12,946,000	14,576,795	6/21/19	3,123	(90,564)
Euro ^b	MSCO	Sell	29,263,000	33,201,393	6/21/19	463,800	(13,983)
Japanese Yen ^b	MSCO	Buy	3,129,584,000	28,462,264	6/21/19	468,841	—
Japanese Yen ^b	MSCO	Sell	1,939,550,000	17,594,721	6/21/19	—	(335,241)
Mexican Peso ^b	MSCO	Buy	68,054,000	3,499,118	6/21/19	—	(39,953)
Mexican Peso ^b	MSCO	Sell	20,267,000	1,053,948	6/21/19	23,781	—
New Zealand Dollar ^b	MSCO	Buy	11,999,000	8,177,482	6/21/19	1,114	(325,050)
New Zealand Dollar ^b	MSCO	Sell	16,435,000	11,085,720	6/21/19	330,500	(1,768)
Swiss Franc ^b	MSCO	Buy	4,750,000	4,721,451	6/21/19	46,858	(14,291)
Swiss Franc ^b	MSCO	Sell	10,323,000	10,332,368	6/21/19	23,943	(23,306)
Australian Dollar	BOFA	Sell	8,087,977	5,683,640	6/24/19	68,759	—
Euro	DBAB	Sell	14,813,314	16,665,467	6/24/19	81,834	—
Euro	JPHQ	Buy	298,656	334,009	6/24/19	383	(44)
Euro	MSCO	Buy	145,622	163,749	6/24/19	—	(724)
Colombian Peso	JPHQ	Buy	1,296,400,000	384,353	6/25/19	—	(1,183)
Colombian Peso	JPHQ	Sell	7,146,596,964	2,237,684	6/25/19	125,400	—
Australian Dollar	MSCO	Buy	584,765	405,741	6/28/19	1,561	(1,292)
Australian Dollar	MSCO	Sell	369,090	257,766	6/28/19	2,335	(834)
British Pound	BNYM	Sell	252,000	334,973	6/28/19	15,903	—
British Pound	MSCO	Buy	419,233	546,734	6/28/19	—	(15,921)
British Pound	MSCO	Sell	465,680	606,194	6/28/19	16,573	—
British Pound	MSCS	Sell	100,000	126,705	6/28/19	90	—
Canadian Dollar	BNYM	Sell	478,000	355,861	6/28/19	1,945	—
Canadian Dollar	MSCO	Buy	5,687,118	4,239,979	6/28/19	—	(29,176)
Canadian Dollar	MSCO	Sell	5,335,072	3,995,491	6/28/19	45,345	—
Danish Krone	MSCO	Buy	5,067,425	764,117	6/28/19	313	(4,368)
Danish Krone	MSCO	Sell	40,759,685	6,161,800	6/28/19	49,129	(872)
Euro	BNYM	Sell	4,210,000	4,774,970	6/28/19	60,188	—
Euro	MSCO	Buy	1,430,930	1,610,827	6/28/19	—	(8,327)
Euro	MSCO	Sell	849,230	956,928	6/28/19	5,875	—
Japanese Yen	MSCO	Buy	121,771,380	1,119,627	6/28/19	6,738	—
Japanese Yen	MSCO	Sell	121,771,380	1,100,444	6/28/19	—	(25,921)
Singapore Dollar	UBSW	Sell	35,000	25,399	6/28/19	—	(89)
Swedish Krona	MSCO	Buy	1,153,725	120,821	6/28/19	1,068	—
Swiss Franc	BOFA	Sell	731,630	726,808	6/28/19	—	(5,952)
Swiss Franc	DBAB	Sell	11,493,513	11,331,015	6/28/19	—	(180,239)
Swiss Franc	MSCO	Buy	1,094,839	1,083,252	6/28/19	13,277	—
Swiss Franc	MSCO	Sell	1,229,692	1,220,425	6/28/19	—	(11,165)
Brazilian Real	JPHQ	Buy	10,984,129	2,718,911	7/02/19	72,102	—

Franklin K2 Alternative Strategies Fund (continued)

Forward Exchange Contracts (continued)

Currency	Counterparty ^a	Type	Quantity	Contract Amount*	Settlement Date	Unrealized Appreciation	Unrealized Depreciation
OTC Forward Exchange Contracts (continued)							
Colombian Peso	MSCS	Sell	780,000,000	230,913	7/02/19	\$ 469	\$ —
Philippine Peso	BOFA	Buy	2,150,000	41,101	7/03/19	12	—
Turkish Lira	BZWS	Buy	245,000	40,732	7/03/19	503	—
Indian Rupee	BOFA	Buy	7,510,000	107,072	7/08/19	236	—
Indian Rupee	JPHQ	Sell	62,881,562	888,509	7/08/19	617	(10,601)
Malaysian Ringgit	MSCS	Sell	105,000	25,021	7/08/19	—	(21)
Taiwan Dollar	JPHQ	Sell	61,540,395	1,996,456	7/08/19	45,452	—
Indonesian Rupiah	BOFA	Buy	828,170,000	57,226	7/10/19	500	—
Hungarian Forint	UBSW	Buy	104,925,000	369,752	7/15/19	—	(7,907)
Malaysian Ringgit	MSCS	Buy	2,305,000	560,282	7/15/19	—	(10,618)
Norwegian Krone	BOFA	Buy	4,795,000	564,625	7/15/19	—	(15,823)
Indian Rupee	JPHQ	Sell	2,137,500	30,000	7/18/19	—	(508)
South Korean Won	JPHQ	Sell	1,975,102,356	1,716,233	7/18/19	54,723	—
Brazilian Real	JPHQ	Sell	6,702,929	1,690,129	7/22/19	—	(10,302)
British Pound	BZWS	Buy	587,282	747,651	7/22/19	—	(3,167)
British Pound	BZWS	Sell	1,419,587	1,827,453	7/22/19	27,875	—
Chilean Peso	JPHQ	Sell	539,167,575	801,008	7/25/19	41,711	—
British Pound	DBAB	Sell	481,000	624,016	7/31/19	13,993	—
Euro	DBAB	Sell	183,000	205,556	7/31/19	39	—
South African Rand	MSCS	Sell	30,985,000	2,137,250	7/31/19	26,356	—
South Korean Won	JPHQ	Sell	3,315,885,591	2,927,007	8/05/19	135,741	—
Canadian Dollar	MSCO	Buy	795,521	588,774	8/06/19	796	—
Brazilian Real	JPHQ	Sell	6,546,279	1,640,137	8/07/19	—	(18,283)
Peruvian Nuevo Sol	JPHQ	Sell	422,382	127,231	8/09/19	2,810	—
Taiwan Dollar	JPHQ	Sell	82,638,439	2,700,071	8/13/19	74,181	—
Singapore Dollar	CITI	Sell	2,275,000	1,662,222	8/15/19	4,378	—
Polish Zloty	BZWS	Buy	1,405,000	364,678	8/23/19	2,764	—
Indian Rupee	JPHQ	Sell	27,826,000	389,785	8/26/19	—	(5,703)
Colombian Peso	JPHQ	Buy	8,551,587,030	2,503,758	9/18/19	11,871	—
Euro	JPHQ	Sell	2,669,982	3,001,871	9/18/19	—	(8,319)
Indian Rupee	JPHQ	Sell	50,915,148	719,445	9/18/19	—	(2,436)
Indonesian Rupiah	JPHQ	Buy	13,975,220,160	961,289	9/18/19	4,119	—
Indonesian Rupiah	JPHQ	Sell	39,411,528,082	2,710,932	9/18/19	—	(11,616)
Russian Ruble	JPHQ	Sell	138,373,351	2,084,062	9/18/19	1,395	—
South African Rand	JPHQ	Sell	46,009,190	3,104,566	9/18/19	—	(11,022)
Total Forward Exchange Contracts						\$4,850,314	\$ (3,292,760)
Net unrealized appreciation (depreciation)						\$1,557,554	

*In U.S. dollars unless otherwise indicated.

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

^bA portion or all of the contracts are owned by K2 Holdings Investment Corp., a wholly-owned subsidiary of the Fund. See Note 1(j).

At May 31, 2019, the Fund had the following credit default swap contracts outstanding. See Note 1(d).

Credit Default Swap Contracts

Description	Periodic Payment Rate		Maturity Date	Notional Amount ^a	Unamortized Upfront Payments (Receipts) Value	Unrealized Appreciation (Depreciation)	Rating ^b
	Received (Paid)	Payment Frequency					
Centrally Cleared Swap Contracts							
Contracts to Buy Protection^c							
Single Name							
Government of Mexico	(1.00)%	Quarterly	6/20/23	1,763,000	\$ 2,827	\$ (441)	\$ 3,268
Government of Mexico	(1.00)%	Quarterly	12/20/23	1,931,000	15,323	23,146	(7,823)
Government of South Africa	(1.00)%	Quarterly	6/20/24	4,478,000	210,992	196,353	14,639
Government of South Africa	(1.00)%	Quarterly	6/20/22	1,047,000	15,078	53,152	(38,074)

Franklin K2 Alternative Strategies Fund (continued)

Credit Default Swap Contracts (continued)

Description	Periodic Payment Rate Received (Paid)	Payment Frequency	Maturity Date	Notional Amount ^a	Value	Unamortized Upfront Payments (Receipts)	Unrealized Appreciation (Depreciation)	Rating ^b
Centrally Cleared Swap Contracts (continued)								
Contracts to Buy Protection (continued)								
Single Name (continued)								
Government of South Korea	(1.00)%	Quarterly	6/20/24	1,991,054	\$ (60,112)	\$ (67,537)	\$ 7,425	
Government of Turkey	(1.00)%	Quarterly	6/20/24	141,000	22,649	14,153	8,496	
Government of Turkey	(1.00)%	Quarterly	9/20/20	1,976,000	82,825	157,717	(74,892)	
Contracts to Sell Protection^{c,d}								
Single Name								
Government of Russia	1.00%	Quarterly	6/20/24	4,150,000	(58,637)	(64,467)	5,830	BBB-
Government of South Africa	1.00%	Quarterly	12/20/22	874,000	(18,756)	(17,002)	(1,754)	BB+
Government of Turkey	1.00%	Quarterly	12/20/22	826,000	(97,271)	(37,352)	(59,919)	B+
Total Centrally Cleared Swap Contracts					\$114,918	\$257,722	\$(142,804)	
OTC Swap Contracts								
Contracts to Buy Protection^c								
Single Name								
			Counterparty					
Enel SpA	(1.00)%	Quarterly	BOFA	6/20/23	550,000 EUR	(8,103)	(255)	(7,848)
Enel SpA	(1.00)%	Quarterly	MSCS	12/20/23	330,000 EUR	(3,353)	1,997	(5,350)
Traded Index								
CDX.EM.31	(1.00)%	Quarterly	BOFA	6/20/24	1,650,000	76,552	78,774	(2,222)
CDX.EM.31	(1.00)%	Quarterly	BZWS	6/20/24	828,580	38,980	40,660	(1,680)
Total OTC Swap Contracts					\$104,076	\$121,176	\$ (17,100)	
Total Credit Default Swap Contracts					\$218,994	\$378,898	\$(159,904)	

^aIn U.S. dollars unless otherwise indicated. For contracts to sell protection, the notional amount is equal to the maximum potential amount of the future payments and no recourse provisions have been entered into in association with the contracts.

^bBased on Standard and Poor's (S&P) Rating for single name swaps.

^cPerformance triggers for settlement of contract include default, bankruptcy or restructuring for single name swaps and failure to pay or bankruptcy of the underlying securities for traded index swaps.

^dThe Fund enters contracts to sell protection to create a long credit position.

At May 31, 2019, the Fund had the following interest rate swap contracts outstanding. See Note 1(d).

Interest Rate Swap Contracts

Description	Payment Frequency	Maturity Date	Notional Amount	Value/Unrealized Appreciation (Depreciation)
Centrally Cleared Swap Contracts				
Receive Fixed rate 8.33%				
Pay Floating rate BRL-BRLCDI	Annually	1/02/23	20,823,071 BRL	\$ 180,967
Receive Fixed rate 8.36%				
Pay Floating rate BRL-BRLCDI	Annually	1/02/23	15,895,971 BRL	141,131
Receive Floating rate MIBOR				
Pay Fixed rate 6.67%	Annually	6/20/23	68,165,992 INR	(36,325)
Receive Floating rate 6 Month GBP-LIBOR				
Pay Fixed rate 1.41%	Semi-Annually	8/04/67	133,000 GBP	(8,010)
Receive Floating rate 6 Month GBP-LIBOR				
Pay Fixed rate 1.47%	Semi-Annually	9/18/69	1,791,234 GBP	(199,023)
Total Interest Rate Swap Contracts				\$ 78,740

Franklin K2 Alternative Strategies Fund (continued)

At May 31, 2019, the Fund had the following total return swap contracts outstanding. See Note 1(d).

Total Return Swap Contracts

Underlying Instrument	Financing Rate	Payment Frequency	Counter-party	Maturity Date	Notional Value*	Value/Unrealized Appreciation (Depreciation)
OTC Swap Contracts						
Commodity Contracts – Short^a						
Bloomberg Commodity Index ^b	0.15%	Monthly	MSCI	6/10/19	973,204	\$ 11,846
Credit Contracts – Short^a						
iBoxx USD Liquid High Yield Index	1-Month LIBOR	Monthly	JPHQ	6/20/19	1,347,000	5,696
iBoxx USD Liquid High Yield Index	1-Month LIBOR	Monthly	JPHQ	6/20/19	53,000	345
iBoxx USD Liquid High Yield Index	1-Month LIBOR	Quarterly	MSCS	6/20/19	1,448,000	(34,962)
iBoxx USD Liquid High Yield Index	1-Month LIBOR	Monthly	MSCS	6/20/19	151,000	665
iBoxx USD Liquid High Yield Index	1-Month LIBOR	Monthly	MSCS	6/20/19	604,000	2,712
						(25,544)
Equity Contracts – Long^c						
Aeroports de Paris	1-Day EONIA + 0.65%	Monthly	MSCS	9/04/19	417,283 EUR	(63,458)
Altaba Inc.	1-Day FEDEF + 0.40%	Monthly	MSCS	12/20/19	3,265,538	(259,231)
Anglo American PLC	1-Month LIBOR + 0.50%	Monthly	MSCS	1/20/20	696,860 GBP	(66,066)
Anima Holding SpA	1-Month LIBOR + 0.40%	Monthly	MSCS	12/19/19	702,604 EUR	(116,863)
Antofagasta PLC	1-Month LIBOR + 0.50%	Monthly	MSCS	1/20/20	40,859 GBP	(2,856)
Barclays PLC	1-Month LIBOR + 0.40%	Monthly	MSCS	4/16/20	771,073 GBP	(51,167)
BHP Group PLC	1-Day FEDEF + 0.40%	Monthly	MSCS	12/23/20	1,539,875	(25,262)
BNP Paribas SA	1-Month LIBOR + 0.40%	Monthly	MSCS	12/19/19	1,629,588 EUR	(184,722)
BTG PLC	1-Day SONIA + 0.65%	Monthly	MSCS	2/06/20	678,065 GBP	7,951
Carnival PLC	1-Day FEDEF + 0.65%	Monthly	MSCS	3/17/21	831,419	(59,829)
Caterpillar Inc.	1-Month LIBOR + 0.50%	Monthly	MSCS	9/22/20	1,685,072	(229,021)
Celesio AG	1-Day EONIA + 0.65%	Monthly	MSCS	11/04/19	3,160,765 EUR	64,610
Cie Plastic Omnium SA	1-Month EURIBOR + 0.50%	Monthly	MSCS	1/10/20	657,150 EUR	(103,158)
CSX Corp.	1-Month LIBOR + 0.50%	Monthly	MSCS	9/22/20	4,750,708	6,515
Danone SA	1-Month LIBOR + 0.40%	Monthly	MSCS	12/19/19	3,366,022 EUR	85,033
EDP Renovaveis SA	1-Day EONIA + 0.65%	Monthly	MSCS	9/04/19	797,888 EUR	165,394
Eurofins Scientific SE	1-Month EURIBOR + 0.40%	Monthly	MSCS	12/19/19	836,876 EUR	24,005
Fortescue Metals Group Ltd.	1-Month BBSW + 0.55%	Monthly	MSCS	1/29/21	5,720,496 AUD	(2,034)
HeidelbergCement AG	1-Month EURIBOR + 0.40%	Monthly	MSCS	12/19/19	2,146,837 EUR	(71,361)
Hikma Pharmaceuticals PLC	1-Month LIBOR + 0.40%	Monthly	MSCS	4/16/20	81,486 GBP	(10,091)
Iliad SA	1-Month LIBOR + 0.40%	Monthly	MSCS	12/19/19	2,405,894 EUR	(34,667)
Inmarsat PLC	1-Month LIBOR + 0.45%	Monthly	DBAB	10/21/19	1,667,748	(254)
Inmarsat PLC	1-Day FEDEF + 0.65%	Monthly	MSCS	3/17/21	1,925,456	(31,558)
Innogy SE	1-Day EONIA + 0.65%	Monthly	MSCS	9/04/19	4,098,502 EUR	373,551
ITV PLC	1-Month LIBOR + 0.40%	Monthly	MSCS	4/16/20	1,507,833 GBP	(194,327)
Knight-Swift Transportation Holdings Inc.	1-Month LIBOR + 0.55%	Monthly	MSCS	9/22/20	5,113,509	(768,428)
L3 Technologies Inc.	1-Day FEDEF + 0.40%	Monthly	MSCS	12/23/20	2,314,732	623,993
LafargeHolcim Ltd.	1-Month LIBOR + 0.40%	Monthly	MSCS	7/26/19	3,451,611 CHF	(105,424)
Nexi SpA	1-Month EURIBOR + 0.40%	Monthly	MSCS	12/19/19	386,458 EUR	13,556
NVR Inc.	1-Month LIBOR + 0.50%	Monthly	MSCS	9/22/20	2,823,414	739,933
OneMarket Ltd.	1-Month LIBOR + 0.55%	Monthly	MSCS	2/20/20	—	11,919
Pets at Home Group PLC	1-Month LIBOR + 0.40%	Monthly	MSCS	4/16/20	648,889 GBP	167,160
Renault SA	1-Day EONIA + 0.65%	Monthly	MSCS	9/04/19	490,982 EUR	(37,813)
Rio Tinto PLC	1-Month LIBOR + 0.50%	Monthly	MSCS	1/20/20	410,647 GBP	1,488
Rio Tinto PLC	1-Month LIBOR + 0.50%	Monthly	MSCS	9/22/20	2,266,704	292,238
RPC Group PLC	1-Month LIBOR + 0.45%	Monthly	DBAB	7/17/19	2,793,365 GBP	(6,411)
RPC Group PLC	1-Day SONIA + 0.65%	Monthly	MSCS	2/06/20	1,395,228 GBP	(5,848)
RSA Insurance Group PLC	1-Month LIBOR + 0.40%	Monthly	MSCS	4/16/20	1,109,375 GBP	(4,831)
RWE AG	1-Day EONIA + 0.65%	Monthly	MSCS	10/30/19	2,688,879 EUR	303,478
Ryanair Holdings PLC	1-Month EURIBOR + 0.40%	Monthly	MSCS	12/19/19	618,361 EUR	(46,065)
Smiths Group PLC	1-Month LIBOR + 0.40%	Monthly	MSCS	4/16/20	900,703 GBP	(44,710)

Franklin K2 Alternative Strategies Fund (continued)

Total Return Swap Contracts (continued)

Underlying Instrument	Financing Rate	Payment Frequency	Counter-party	Maturity Date	Notional Value*		Value/Unrealized Appreciation (Depreciation)
OTC Swap Contracts (continued)							
Equity Contracts – Long^c (continued)							
Societe Generale SA	1-Month LIBOR + 0.40%	Monthly	MSCS	12/19/19	1,250,337	EUR	\$ (94,251)
Sports Direct International PLC	1-Month LIBOR + 0.40%	Monthly	MSCS	4/16/20	1,346,871	GBP	(41,164)
Stroeer SE & Co KGaA	1-Month EURIBOR + 0.40%	Monthly	MSCS	12/19/19	3,215,315	EUR	(50,318)
Suntrust Banks Inc.	1-Day FEDEF + 0.40%	Monthly	MSCS	12/23/20	3,740,131		(106,082)
Vodafone Group PLC	1-Day SONIA + 0.65%	Monthly	MSCS	2/06/20	1,398,034	GBP	(271,363)
Worldpay Inc.	1-Day FEDEF + 0.40%	Monthly	MSCS	12/23/20	5,307,380		357,273
							<u>149,464</u>
Equity Contracts – Short^a							
Alibaba Group Holding Ltd	1-Day FEDEF - 0.35%	Monthly	MSCS	12/20/19	2,688,544		357,497
BB&T Corp.	1-Day FEDEF - 0.35%	Monthly	MSCS	2/04/21	3,758,162		114,666
BHP Group Ltd.	1-Day RBACR - 0.50%	Monthly	MSCS	1/29/21	154,962	AUD	(9,931)
BHP Group Ltd.	1-Day RBACR - 0.50%	Monthly	MSCS	2/04/21	1,689,670		1,920
Carnival Corp.	1-Day FEDEF - 0.35%	Monthly	MSCS	2/04/21	827,498		44,033
Colruyt SA	1-Day EONIA - 0.40%	Monthly	MSCS	12/19/19	2,007,563	EUR	(71,219)
Fiat Chrysler Automobiles N.V.	1-Day EONIA - 0.50%	Monthly	MSCS	10/30/19	528,954	EUR	13,729
Fidelity National Information Services Inc	1-Day FEDEF - 0.35%	Monthly	MSCS	2/04/21	4,906,517		(296,338)
Harris Corp.	1-Day FEDEF - 0.35%	Monthly	MSCS	2/04/21	2,360,569		(594,141)
Hermes International	1-Day EONIA - 0.40%	Monthly	MSCS	1/10/20	191,577	EUR	57
JD Sports Fashion PLC	1-Day SONIA - 0.30%	Monthly	MSCS	4/16/20	323,894	GBP	2,202
LVMH Moet Hennessy Louis Vuitton SE	1-Day EONIA - 0.40%	Monthly	MSCS	1/10/20	624,957	EUR	(9,189)
Marks & Spencer Group PLC	1-Day SONIA - 0.30%	Monthly	MSCS	4/16/20	434,736	GBP	78,954
Marks & Spencer Group PLC	1-Day SONIA - 0.30%	Monthly	MSCS	4/16/20	—	GBP	(15,807)
Morgan Stanley MSPSAGNH Index	1-Day FEDEF - 0.45%	Monthly	MSCS	9/22/20	2,356,842		109,170
Morgan Stanley MSPSDWD2 Index	1-Day FEDEF - 0.40%	Monthly	MSCS	9/22/20	1,421,432		(63,654)
Morgan Stanley MSPSMLP Index	1-Day FEDEF - 0.35%	Monthly	MSCS	9/22/20	472,247		(59,002)
Next PLC	1-Day SONIA - 0.30%	Monthly	MSCS	4/16/20	427,970	GBP	(12,962)
Partners Group Holding AG	1-Day SARON - 0.40%	Monthly	MSCS	3/29/21	52,526	CHF	1,205
S&P High Beta Total Return Index	1-Month LIBOR - 0.22%	Monthly	BOFA	4/30/20	182,956		17,423
S&P High Beta Total Return Index	1-Month LIBOR	Monthly	BZWS	4/30/20	2,948,988		274,995
Safran SA	1-Day EONIA - 0.40%	Monthly	MSCS	1/10/20	110,516	EUR	4,991
Technology Select Sector SPDR Index	1-Day FEDEF - 0.35%	Monthly	MSCS	9/22/20	1,257,545		19,622
Unilever NV	1-Day EONIA - 0.35%	Monthly	MSCS	12/19/19	379,769	EUR	(12,287)
Valeo SA	1-Day EONIA - 0.40%	Monthly	MSCS	1/10/20	381,051	EUR	20,153
							<u>(83,913)</u>
Interest Rate Contracts – Long^c							
Egyptian Treasury Bill	—	Monthly	DBAB	8/13/19	486,408		\$ 52,019
Egyptian Treasury Bill	3-Month LIBOR + 0.50%	Monthly	GSCO	8/13/19	484,298		51,242
Government of Indonesia	3-Month LIBOR + 0.60%	Monthly	BOFA	4/15/20	1,784,968		(104,519)
Government of Indonesia	3-Month LIBOR + 0.60%	Monthly	DBAB	6/15/32	1,929,619		(111,187)
							<u>(112,445)</u>
Total Total Return Swap Contracts							<u>\$ (60,592)</u>

*In U.S. dollars unless otherwise indicated.

^aThe Fund receives the variable financing rate and pays the total return on the underlying instrument.

^bA portion or all of the contracts are owned by K2 Holdings Investment Corp., a wholly-owned subsidiary of the Fund. See Note 1(j).

^cThe Fund receives the total return on the underlying instrument and pays a variable financing rate.

See Note 9 regarding other derivative information.

See Abbreviations on page 86.

Consolidated Statement of Assets and Liabilities

May 31, 2019

Franklin K2 Alternative Strategies Fund

Assets:

Investments in securities:	
Cost – Unaffiliated issuers	\$1,010,460,532
Cost – Non-controlled affiliates (Note 3f)	4,871,000
Cost – Unaffiliated repurchase agreements	22,718,635
Value – Unaffiliated issuers†	\$1,104,994,220
Value – Non-controlled affiliates (Note 3f)	4,871,000
Value – Unaffiliated repurchase agreements	22,718,635
Cash	81,784,543
Restricted cash for OTC derivatives (Note 1e)	160,000
Foreign currency, at value (cost \$4,801,621)	4,794,960
Receivables:	
Investment securities sold	15,486,721
Capital shares sold	2,336,934
Dividends and interest	4,400,406
Deposits with brokers for:	
Exchange traded options written	979,618
Securities sold short	213,817,025
OTC derivative contracts	9,864,515
Futures contracts	18,920,786
Centrally cleared swap contracts	4,752,442
Due from brokers	7,670,766
Variation margin on futures contracts	1,456,866
Variation margin on centrally cleared swap contracts	25,751
OTC swap contracts (upfront payments \$121,985)	121,431
Unrealized appreciation on OTC forward exchange contracts	4,850,314
Unrealized appreciation on OTC swap contracts	4,423,239
Other assets	23,851
Total assets	1,508,454,023

Liabilities:

Payables:	
Investment securities purchased	16,854,469
Capital shares redeemed	5,695,891
Management fees	1,897,859
Distribution fees	61,637
Transfer agent fees	147,958
Deposits from brokers for:	
OTC derivative contracts	160,000
Due to brokers	3,909,204
OTC swap contracts (upfront receipts \$288)	255
Options written, at value (premiums received \$635,119)	378,169
Securities sold short, at value (proceeds \$232,213,225)	225,752,061
Payable upon return of securities loaned	6,071,061
Unrealized depreciation on OTC forward exchange contracts	3,292,760
Unrealized depreciation on OTC swap contracts	4,500,931
Unrealized depreciation on unfunded loan commitments (Note 8)	289
Accrued expenses and other liabilities	444,303
Total liabilities	269,166,847
Net assets, at value	\$1,239,287,176

Net assets consist of:

Paid-in capital	\$1,172,311,742
Total distributable earnings (loss)	66,975,434
Net assets, at value	\$1,239,287,176
†Includes securities loaned	\$ 5,759,766

Consolidated Statement of Assets and Liabilities (continued)
May 31, 2019

Franklin K2 Alternative Strategies Fund

Class A:

Net assets, at value	\$104,452,283
Shares outstanding	9,262,488
Net asset value per share ^a	\$11.28
Maximum offering price per share (net asset value per share ÷ 94.50%)	\$11.94

Class C:

Net assets, at value	\$44,897,136
Shares outstanding	4,062,334
Net asset value and maximum offering price per share ^a	\$11.05

Class R:

Net assets, at value	\$843,757
Shares outstanding	74,800
Net asset value and maximum offering price per share	\$11.28

Class R6:

Net assets, at value	\$42,841,514
Shares outstanding	3,776,547
Net asset value and maximum offering price per share	\$11.34

Advisor Class:

Net assets, at value	\$1,046,252,486
Shares outstanding	92,381,081
Net asset value and maximum offering price per share	\$11.33

^aRedemption price is equal to net asset value less contingent deferred sales charges, if applicable.

Consolidated Statement of Operations

for the year ended May 31, 2019

Franklin K2 Alternative Strategies Fund

Investment income:	
Dividends: (net of foreign taxes)*	
Unaffiliated issuers	\$ 9,445,030
Interest: (net of foreign taxes)~	
Unaffiliated issuers	24,984,102
Income from securities loaned:	
Unaffiliated issuers (net of fees and rebates)	74,024
Non-controlled affiliates (Note 3f)	117,650
Total investment income	34,620,806
Expenses:	
Management fees (Note 3a)	22,528,344
Distribution fees: (Note 3c)	
Class A	270,736
Class C	493,567
Class R	4,684
Transfer agent fees: (Note 3e)	
Class A	108,459
Class C	49,392
Class R	939
Class R6	9,997
Advisor Class	992,195
Custodian fees (Note 4)	245,681
Reports to shareholders	126,097
Registration and filing fees	139,601
Professional fees	474,003
Trustees' fees and expenses	395,835
Dividends and interest on securities sold short	4,243,266
Other	116,267
Total expenses	30,199,063
Expense reductions (Note 4)	(258,750)
Expenses waived/paid by affiliates (Note 3f and 3g)	(1,842,967)
Net expenses	28,097,346
Net investment income	6,523,460
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	13,197,981
Written options	872,242
Foreign currency transactions	(151,799)
Forward exchange contracts	7,194,420
Futures contracts	(3,406,370)
Securities sold short	(13,802,807)
Swap contracts	4,901,744
Net realized gain (loss)	8,805,411
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(8,466,026)
Translation of other assets and liabilities denominated in foreign currencies	74,636
Forward exchange contracts	(61,035)
Written options	123,456
Futures contracts	4,986,205
Securities sold short	11,318,766
Swap contracts	(7,335,250)
Net change in unrealized appreciation (depreciation)	640,752
Net realized and unrealized gain (loss)	9,446,163
Net increase (decrease) in net assets resulting from operations	\$ 15,969,623
* Foreign taxes withheld on dividends	\$ 146,234
~ Foreign taxes withheld on interest	\$ 1,790

Consolidated Statements of Changes in Net Assets

Franklin K2 Alternative Strategies Fund

	Year Ended May 31,	
	2019	2018
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 6,523,460	\$ 2,548,305
Net realized gain (loss)	8,805,411	17,117,174
Net change in unrealized appreciation (depreciation)	640,752	20,905,020
Net increase (decrease) in net assets resulting from operations	15,969,623	40,570,499
Distributions to shareholders: (Note 1m)		
Class A	(2,359,116)	(1,546,194)
Class C	(1,085,438)	(285,639)
Class R	(16,101)	(5,635)
Class R6	(817,934)	(2,505,528)
Advisor Class	(21,685,004)	(11,772,288)
Total distributions to shareholders	(25,963,593)	(16,115,284)
Capital share transactions: (Note 2)		
Class A	(13,877,422)	(2,755,965)
Class C	(7,442,314)	(3,461,065)
Class R	189,631	38,619
Class R6	11,235,421	(238,755,438)
Advisor Class	158,034,578	206,066,759
Total capital share transactions	148,139,894	(38,867,090)
Net increase (decrease) in net assets	138,145,924	(14,411,875)
Net assets:		
Beginning of year	1,101,141,252	1,115,553,127
End of year (Note 1m)	\$1,239,287,176	\$1,101,141,252

Notes to Consolidated Financial Statements

Franklin K2 Alternative Strategies 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 four separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin K2 Alternative Strategies Fund (Fund) is included in this report. The Fund offers five classes of shares: Class A, Class C, Class R, Class R6 and Advisor Class. Beginning on October 19, 2018, Class C shares automatically convert to Class A shares after they have been held for 10 years. Each class of shares may differ by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees due to differing arrangements for distribution and transfer agent fees.

The following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

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

Equity securities, exchange traded funds and derivative financial instruments listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter (OTC) securities are valued within the range of the most recent quoted bid

and ask prices. Securities that trade in multiple markets or on multiple exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

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

Investments in open-end mutual funds are valued at the closing NAV. Investments in repurchase agreements are valued at cost, which approximates fair value.

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

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Fund 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

Franklin K2 Alternative Strategies Fund (continued)

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.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Fund's business day. Occasionally, events occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Fund's portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, the VC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Fund. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

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

b. Foreign Currency Translation

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

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

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

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

c. Joint Repurchase Agreement

The Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the Fund to the seller, collateralized by securities which are delivered to the Fund's custodian. The fair value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers). The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The Fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other

Franklin K2 Alternative Strategies Fund (continued)

1. Organization and Significant Accounting

Policies (continued)

c. Joint Repurchase Agreement (continued)

amounts owed by the seller to the Fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. The joint repurchase agreement held by the Fund at year end, as indicated in the Consolidated Statement of Investments, had been entered into on May 31, 2019.

d. Derivative Financial Instruments

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

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

an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Consolidated Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement.

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

The Fund entered into exchange traded futures contracts primarily to manage and/or gain exposure to commodity price, interest rate, equity price risk and certain foreign currencies. 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 in the Consolidated Statement of Assets and Liabilities.

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

Franklin K2 Alternative Strategies Fund (continued)

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 in the Consolidated Statement of Assets and Liabilities. 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 are reflected in the Consolidated Statement of Assets and Liabilities and 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 entered into interest rate swap contracts primarily to manage interest rate risk. An interest rate swap is an agreement between the Fund and a counterparty to exchange cash flows based on the difference between two interest rates, applied to a notional amount. These agreements may be privately negotiated in the over-the-counter market (OTC interest rate swaps) or may be executed on a registered exchange (centrally cleared interest rate swaps). For centrally cleared interest rate swaps, required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable in the Consolidated

Statement of Assets and Liabilities. Over the term of the contract, contractually required payments to be paid and to be received are accrued daily and recorded as unrealized depreciation and appreciation until the payments are made, at which time they are realized.

The Fund entered into OTC total return swap contracts primarily to manage and/or gain exposure to interest rate, equity price, commodity price and credit risk of an underlying instrument such as a stock, bond, index or basket of securities or indices. 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 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 purchased or wrote exchange traded and/or OTC option contracts primarily to manage and/or gain exposure to interest rate, equity price and foreign exchange rate risk. An option is a contract entitling the holder to purchase or sell a specific amount of shares or units of an asset or notional amount of a swap (swaption), at a specified price. When an option is purchased or written, an amount equal to the premium paid or received is recorded as an asset or liability, respectively. Upon exercise of an option, the acquisition cost or sales proceeds of the underlying investment is adjusted by any premium received or paid. Upon expiration of an option, any premium received or paid is recorded as a realized gain or loss. Upon closing an option other than through expiration or exercise, the difference between the premium received or paid and the cost to close the position is recorded as a realized gain or loss.

See Notes 6 and 9 regarding investment transactions and other derivative information, respectively.

e. Restricted Cash

At May 31, 2019, the Fund held restricted cash in connection with investments in certain derivative securities. Restricted cash is held in a segregated account with the Fund's custodian/counterparty broker and is reflected in the Consolidated Statement of Assets and Liabilities.

f. Loan Participation Notes

The Fund invests in loan participation notes (Participations). Participations are loans originally issued to a borrower by one

Franklin K2 Alternative Strategies Fund (continued)

1. Organization and Significant Accounting

Policies (continued)

f. Loan Participation Notes (continued)

or more financial institutions (the Lender) and subsequently sold to other investors, such as the Fund. Participations typically result in the Fund having a contractual relationship only with the Lender and not with the borrower. The Fund has the right to receive from the Lender any payments of principal, interest and fees which the Lender received from the borrower. The Fund generally has no rights to either enforce compliance by the borrower with the terms of the loan agreement or to any collateral relating to the original loan. As a result, the Fund assumes the credit risk of both the borrower and the Lender that is selling the Participation. The Participations may also involve interest rate risk and liquidity risk, including the potential default or insolvency of the borrower and/or the Lender.

g. Credit-Linked Notes

The Fund purchases credit-linked notes. Credit-linked notes are intended to replicate the economic effects that would apply had the Fund directly purchased the underlying reference asset. The risks of credit-linked notes include the potential default of the underlying reference asset, the movement in the value of the currency of the underlying reference asset relative to the credit-linked note, the potential inability of the Fund to dispose of the credit-linked note in the normal course of business, and the possible inability of the counterparties to fulfill their obligations under the contracts.

h. Securities Sold Short

The Fund is engaged in selling securities short, which obligates the Fund to replace a borrowed security with the same security at current fair value. The Fund incurs a loss if the price of the security increases between the date of the short sale and the date on which the Fund replaces the borrowed security. The Fund realizes a gain if the price of the security declines between those dates. Gains are limited to the price at which the Fund sold the security short, while losses are potentially unlimited in size.

The Fund is required to establish a margin account with the broker lending the security sold short. While the short sale is outstanding, the broker retains the proceeds of the short sale to the extent necessary to meet margin requirements until the short position is closed out. A deposit must also be maintained with the Fund's custodian/counterparty broker consisting of cash and/or securities having a value equal to a

specified percentage of the value of the securities sold short. The Fund is obligated to pay fees for borrowing the securities sold short and is required to pay the counterparty any dividends and/or interest due on securities sold short. Such dividends and/or interest and any security borrowing fees are recorded as an expense to the Fund.

i. Securities Lending

The Fund participates in an agency based securities lending program to earn additional income. The Fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. The collateral is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Fund, and/or a joint repurchase agreement. The Fund may receive income from the investment cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third party vendor, is reported separately in the Consolidated Statement of Operations. The Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligations to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower.

j. Investments in K2 Holdings Investment Corp. (K2 Subsidiary)

The Fund invests in certain financial instruments and commodity-linked derivative investments through its investment in the K2 Subsidiary. The K2 Subsidiary is a Cayman Islands exempted company with limited liability, is a wholly-owned subsidiary of the Fund, and is able to invest in certain financial instruments and commodity-linked derivative investments consistent with the investment objective of the Fund. At May 31, 2019, the K2 Subsidiary's investments, as well as any other assets and liabilities of the K2 Subsidiary, are reflected in the Fund's Consolidated Statement of Investments and Consolidated Statement of Assets and Liabilities.

Franklin K2 Alternative Strategies Fund (continued)

All intercompany transactions and balances have been eliminated. For tax purposes, the Fund is required to increase its taxable income by its share of the K2 Subsidiary's income. Net losses incurred by the K2 Subsidiary cannot offset income earned by the Fund and cannot be carried back or forward by the K2 Subsidiary to offset income from prior or future years. At May 31, 2019, the net assets of the K2 Subsidiary were \$19,024,756, representing 1.5% of the Fund's consolidated net assets. The Fund's investment in the K2 Subsidiary is limited to 25% of consolidated assets.

k. Senior Floating Rate Interests

The Fund invests in senior secured corporate loans that pay interest at rates which are periodically reset by reference to a base lending rate plus a spread. These base lending rates are generally the prime rate offered by a designated U.S. bank or the London InterBank Offered Rate (LIBOR). Senior secured corporate loans often require prepayment of principal from excess cash flows or at the discretion of the borrower. As a result, actual maturity may be substantially less than the stated maturity. Senior secured corporate loans in which the Fund invests are generally readily marketable, but may be subject to certain restrictions on resale.

l. 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 May 31, 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.

m. 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. Facility fees are recognized as income over the expected term of the loan. Dividend income and dividends declared on securities sold short are recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Fund. 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.

n. 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

Franklin K2 Alternative Strategies Fund (continued)

1. Organization and Significant Accounting

Policies (continued)

n. Accounting Estimates (continued)

amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

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.

o. 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

* Effective during the current reporting period, it is no longer required to present certain line items in the Consolidated Statements of Changes in Net Assets. The below prior period amounts affected by this change are shown as they were in the prior year Consolidated Statements of Changes in Net Assets.

For the year ended May 31, 2018, distributions to shareholders were as follows:

Distributions from net investment income:

Class A	\$ (1,546,194)
Class C	(285,639)
Class R	(5,635)
Class R6	(2,505,528)
Advisor Class	(11,772,288)

For the year ended May 31, 2018, distributions in excess of net investment income included in net assets was \$(14,677,700).

2. Shares of Beneficial Interest

At May 31, 2019, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended May 31,			
	2019		2018	
	Shares	Amount	Shares	Amount
Class A Shares:				
Shares sold ^a	2,351,885	\$ 26,666,136	3,176,630	\$ 35,979,221
Shares issued in reinvestment of distributions	207,339	2,233,039	129,508	1,467,319
Shares redeemed	(3,768,289)	(42,776,597)	(3,551,224)	(40,202,505)
Net increase (decrease)	(1,209,065)	\$(13,877,422)	(245,086)	\$ (2,755,965)
Class C Shares:				
Shares sold	660,253	\$ 7,380,998	1,190,986	\$ 13,334,868
Shares issued in reinvestment of distributions	93,730	992,601	23,870	268,067
Shares redeemed ^a	(1,421,875)	(15,815,913)	(1,527,860)	(17,064,000)
Net increase (decrease)	(667,892)	\$ (7,442,314)	(313,004)	\$ (3,461,065)
Class R Shares:				
Shares sold	128,380	\$ 1,438,887	13,905	\$ 158,094
Shares issued in reinvestment of distributions	1,492	16,101	496	5,635
Shares redeemed	(111,838)	(1,265,357)	(11,085)	(125,110)
Net increase (decrease)	18,034	\$ 189,631	3,316	\$ 38,619

Franklin K2 Alternative Strategies Fund (continued)

Year Ended May 31,

	2019		2018	
	Shares	Amount	Shares	Amount
Class R6 Shares:				
Shares sold	1,328,232	\$ 15,139,519	532,029	\$ 6,021,672
Shares issued in reinvestment of distributions	74,668	807,913	220,254	2,497,684
Shares redeemed	(412,633)	(4,712,011)	(21,717,786)	(247,274,794)
Net increase (decrease)	990,267	\$ 11,235,421	(20,965,503)	\$(238,755,438)
Advisor Class Shares:				
Shares sold	38,287,620	\$ 435,094,092	32,825,857	\$ 372,819,294
Shares issued in reinvestment of distributions	1,729,893	18,700,140	757,060	8,585,060
Shares redeemed	(26,229,040)	(295,759,654)	(15,458,901)	(175,337,595)
Net increase (decrease)	13,788,473	\$ 158,034,578	18,124,016	\$ 206,066,759

^a May 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

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

Bardin Hill Arbitrage IC Management LP
Chatham Asset Management, LLC
Chilton Investment Company, LLC
Emso Asset Management Limited
Graham Capital Management, L.P.
Grantham, Mayo, Van Otterloo & Co. LLC
H2O AM LLP
Impala Asset Management, LLC
Jennison Associates, LLC
Lazard Asset Management, LLC

Franklin K2 Alternative Strategies Fund (continued)

3. Transactions with Affiliates (continued)

a. Management Fees (continued)

Subadvisors

Loomis Sayles & Company, L.P.
P. Schoenfeld Asset Management L.P.
Portland Hill Asset Management Limited
Wellington Management Company, LLP

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	0.30%
Class C	1.00%
Class R	0.50%

The Board has set the current rate at 0.25% per year for Class A shares until further notice and approval by the Board.

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 year:

Sales charges retained net of commissions paid to unaffiliated brokers/dealers	\$24,527
CDSC retained	\$ 6,737

Effective September 10, 2018, the Board approved changes to certain front-end sales charges and dealer commissions on Class A shares. Further details are disclosed in the Fund's Prospectus.

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.

Franklin K2 Alternative Strategies Fund (continued)

For the year ended May 31, 2019, the Fund paid transfer agent fees of \$1,160,982, of which \$384,397 was retained by Investor Services.

f. Investments in Affiliated Management Investment Companies

The Fund invests in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Fund are waived on assets invested in the affiliated management investment companies, as noted in the Consolidated Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended May 31, 2019, the Fund held investments in affiliated management investment companies as follows:

	Number of Shares Held at Beginning of Year	Gross Additions	Gross Reductions	Number of Shares Held at End of Year	Value at End of Year	Income from Securities Loaned	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
Non-Controlled Affiliates								
Institutional Fiduciary Trust Money Market Portfolio, 2.08%	10,700,000	70,667,000	(76,496,000)	4,871,000	\$4,871,000	\$117,650	\$ —	\$ —

g. 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%, and Class R6 does not exceed 1.87% based on the average net assets of each class until September 30, 2019. Total expenses waived or paid are not subject to recapture subsequent to the Fund's fiscal year end.

Prior to October 1, 2018, expenses (excluding certain fees and expenses as previously disclosed) for Class R6 were limited to 1.85% based on the average net assets of the class.

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 year ended May 31, 2019, the custodian fees were reduced as noted in the Consolidated Statement of Operations.

5. Income Taxes

The tax character of distributions paid during the years ended May 31, 2019 and 2018, was as follows:

	2019	2018
Distributions paid from:		
Ordinary income	\$ —	\$16,115,284
Long term capital gains	25,963,593	—
Total distributions paid	\$25,963,593	\$16,115,284

At May 31, 2019, the cost of investments, net unrealized appreciation (depreciation) and undistributed ordinary income for income tax purposes were as follows:

Cost of investments	\$846,388,371
Unrealized appreciation	\$117,616,405
Unrealized depreciation	(50,926,061)
Net unrealized appreciation (depreciation)	\$ 66,690,344
Distributable earnings	
Undistributed ordinary income	\$ 428,863

Franklin K2 Alternative Strategies Fund (continued)

5. Income Taxes (continued)

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of wash sales and investments in the K2 Subsidiary.

The Fund utilized a tax accounting practice to treat a portion of the proceeds from the capital shares redeemed as a distribution from realized capital gains.

6. Investment Transactions

Purchases and sales of investments and securities sold short (excluding short term securities) for the year ended May 31, 2019, aggregated \$2,581,209,693 and \$2,636,218,614, respectively.

At May 31, 2019, in connection with securities lending transactions, the Fund loaned equity investments and corporate bonds and notes and received \$6,071,061 of cash collateral. The gross amounts of recognized liability for such transactions is included in payable upon return of securities loaned in the Consolidated Statement of Assets and Liabilities. The agreements can be terminated at any time.

The Fund sold certain long positions held in the portfolio and simultaneously entered into total return swaps on the positions, retaining substantially all of the exposure to the economic return and the related risks on the long positions. At May 31, 2019, the transfers of financial assets accounted for as sales were as follows:

	At Original Transactions Dates		At Year Ended May 31, 2019		
	Cost Basis of Positions Sold	Gross Cash Received for Positions Sold	Fair Value of Transferred Assets ^a	Gross Derivative Assets Recorded ^b	Gross Derivative Liabilities Recorded ^b
Sales and total return swaps	\$1,855,453	\$2,014,929	\$2,763	\$2,017,692	\$(2,014,929)

^a \$2,763 of gross assets are included as unrealized appreciation on OTC swap contracts in the Consolidated Statement of Assets and Liabilities.

^b Balances are presented on a gross basis, based on each leg of the swap contract, before the application of counterparty and cash collateral offsetting.

See Notes 1(d) and 9 regarding derivative financial instruments and other derivative information, respectively.

7. Credit Risk and Defaulted Securities

The Fund may purchase the pre-default or defaulted debt of distressed companies. Distressed companies are financially troubled and could be or are already involved in financial restructuring or bankruptcy. Risks associated with purchasing these securities include the possibility that the bankruptcy or other restructuring process takes longer than expected, or that distributions in restructuring are less than anticipated, either or both of which may result in unfavorable consequences to the Fund. If it becomes probable that the income on debt securities, including those of distressed companies, will not be collected, the Fund discontinues accruing income and recognizes an adjustment for uncollectible interest.

At May 31, 2019, the aggregate long value of distressed company securities for which interest recognition has been discontinued was \$16,619,142, representing 1.3% of the Fund's net assets. For information as to specific securities, see the accompanying Consolidated Statement of Investments.

8. Unfunded Loan Commitments

The Fund enters into certain credit agreements, all or a portion of which may be unfunded. The Fund is obligated to fund these loan commitments at the borrowers' discretion. Unfunded loan commitments and funded portions of credit agreements are marked to market daily and any unrealized appreciation or depreciation is included in the Consolidated Statement of Assets and Liabilities and the Consolidated Statement of Operations. Funded portions of credit agreements are presented in the Consolidated Statement of Investments.

Franklin K2 Alternative Strategies Fund (continued)

At May 31, 2019, unfunded commitments were as follows:

Borrower	Unfunded Commitment
Berry Global Inc., Term Loan, 5/15/26	\$210,000

9. Other Derivative Information

At May 31, 2019, the investments in derivative contracts are reflected in the Consolidated Statement of Assets and Liabilities as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Asset Derivatives		Liability Derivatives	
	Consolidated Statement of Assets and Liabilities Location	Fair Value	Consolidated Statement of Assets and Liabilities Location	Fair Value
Interest rate contracts	Variation margin on futures contracts	\$ 3,488,172 ^a	Variation margin on futures contracts	\$ 1,000,570 ^a
	Variation margin on centrally cleared swap contracts	322,098 ^a	Variation margin on centrally cleared swap contracts	243,358 ^a
	Unrealized appreciation on OTC swap contracts	103,261	Unrealized depreciation on OTC swap contracts	215,706
Foreign exchange contracts	Investments in securities, at value	54,224 ^b	Options written, at value	63,526
	Unrealized appreciation on OTC forward exchange contracts	4,850,314	Unrealized depreciation on OTC forward exchange contracts	3,292,760
Credit contracts	Variation margin on centrally cleared swap contracts	39,658 ^a	Variation margin on centrally cleared swap contracts	182,462 ^a
	OTC swap contracts (upfront payments)	121,431	OTC swap contracts (upfront receipts)	255
	Unrealized appreciation on OTC swap contracts	9,418	Unrealized depreciation on OTC swap contracts	52,062
Equity contracts	Investments in securities, at value	2,124,479 ^b	Options written, at value	314,643
	Variation margin on futures contracts	4,692,228 ^a	Variation margin on futures contracts	1,758,005 ^a
	Unrealized appreciation on OTC swap contracts	4,298,714	Unrealized depreciation on OTC swap contracts	4,233,163
Commodity contracts	Variation margin on futures contracts	389,069 ^a	Variation margin on futures contracts	1,402,745 ^a
	Unrealized appreciation on OTC swap contracts	11,846		
Totals		\$20,504,912		\$12,759,255

^a This amount reflects the cumulative appreciation (depreciation) of futures contracts and centrally cleared swap contracts as reported in the Consolidated Statement of Investments. Only the variation margin receivable/payable at year end is separately reported within the Consolidated Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment.

^b Purchased option contracts are included in investments in securities, at value in the Consolidated Statement of Assets and Liabilities.

Franklin K2 Alternative Strategies Fund (continued)

9. Other Derivative Information (continued)

For the year ended May 31, 2019, the effect of derivative contracts in the Consolidated Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Consolidated Statement of Operations Location	Net Realized Gain (Loss) for the Year	Consolidated Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Year
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Interest rate contracts	Investments	\$ (158,469) ^a	Investments	\$ 76,237 ^a
	Written options	46,707	Written options	(18,653)
	Futures contracts	(488,022)	Futures contracts	1,672,977
	Swap contracts	(882,999)	Swap contracts	(307,691)
Foreign exchange contracts	Investments	(103,066) ^a	Investments	(72,791) ^a
	Written options	122,657	Written options	60,360
	Foreign exchange contracts	7,194,420	Forward exchange contracts	(61,035)
	Futures contracts	350,931		
Credit contracts	Swap contracts	1,090,095	Swap contracts	(123,316)
Equity contracts	Investments	(7,348,496) ^a	Investments	508,781 ^a
	Written options	702,878	Written options	81,749
	Futures contracts	488,418	Futures contracts	3,358,297
	Swap contracts	4,703,297	Swap contracts	(6,916,089)
Commodity contracts	Futures contracts	(3,757,697)	Futures contracts	(45,069)
	Swap contracts	(8,649)	Swap contracts	11,846
Totals		<u>\$ 1,952,005</u>		<u>\$(1,774,397)</u>

^a Purchased option contracts are included in net realized gain (loss) from investments and net change in unrealized appreciation (depreciation) on investments in the Consolidated Statement of Operations.

For the year ended May 31, 2019, the average month end notional amount of futures contracts, options and swap contracts represented \$662,293,192, 46,518,328 shares/units and \$280,213,915, respectively. The average month end contract value of forward exchange contracts was \$345,957,172.

At May 31, 2019, OTC derivative assets and liabilities are as follows:

	Gross Amounts of Assets and Liabilities Presented in the Consolidated Statement of Assets and Liabilities	
	Assets ^a	Liabilities ^a
Derivatives		
Forward Exchange Contracts	\$4,850,314	\$3,292,760
Options Purchased	54,224	—
Options Written	—	63,526
Swap Contracts	4,544,670	4,501,186
Total	<u>\$9,449,208</u>	<u>\$7,857,472</u>

^a Absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Consolidated Statement of Assets and Liabilities.

Franklin K2 Alternative Strategies Fund (continued)

At May 31, 2019, OTC derivative assets, which may be offset against OTC derivative liabilities and collateral received from the counterparty, are as follows:

Counterparty	Gross Amounts of Assets Presented in the Consolidated Statement of Assets and Liabilities	Amounts Not Offset in the Consolidated Statement of Assets and Liabilities			Net Amount (Not Less than Zero)
		Financial Instruments Available for Offset	Financials Instruments Collateral Received ^a	Cash Collateral Received ^a	
BNYM	\$ 434,171	\$ (35,430)	\$(398,741)	\$ —	\$ —
BOFA	169,320	(143,471)	—	(25,849)	—
BZWS	352,300	(9,437)	—	—	342,863
CITI	4,852	—	—	—	4,852
DBAB	366,422	(360,578)	—	—	5,844
GSCO	73,252	—	—	—	73,252
JPHQ	60,648	(60,648)	—	—	—
JPHQ ^c	1,251,504	—	—	—	1,251,504
MSCI	11,846	—	—	—	11,846
MSCO	143,010	(98,665)	—	—	44,345
MSCO ^d	2,537,432	(1,768,765)	—	—	768,667
MSCS	32,646	(16,265)	—	—	16,381
MSCS ^c	4,009,673	—	—	—	4,009,673
UBSW	2,132	(2,132)	—	—	—
Total	\$9,449,208	\$(2,495,391)	\$(398,741)	\$(25,849)	\$6,529,227

At May 31, 2019, OTC derivative liabilities, which may be offset against OTC derivative assets and collateral pledged to the counterparty, are as follows:

Counterparty	Gross Amounts of Liabilities Presented in the Consolidated Statement of Assets and Liabilities	Amounts Not Offset in the Consolidated Statement of Assets and Liabilities			Net Amount (Not Less than Zero)
		Financial Instruments Available for Offset	Financials Instruments Collateral Pledged ^{a,b}	Cash Collateral Pledged ^a	
BNYM	\$ 35,430	\$ (35,430)	\$ —	\$ —	\$ —
BOFA	143,471	(143,471)	—	—	—
BZWS	9,437	(9,437)	—	—	—
CITI	—	—	—	—	—
DBAB	360,578	(360,578)	—	—	—
GSCO	—	—	—	—	—
JPHQ	63,570	(60,648)	—	—	2,922
JPHQ ^c	1,088,586	—	—	—	1,088,586
MSCI	—	—	—	—	—
MSCO	98,665	(98,665)	—	—	—
MSCO ^d	1,768,765	(1,768,765)	—	—	—
MSCS	16,265	(16,265)	—	—	—
MSCS ^c	4,261,460	—	—	—	4,261,460
UBSW	11,245	(2,132)	—	—	9,113
Total	\$7,857,472	\$(2,495,391)	\$ —	\$ —	\$5,362,081

Franklin K2 Alternative Strategies Fund (continued)

9. Other Derivative Information (continued)

^a In some instances, the collateral amounts disclosed in the table above were adjusted due to the requirement to limit the collateral amounts to avoid the effect of overcollateralization. Actual collateral received and/or pledged may be more than the amounts disclosed herein.

^b See the accompanying Consolidated Statement of Investments for securities pledged as collateral for derivatives.

^c Represents derivatives not subject to an ISDA master agreement.

^d Represents derivatives owned by the K2 Holdings Investment Corp., a wholly-owned subsidiary of the Fund. See Note 1(j).

See Notes 1(d) and 6 regarding derivative financial instruments and investment transactions, respectively.

See Abbreviations on page 86.

10. 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 year ended May 31, 2019, the Fund did not use the Global Credit Facility.

11. 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.

Franklin K2 Alternative Strategies Fund (continued)

A summary of inputs used as of May 31, 2019, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities: ^a				
Equity Investments ^b	\$488,785,800	\$ 809	\$ — ^c	\$ 488,786,609
Convertible Bonds	—	105,949,972	—	105,949,972
Corporate Bonds and Notes	—	122,002,257	210,535	122,212,792
Corporate Bonds and Notes in Reorganization	—	10,392,536	—	10,392,536
Senior Floating Rate Interests	—	5,191,630	—	5,191,630
Foreign Government and Agency Securities	—	26,300,663	—	26,300,663
Asset-Backed Securities and Commercial Mortgage-Backed Securities	—	26,622,814	—	26,622,814
Municipal Bonds in Reorganization	—	6,226,606	—	6,226,606
Options Purchased	2,108,057	70,646	—	2,178,703
Short Term Investments	309,078,050	29,643,480	—	338,721,530
Total Investments in Securities	\$799,971,907	\$332,401,413	\$210,535	\$1,132,583,855
Other Financial Instruments:				
Futures Contracts	\$ 8,569,469	\$ —	\$ —	\$ 8,569,469
Forward Exchange Contracts	—	4,850,314	—	4,850,314
Swap Contracts	—	4,784,995	—	4,784,995
Total Other Financial Instruments	\$ 8,569,469	\$ 9,635,309	\$ —	\$ 18,204,778
Liabilities:				
Other Financial Instruments:				
Options Written	\$ 314,643	\$ 63,526	\$ —	\$ 378,169
Securities Sold Short ^a	220,078,551	5,400,190	273,320	225,752,061
Futures Contracts	4,161,320	—	—	4,161,320
Forward Exchange Contracts	—	3,292,760	—	3,292,760
Swap Contracts	—	4,926,751	—	4,926,751
Unfunded Loan Commitments	—	289	—	289
Total Other Financial Instruments	\$224,554,514	\$ 13,683,516	\$273,320	\$ 238,511,350

^aFor detailed categories, see the accompanying Consolidated Statement of Investments.

^bIncludes common, preferred and convertible preferred stocks and management investment companies as well as other equity interests.

^cIncludes securities determined to have no value At May 31, 2019.

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 financial instruments at the beginning and/or end of the year.

12. 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.

Franklin K2 Alternative Strategies Fund (continued)

Abbreviations

Counterparty/Exchange	Currency	Selected Portfolio
BNYM The Bank of New York Mellon Corp.	ARS Argentine Peso	ADR American Depositary Receipt
BOFA Bank of America, N.A.	AUD Australian Dollar	ARLLMONP Argentina Blended Policy Rate
BZWS Barclays Bank PLC	BRL Brazilian Real	ARM Adjustable Rate Mortgage
CITI Citigroup, Inc.	CAD Canadian Dollar	BADLAR Argentina Deposit Rates Badlar Private Banks ARS
DBAB Deutsche Bank, AG	CHF Swiss Franc	BBSW Bank Bill Swap Rate
GSCO Goldman Sachs International	COP Colombian Peso	BRLCDI Brazil Cetip DI Interbank Deposit Rate
HSBC HSBC Bank USA, N.A.	EGP Egyptian Pound	CAC Cotation Assistee en Continu
JPHQ JP Morgan Chase Bank, N.A.	EUR Euro	CBOT Chicago Board of Trade
MSCO Morgan Stanley & Co., LLC	GBP British Pound	CLO Collateralized Loan Obligation
MSCS Morgan Stanley Capital Services LLC	HKD Hong Kong Dollar	CME Chicago Mercantile Exchange
UBSW UBS AG	HUF Hungarian Forint	DAX Deutscher Aktienindex
	ILS New Israeli Shekel	DJIA Dow Jones Industrial Average
	IDR Indonesian Rupiah	EONIA Euro OverNight Index Average
	INR Indian Rupee	ETF Exchange Traded Fund
	JPY Japanese Yen	EURIBOR Euro Interbank Offered Rate
	NGN Nigerian Naira	FEDEF Federal Funds Effective Rate
	RUB Russian Ruble	FHLMC Federal Home Loan Mortgage Corp.
	TRY Turkish Lira	FRN Floating Rate Note
	TWD Taiwan Dollar	FTSE Financial Times Stock Exchange
	USD United States Dollar	GO General Obligation
	ZAR South African Rand	IDR International Depositary Receipt
		LIBOR London InterBank Offered Rate
		MIB Milano Italia Borsa
		MIBOR Mumbai Interbank Offered Rate
		MSCI Morgan Stanley Capital International
		OMO Open Market Operations
		PIK Payment In-Kind
		RBACR Reserve Bank of Australia Cash Rate
		REIT Real Estate Investment Trust
		SARON Swiss Average Rate Overnight
		SONIA Sterling Overnight Index Average
		SPDR Standard & Poor's Depositary Receipt
		SPI Swiss Performance Index
		TOPIX Tokyo Price Index
Index		
CDX.EM CDX Emerging Markets Index		

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Alternative Strategies Funds
and Shareholders of Franklin K2 Alternative Strategies Fund:

Opinion on the Financial Statements

We have audited the accompanying consolidated statement of assets and liabilities of Franklin K2 Alternative Strategies Fund (the "Fund") (one of the funds constituting the Franklin Alternative Strategies Funds), including the consolidated statement of investments, as of May 31, 2019, and the related consolidated statement of operations for the year then ended, the consolidated statements of changes in net assets for each of the two years in the period then ended, the consolidated financial highlights for each of the five years in the period then ended, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Franklin K2 Alternative Strategies Fund (one of the funds constituting the Franklin Alternative Strategies Funds) at May 31, 2019, the consolidated results of its operations for the year then ended, the consolidated changes in its net assets for each of the two years in the period then ended and its consolidated financial highlights for each of the five years in the period then ended, in conformity with U.S. generally accepted accounting principles.

Basis for Opinion

These financial statements are the responsibility of the Fund's management. Our responsibility is to express an opinion on the Fund's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Fund in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Fund is not required to have, nor were we engaged to perform, an audit of the Fund's internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our procedures included confirmation of securities owned as of May 31, 2019, by correspondence with the custodian and brokers, or by other appropriate auditing procedures where replies from brokers were not received. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.



We have served as the auditor of one or more Franklin investment companies since 1987.

Boston, Massachusetts
July 25, 2019

Tax Information (unaudited)

Under Section 852(b)(3)(C) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$29,768,556 as long term capital gain dividend for the fiscal year ended May 31, 2019.

Under Section 854(b)(1)(B) of the Internal Revenue Code, the Fund hereby reports the maximum amount allowable but no less than \$4,447,181 as qualified dividends for purposes of the maximum rate under Section 1(h)(11) of the Internal Revenue Code for the fiscal year ended May 31, 2019. Distributions, including qualified dividend income, paid during calendar year 2019 will be reported to shareholders on Form 1099-DIV by mid-February 2020. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their individual income tax returns.

Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Funds, principal occupations during at least the past five years and number of U.S. registered portfolios overseen in the Franklin Templeton fund complex, are shown below. Generally, each board member serves until that person's successor is elected and qualified.

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Edward I. Altman, Ph.D. (1941) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 2011	14	None
Principal Occupation During at Least the Past 5 Years: Max L. Heine Professor of Finance, Emeritus and Director of The Credit and Debt Markets Research Program, Salomon Center, Stern School of Business, New York University; editor and author of numerous financial publications; financial consultant; an adviser to numerous financial and publishing organizations; and formerly , Vice Director, Salomon Center, Stern School of Business, New York University.				
Ann Torre Bates (1958) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 2011	38	Ares Capital Corporation (specialty finance company) (2010-present), United Natural Foods, Inc. (distributor of natural, organic and specialty foods) (2013-present), Allied Capital Corporation (financial services) (2003-2010), SLM Corporation (Sallie Mae) (1997-2014) and Navient Corporation (loan management, servicing and asset recovery) (2014-2016).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and formerly , Executive Vice President and Chief Financial Officer, NHP Incorporated (manager of multifamily housing) (1995-1997); and Vice President and Treasurer, US Airways, Inc. (until 1995).				
Burton J. Greenwald (1929) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee and Vice Chairman of the Board	Trustee since 2011 and Vice Chairman of the Board since 2015	14	Franklin Templeton Emerging Markets Debt Opportunities Fund PLC (1999-present) and Fiduciary International Ireland Limited (1999-2015).
Principal Occupation During at Least the Past 5 Years: Managing Director, B.J. Greenwald Associates (management consultants to the financial services industry); and formerly , Chairman, Fiduciary Trust International Funds; Executive Vice President, L.F. Rothschild Fund Management, Inc.; President and Director, Merit Mutual Funds; President, Underwriting Division and Director, National Securities & Research Corporation; Governor, Investment Company Institute; and Chairman, ICI Public Information Committee.				
Jan Hopkins Trachtman (1947) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 2011	14	FinTech Acquisition Corp. III (special purpose fintech acquisition company) (2018-present)
Principal Occupation During at Least the Past 5 Years: President and Founder, The Jan Hopkins Group (communications consulting firm); serves on Advisory Board of Knight Bagehot Fellowship; and formerly , President, Economic Club of New York (2007-2015); Anchor/Correspondent, CNN Financial News (until 2003); Managing Director and Head of Client Communications, Citigroup Private Bank (until 2005); Off-Air Reporter, ABC News' World News Tonight; and Editor, CBS Network News.				

Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Keith E. Mitchell (1954) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 2011	14	None
Principal Occupation During at Least the Past 5 Years: Director of various boards of asset management firms; and formerly , Managing Member, Mitchell, Hartley & Bechtel Advisers, LLC (formerly, Mitchell Advisers, LLC) (advisory firm) (2003-2015) and Managing Director, Putman Lovell NBF.				
David W. Niemiec (1949) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 2015	38	Hess Midstream Partners LP (oil and gas midstream infrastructure) (2017-present).
Principal Occupation During at Least the Past 5 Years: Advisor, Saratoga Partners (private equity fund); and formerly , Managing Director, Saratoga Partners (1998-2001) and SBC Warburg Dillon Read (investment banking) (1997-1998); Vice Chairman, Dillon, Read & Co. Inc. (investment banking) (1991-1997); and Chief Financial Officer, Dillon, Read & Co. Inc. (1982-1997).				
Charles Rubens II (1930) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 2011	14	None
Principal Occupation During at Least the Past 5 Years: Private investor and president of non-profit organizations; and formerly , an executive of Time, Inc.; and Trustee of Colorado College.				
Robert E. Wade (1946) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee and Chairman of the Board	Since 2011	38	El Oro Ltd (investments) (2003-June 2019).
Principal Occupation During at Least the Past 5 Years: Attorney at law engaged in private practice as a sole practitioner (1972-2008) and member of various boards.				
Gregory H. Williams (1943) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2716	Trustee	Since 2015	14	None
Principal Occupation During at Least the Past 5 Years: Private investor; Consultant; and formerly , President, University of Cincinnati (2009-2012); President, The City College of New York (2001-2009); Dean, College of Law, Ohio State University (1993-2001); and Associate Vice President, Academic Affairs and Professor of Law, University of Iowa (1977-1993).				

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
**Gregory E. Johnson (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2011	152	None
Principal Occupation During at Least the Past 5 Years: Chairman of the Board, Member – Office of the Chairman, Director and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 42 of the investment companies in Franklin Templeton; Vice Chairman, Investment Company Institute; and formerly , President, Franklin Resources, Inc. (1994-2015).				

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
**Jennifer M. Johnson (1964) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2015	46	None
Principal Occupation During at Least the Past 5 Years: President and Chief Operating Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of four of the investment companies in Franklin Templeton; and formerly , Chief Operating Officer and Executive Vice President, Franklin Resources, Inc. (1994-2015); Executive Vice President of Operations and Technology, Franklin Resources, Inc. (2005-2010); and Senior Vice President, Franklin Resources, Inc. (2003-2005).				
Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Deputy General Counsel, Franklin Templeton; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton.				
Aliya S. Gordon (1973) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel and officer of 44 of the investment companies in Franklin Templeton.				
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Secretary and Vice President	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 44 of the investment companies in Franklin Templeton.				
Madison S. Gulley (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	President and Chief Executive Officer – Investment Management	Since 2017	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: President, FASA, LLC; Executive Vice President, Franklin Advisers, Inc., Franklin Templeton Institutional, LLC, Templeton Global Advisors Limited and Templeton Investment Counsel, LLC; Executive Vice President, Head of Alternatives, K2 Advisors, LLC and K2/D&S Management Co., LLC; Senior Vice President, Franklin Templeton Companies, LLC; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of one of the investment companies in Franklin Templeton.				
Matthew T. Hinkle (1971) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2017	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Templeton Services, LLC; officer of 44 of the investment companies in Franklin Templeton; and formerly , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017).				

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Robert G. Kubilis (1973) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Financial Officer, Chief Accounting Officer and Treasurer	Since 2015	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Treasurer, U.S. Fund Administration & Reporting and officer of 16 of the investment companies in Franklin Templeton.				
Robert Lim (1948) One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since 2016	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 44 of the investment companies in Franklin Templeton.				
Kimberly H. Novotny (1972) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton; Vice President and Corporate Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 44 of the investment companies in Franklin Templeton.				
Robert C. Rosselot (1960) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance, Franklin Templeton; Vice President, Franklin Templeton Companies, LLC; officer of 44 of the investment companies in Franklin Templeton; and formerly , Senior Associate General Counsel, Franklin Templeton (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				
Navid J. Tofigh (1972) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel and officer of 44 of the investment companies in Franklin Templeton.				
Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: General Counsel, Executive Vice President and Secretary, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton.				

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2011	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 44 of the investment companies in Franklin Templeton.

*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton fund complex. These portfolios have a common investment manager or affiliated investment managers.

**Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Jennifer M. Johnson is considered to be an interested person of the Fund under the federal securities laws due to her position as an officer of Resources.

Note 1: Gregory E. Johnson and Jennifer M. Johnson are siblings.

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the U.S. Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated each of Edward I. Altman, Ph.D., Ann Torre Bates and David W. Niemiec as an audit committee financial expert. The Board believes that Messrs. Altman and Niemiec and Ms. Bates qualify as such an expert in view of their extensive business background and experience. Mr. Altman has served as a member of the Fund Audit Committee since 2011. He currently serves as a Max L. Heine Professor of Finance, Emeritus and Director of The Credit and Debt Markets Research Program, Salomon Center, Stern School of Business, New York University. Ms. Bates has served as a member of the Fund Audit Committee since 2011. She currently serves as a director of Ares Capital Corporation (2010-present) and United Natural Foods, Inc. (2013-present) and was formerly a director of Navient Corporation from 2014 to 2016, SLM Corporation from 1997 to 2014 and Allied Capital Corporation from 2003 to 2010, Executive Vice President and Chief Financial Officer of NHP Incorporated from 1995 to 1997 and Vice President and Treasurer of US Airways, Inc. until 1995. Mr. Niemiec has served as a member of the Fund Audit Committee since 2015, currently serves as an Advisor to Saratoga Partners and was formerly its Managing Director from 1998 to 2001 and serves as a director of Hess Midstream Partners LP (2017-present). Mr. Niemiec was formerly a director of Emeritus Corporation from 1999 to 2010 and OSI Pharmaceuticals, Inc. from 2006 to 2010, Managing Director of SBC Warburg Dillon Read from 1997 to 1998, and was Vice Chairman from 1991 to 1997 and Chief Financial Officer from 1982 to 1997 of Dillon, Read & Co. Inc. As a result of such background and experience, the Board believes that Messrs. Altman and Niemiec and Ms. Bates have each acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Messrs. Altman and Niemiec and Ms. Bates are independent Board members as that term is defined under the applicable U.S. Securities and Exchange Commission Rules and Releases.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) DIAL BEN/342-5236 to request the SAI.

Shareholder Information

Board Approval of Investment Management Agreement and Sub-Advisory Agreements

FRANKLIN ALTERNATIVE STRATEGIES FUNDS **Franklin K2 Alternative Strategies Fund** (Fund)

The Board of Trustees (Board) of Franklin Alternative Strategies Funds (the Trust), including a majority of trustees that are not “interested persons” as such term is defined in section 2(a)(19) of the Investment Company Act of 1940 (hereinafter referred to as “independent trustees”), at an in-person meeting held on May 22, 2019, unanimously approved the renewal of the Fund’s investment management agreement with K2/D&S Management Co., L.L.C. (K2 Advisors), and of each sub-advisory agreement between K2 Advisors and each of following sub-advisors (the Sub-Advisors):

Bardin Hill Investment Partners L.P.
Chatham Asset Management, LLC
Chilton Investment Company, LLC
EMSO Asset Management Limited
Graham Capital Management, L.P.
Grantham Mayo Van Otterloo & Co LLC
H2O AM LLP
Impala Asset Management LLC
Jennison Associates, LLC
Lazard Asset Management, LLC
Loomis Sayles & Company, L.P.
P. Schoenfeld Asset Management LP
Portland Hill Asset Management Limited
Wellington Management Company, LLP

Prior to a meeting of all of the trustees for the purpose of considering such renewal, the independent trustees participated in two other meetings held in connection with the renewal process. Throughout the process, the independent trustees received assistance and advice from and met separately with independent counsel. The independent trustees met with and interviewed officers of K2 Advisors and certain Sub-Advisors (including portfolio managers), the transfer agent and shareholder services group and the distributor. In approving the renewal of the investment management agreement and the sub-advisory agreements for the Fund, the Board, including the independent trustees, determined that the investment management fee structure was fair and reasonable and that continuance of the agreement was in the best interests of the Fund and its shareholders.

In making the foregoing approvals, the Board considered various materials related to the investment management agreement and the sub-advisory agreements including: (1) a copy of the investment management agreement and sub-advisory agreements; (2) information describing the nature, quality and extent of services that K2 Advisors and each Sub-Advisor provided, and are expected to provide, to the Fund, and the investment management fees and sub-advisory fees payable to K2 Advisors and each Sub-Advisor; (3) reports from K2 Advisors on the continued diligence conducted on each Sub-Advisor and the reasons for recommending renewal of each of the sub-advisory agreements, including, but not limited to, each Sub-Advisor’s background, experience, personnel, operations, policies, procedures and compliance functions; and (4) a report from the Trust’s Chief Compliance Officer regarding K2 Advisors’ and each Sub-Advisor’s compliance program and capabilities, including policies and procedures in place to address potential conflicts of interest, and the diligence undertaken by the Trust’s Chief Compliance Officer with respect thereto. The Board also noted that it received an annual report on all payments made by Franklin Templeton Investments (FTI) or the Fund to financial intermediaries engaged in the sale of Fund shares, as well as a memorandum relating to third-party servicing arrangements in response to a Guidance Update from the U.S. Securities and Exchange Commission (SEC) relating to mutual fund distribution and sub-accounting fees.

The Board also took into account information furnished throughout the year at regular Board meetings, as well as information specifically requested and furnished for the renewal process, which culminated in the meetings referred to above for the specific purpose of considering such agreements. Information furnished throughout the year included, among others, reports on the Fund’s investment performance, expenses, portfolio composition, derivatives, asset segregation, portfolio turnover, Rule 12b-1 plan, distribution, shareholder servicing, legal and compliance matters, pricing of securities, sales and redemptions, and marketing support payments made to financial intermediaries, as well as a third-party survey of transfer agent fees charged to funds within the FTI complex in comparison with those charged to other fund complexes deemed comparable. Also, related financial statements and other information about the scope and quality of services provided by K2 Advisors and its affiliates and enhancements to such services over the past year were provided. In addition, the trustees received periodic reports throughout the year and during the renewal process relating to compliance with the Fund’s investment policies and

restrictions. During the renewal process, the independent trustees considered K2 Advisors' methods of operation within the Franklin Templeton group and its activities on behalf of other clients.

The information obtained by the trustees during the renewal process also included a special report prepared by Broadridge Financial Solutions, Inc., an independent third-party analyst that utilizes data from Lipper, Inc. ("Lipper"), comparing the Fund's investment performance and expenses with those of other mutual funds deemed comparable to such Fund as selected by Lipper (Broadridge Section 15(c) Report). The trustees reviewed the Broadridge Section 15(c) Report and its usefulness in the renewal process with respect to matters such as comparative fees, expenses, expense ratios and performance. The Board considered K2 Advisors' views that the peer group determined by Lipper for comparison purposes may not be an entirely appropriate representation of the Fund's peer universe. K2 Advisors explained that the universe of funds that are managed using multi-manager, multi-strategy structures, like the Fund, continues to evolve, and has presented challenges in identifying an appropriate set of peers for the Fund. It was noted by K2 Advisors that the peer group compiled by Lipper includes single-manager funds which, due to their nature and relative simplicity, have lower expense ratios and are not true peers for fee comparison purposes ("Base Expense Group"). Because some of the sponsors of funds with multi-manager strategies that K2 Advisors considers to be peers were excluded from the peer group determined by Lipper, K2 Advisors requested a second peer group including funds that K2 Advisors considers to be peer funds ("Alternate Expense Group"). K2 Advisors believes that the Fund's expenses are in line with the second peer group. While noting the limitations of the Broadridge Section 15(c) Report, the Board concluded that the Broadridge Section 15(c) Report was helpful in the performance of its duties.

In addition, the trustees received a Profitability Study (Profitability Study) prepared by management discussing the profitability to FTI from its overall U.S. fund operations, as well as on an individual fund-by-fund basis. Over the past year, the Board and counsel to the independent trustees continued to receive reports on management's handling of recent regulatory inquiries and pending legal actions against K2 Advisors and its affiliates. The independent trustees were satisfied with the actions taken to date by management in response to such regulatory and legal matters. The independent trustees also received reports from the Trust's Chief Compliance Officer on regulatory inquiries and pending legal actions against the

Sub-Advisors applicable to the services provided by the Sub-Advisors to the Fund and noted that there were not any issues in this regard that should prevent the renewal of the sub-advisory agreements.

The trustees reviewed the personnel, operations, financial condition, and investment management capabilities, methodologies and resources of K2 Advisors and each Sub-Advisor, including each management team's expertise in the management of other alternative strategies funds. As part of this review, particular attention was given to (1) the diligent risk management program of K2 Advisors and its parent, including those aspects of the program related to selecting and overseeing sub-advisors to the Fund and continual monitoring and management of cybersecurity, liquidity and counterparty credit risk, (2) each Sub-Advisor's risk management program, and (3) derivatives and other complex instruments that are held and expected to be held by the Fund and how such instruments are used to carry out the Fund's investment goal.

The Board also took into account, among other things, management's efforts in establishing a global credit facility for the benefit of the Fund and other accounts managed by FTI to provide a source of cash for temporary and emergency purposes or to meet unusual redemption requests as well as the strong financial position of K2 Advisors' parent company and its commitment to the mutual fund business. The Board noted management's continuing efforts and expenditures in establishing effective business continuity plans and developing strategies to address areas of heightened concern in the mutual fund industry, such as cybersecurity and liquidity risk management. The Board also recognized management's commitment to facilitating Board oversight of particular areas, including derivatives and payments to intermediaries, by enhanced reporting. In addition, the Board received updates from management on the compliance of the investment manager with comprehensive rules and regulations promulgated by the SEC and the U.S. Commodity Futures Trading Commission.

In addition to the above and other matters considered by the trustees throughout the course of the year, the following discussion relates to certain primary factors relevant to the Board's decision. 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 foregoing 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 provided, and to be provided, by K2 Advisors and each Sub-Advisor. In this regard, they reviewed the Fund's investment goal and K2 Advisors' and each Sub-Advisor's investment strategy and sub-strategy, and K2 Advisors' and each Sub-Advisor's ability to implement such investment strategy and/or sub-strategy, including, but not limited to, K2 Advisors' and each Sub-Advisor's trading practices, investment decision processes and reputation. The Board also considered the investment management services that the investment manager provides to the Cayman Islands-based company, which is wholly owned by the Fund (Cayman Subsidiary).

The Board noted that the Fund employs a "manager of managers" structure, whereby K2 Advisors is responsible for selecting sub-advisors (subject to Board approval), allocating the Fund's assets among them, and overseeing the sub-advisors' day-to-day management of the Fund's assets. The Board noted the responsibilities that K2 Advisors has as the Fund's investment manager, including (1) due diligence on the Sub-Advisors and any potential new sub-advisors to the Fund, their respective trading strategies, risk management, operations and businesses, (2) on-going oversight and monitoring of the day-to-day investment activities of Sub-Advisors and other service providers, including their respective compliance with the investment mandate and restrictions, compliance policies and procedures and federal securities laws, and K2 Advisors' ongoing assessment of their performance, (3) portfolio construction with respect to the allocation of assets among Sub-Advisors, investment funds, cash and other investments, (4) risk management, (5) preparing quarterly reports to the Board, and (6) the implementation of Board directives as they relate to the Fund. The Trustees also considered the successful performance of K2 Advisors in managing the Fund and other investment products with similar investment strategies to the investment strategies of the Fund that are not subject to the Investment Company Act of 1940.

With respect to the sub-advisory services provided, and to be provided, by each Sub-Advisor, the Board noted the responsibilities that each Sub-Advisor has with respect to the portion of the Fund's assets allocated to the Sub-Advisor by K2 Advisors (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 each Sub-Advisor in managing the Fund and other investment products with similar investment strategies

to the investment strategies of its Sub-Advised Portion of the Fund, including, with respect to certain Sub-Advisors, mutual funds with similar investment strategies. The Board considered K2 Advisors' rationale for recommending the continued retention of each Sub-Advisor.

The trustees reviewed the Fund's portfolio management teams at K2 Advisors and each Sub-Advisor, including each such team's performance, staffing, skills and compensation program. With respect to portfolio manager compensation, management assured the trustees that the Fund's long-term performance is a significant component of incentive-based compensation for K2 Advisors' portfolio management team and noted that a portion of a K2 Advisors' portfolio manager's incentive-based compensation is paid in shares of pre-designated funds from the portfolio manager's fund management area. The trustees noted that the portfolio manager compensation program aligned the interests of the portfolio managers with that of Fund shareholders. During regular Board meetings and the aforementioned meetings of the independent trustees, the trustees considered periodic reports provided to them showing that K2 Advisors and the Sub-Advisors complied with the investment policies and restrictions of the Fund as well as other reports periodically furnished to the Board covering matters such as the compliance of portfolio managers and other management personnel with the code of ethics covering the investment management personnel, the adherence to fair value pricing procedures established by the Board and the accuracy of net asset value calculations. The Board noted the extent of the benefits provided to Fund shareholders from being part of the Franklin Templeton group of funds, including the right to exchange investments between funds (same class) without a sales charge, the ability to reinvest Fund dividends into other funds and the right to combine holdings of other funds to obtain reduced sales charges.

The trustees discussed with management various other products, portfolios and entities that are advised by K2 Advisors and each Sub-Advisor 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 also considered a report from the Trust's Chief Compliance Officer regarding K2 Advisors' and each Sub-Advisor's compliance programs and capabilities as such programs and capabilities relate to the operations of the Fund and the monitoring and testing of such program undertaken by the Trust's Chief Compliance Officer. The Board considered the selection and due diligence process

employed by K2 Advisors in selecting and deciding to retain each Sub-Advisor as a sub-advisor to the Fund, including the due diligence undertaken with respect to the Sub-Advisor's compliance and risk management capabilities. The trustees considered K2 Advisors' significant efforts in developing and implementing compliance procedures established in accordance with SEC and other requirements.

The Board also considered the nature, extent and quality of the services to be provided under the Fund's other service agreements to determine that, on an overall basis, Fund shareholders were well served. In this connection, the Board also took into account transfer agent and shareholder services provided to Fund shareholders by an affiliate of K2 Advisors, noting continuing expenditures by management to increase and improve the scope of such services and favorable periodic reports on shareholder services conducted by independent third parties. While such considerations directly affected the trustees' decision in renewing the Fund's transfer agent and shareholder services agreement, the Board also considered these commitments as incidental benefits to Fund shareholders deriving from the investment management relationship.

Based on their review, the trustees were satisfied with the nature and quality of the overall services provided, and to be provided, by K2 Advisors and its affiliates and each Sub-Advisor to the Fund and its shareholders and were confident in the abilities of K2 Advisors and each Sub-Advisor to implement their respective investment strategy and/or sub-strategy and to provide quality services to the Fund and its shareholders.

INVESTMENT PERFORMANCE. As the Fund commenced operations in October 2013, the trustees reviewed the investment performance of the Fund for the one-, three-, and five-year periods ended December 31, 2018.

As part of their review, they inquired of management regarding benchmark and hedging activities. Consideration was also given to performance in the context of available levels of cash, including as affected by net flows, during the periods. The trustees had meetings during the year, including the meetings referred to above held in connection with the renewal process, with the Fund's portfolio managers to discuss performance and the management of the Fund and each Sub-Advisor.

In addition, attention in assessing performance was given to the Broadridge Section 15(c) Report. That report showed the investment performance of the Fund (Advisor Class shares)

in comparison to other funds determined comparable by Lipper.

The comparable funds to the Fund, as chosen by Lipper, included all retail and institutional alternative multi-strategy funds. The Fund had total returns in the best performing quintile for the one- and five-year periods ended December 31, 2018 and total returns in the second-best performing quintile for the three-year period ended December 31, 2018. The Board was satisfied with such performance.

The trustees also compared Fund performance to other industry benchmarks, including measures of risk-adjusted performance of a fund, as part of their evaluation of investment performance. The trustees concluded that the Fund had continued to perform well in comparison to its various benchmarks and in the context of the Fund's investment goal.

COMPARATIVE EXPENSES AND PROFITABILITY. The trustees considered the cost of the services provided, and to be provided, by K2 Advisors and each Sub-Advisor and the profits realized by K2 Advisors and its affiliates from their relationships with the Fund. As part of the renewal process, they explored with management the trends in expense ratios over the past three fiscal years (or, if earlier, inception) and the reasons for any increases in the Fund's expense ratios (or components thereof). In considering the appropriateness of the management fee and other expenses charged to the Fund, the Board took into account various factors including investment performance and matters relating to Fund operations, including, but not limited to, the quality and experience of K2 Advisors personnel. The Board also reviewed and considered the investment management fees in light of the nature, extent and quality of the investment management services provided, and to be provided, by K2 Advisors and each Sub-Advisor, as more fully discussed above. The Board noted that the sub-advisory fees are paid by K2 Advisors to each Sub-Advisor and are not additional fees borne by the Fund. The Board also noted that the sub-advisory fees paid, and to be paid, by K2 Advisors to each Sub-Advisor were the product of arms-length negotiations between K2 Advisors and each Sub-Advisor.

Furthermore, the Board took into account that information regarding Sub-Advisor profitability is not legally required to be provided. Accordingly, profitability information of the sub-advisors was given lesser weight than other factors. In addition, the Board considered the allocation of the investment management fee charged to the Fund between K2 Advisors and each Sub-Advisor in light of the nature,

extent and quality of the investment management services provided, and to be provided, by K2 Advisors and each Sub-Advisor. As part of this discussion, the Board took into account the fee waiver and expense limitation arrangement in effect, and the amount of Fund expenses that were absorbed since inception of the Fund by K2 Advisors through such waivers and arrangements. The Board also considered the investment management services that the investment manager provides to the Cayman Subsidiary and the related fee waivers that were in place.

Consideration was also given to a comparative analysis in the Broadridge Section 15(c) Report of the investment management fee and total expense ratio of the Fund in comparison with those of a group of other funds selected by Lipper as its appropriate Lipper expense group.

Lipper expense data is based upon information taken from each fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility.

In reviewing comparative costs, emphasis was given to the Fund's contractual management fee in comparison with the contractual management fee that would have been charged by other funds within its Lipper expense group assuming they were similar in size to the Fund, as well as the actual total expenses of the Fund in comparison with those of its Lipper expense group. The Lipper contractual management fee analysis includes administrative charges as being part of the management fee, and total expenses, for comparative consistency, are shown by Lipper for Fund Advisor Class shares. The Fund's contractual management fee rate was in the most expensive quintile of both its Base Expense Group and Alternate Expense Group. The Fund's total expenses were in the second-most expensive quintile of its Alternate Expense Group and the most expensive quintile of its Base Expense Group.

Noting the factors and limitations with respect to the Broadridge Section 15(c) Report (including the inclusion of single-manager funds in both peer groups) and factors relating to the Fund's operations, such as the quality and experience of K2 Advisors and the Sub-Advisors and the nature and quality of the services provided and to be provided by K2 Advisors and the Sub-Advisors, the Board found such comparative fees and expenses to be acceptable.

The trustees also reviewed the Profitability Study addressing profitability of Franklin Resources, Inc., from its overall U.S. fund business, as well as profitability to K2 Advisors and its

affiliates, from providing investment management and other services to the Fund during the 12-month period ended September 30, 2018, the most recent fiscal year-end of Franklin Resources, Inc. The trustees reviewed the basis on which such reports are prepared and the cost allocation methodology utilized in the Profitability Study, it being recognized that allocation methodologies may each be reasonable while producing different results. In this respect, the Board noted that the reasonableness of the cost allocation methodologies was reviewed by independent accountants on an every other year basis.

The independent trustees met with management to discuss the Profitability Study. This included, among other things, a comparison of investment management income with investment management expenses of the Fund; comparison of underwriting revenues and expenses; the relative relationship of investment management and underwriting expenses; shareholder servicing profitability; economies of scale; and the relative contribution of the Fund to the profitability of K2 Advisors and its parent. In discussing the Profitability Study with the Board, K2 Advisors stated its belief that the costs incurred in establishing the infrastructure necessary to operate the type of mutual fund operations conducted by it and its affiliates may not be fully reflected in the expenses allocated to the Fund in determining its profitability.

The Board also took into account management's expenditures in improving shareholder services provided to the Fund, as well as the need to meet additional regulatory and compliance requirements. The trustees also considered the extent to which K2 Advisors and the Sub-Advisors may derive ancillary benefits from Fund operations, including those derived from the allocation of Fund brokerage and the use of commission dollars to pay for research and other similar services.

Based upon their consideration of all these factors, the trustees determined that the level of profits realized by K2 Advisors and its affiliates in providing services to the Fund was not excessive in view of the nature, quality and extent of services provided. In addition, the Board noted that shareholders are able to redeem their Fund shares at any time if shareholders believe that Fund fees and expenses are too high or if they are dissatisfied with the performance of the Fund.

ECONOMIES OF SCALE. The Board considered economies of scale realized by K2 Advisors and its affiliates and the Sub-Advisors as the Fund grows larger and the extent to which they are shared with Fund shareholders, as for

example, in the level of the investment management fees charged, in the quality and efficiency of services rendered and in increased capital commitments benefiting the Fund directly or indirectly. The Board also considered the fee waiver and expense limitation arrangement in effect, and the amount of Fund expenses that were absorbed since inception of the Fund by K2 Advisors through such waiver and arrangement. 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 and the fact that the Fund had less than six complete years of operating results.

Board Approval of Sub-Advisory Agreements

FRANKLIN ALTERNATIVE STRATEGIES FUNDS **Franklin K2 Alternative Strategies Fund** (Fund)

The Board of Trustees (Board) of Franklin Alternative Strategies Funds (the Trust), including a majority of trustees that are not “interested persons” as such term is defined in section 2(a)(19) of the Investment Company Act of 1940 (hereinafter referred to as “independent trustees”), at an in-person meeting held on May 22, 2019, unanimously approved sub-advisory agreements (each, a “New Sub-Advisory Agreement”) with the following sub-advisors (each a “Sub-Advisor”): Apollo Credit Management, LLC, Aspect Capital Limited, Ellington Global Asset Management, L.L.C., Medalist Partners, LP, EMSO Asset Management Limited, P/E Global, LLC, and RV Capital Management Private Ltd. (“RV Capital”). It was noted that each Sub-Advisor currently serves as a sub-advisor for either the Franklin K2 Long Short Credit Fund or Franklin K2 Global Macro Opportunities Fund.

In approving each New Sub-Advisory Agreement, the Board, including the independent trustees, determined that fees to be paid under each New Sub-Advisory Agreement were fair and reasonable and that approval of each New Sub-Advisory Agreement was in the best 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 sub-advisory agreements between K2/D&S Management Co., L.L.C., the Fund’s investment manager (“K2 Advisors”), and the Sub-Advisors (other than RV Capital) with respect to the investment management services they provide to Franklin K2 Long Short Credit Fund or Franklin K2 Global Macro Opportunities Fund, as applicable. With respect to RV Capital, because the Sub-Advisory Agreement with RV Capital for

Franklin K2 Global Macro Opportunities Fund is still within its initial two-year term, such agreement was not renewed at the May 22, 2019 meeting. The Board, however, considered the materials and information that had been included in the materials provided for the July 2018 Board meeting, at which time RV Capital had been approved as a Sub-Advisor of Franklin K2 Global Macro Opportunities Fund and a memorandum from management that provided certain information related to RV Capital, including a statement that there had been no material changes to any of the information included in the July 2018 Board meeting materials related to RV Capital other than those items previously reported to the Board.

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 matters related to each New Sub-Advisory Agreement including: (1) the proposed form of New Sub-Advisory Agreement; (2) information describing the nature, quality and extent of services that each Sub-Advisor would provide to the Fund, and the proposed sub-advisory fees payable to each Sub-Advisor; (3) a report (written or oral) from K2 Advisors on the diligence conducted on each Sub-Advisor and the reasons for recommending each Sub-Advisor for the Fund, including, but not limited to, each Sub-Advisor’s background, experience, personnel, operations, policies, procedures and compliance functions; and (4) a report (written or oral) from the Fund’s Chief Compliance Officer regarding each Sub-Advisor’s compliance program and capabilities, including each Sub-Advisor’s policies and procedures in place to address potential conflicts of interest, and the diligence undertaken by the Fund’s Chief Compliance Officer with respect thereto. The Board noted that the terms of each New Sub-Advisory Agreement were substantially similar to the terms of the sub-advisory agreements with the Fund’s existing sub-advisors and to the terms of the sub-advisory agreements each Sub-Advisor has with respect to the Franklin K2 Long Short Credit Fund or Franklin K2 Global Macro Opportunities Fund, as applicable.

The Board’s consideration of whether to approve each 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 each Sub-Advisor to the Fund under the respective New Sub-Advisory Agreement; (2) each Sub-Advisor’s experience as a sub-advisor of Franklin K2 Long Short Credit Fund or Franklin K2 Global Macro Opportunities Fund, as applicable, and a manager of other accounts; (3) each Sub-Advisor’s strength and reputation within the industry; (4) the

fairness of the compensation under each New Sub-Advisory Agreement; (5) the personnel, operations, financial condition, and investment management capabilities, methodologies and resources of each Sub-Advisor; (6) profitability matters; (7) reports (written or oral) from K2 Advisors on the diligence conducted on each Sub-Advisor and the reasons for recommending each Sub-Advisor as a sub-advisor for the Fund, including, but not limited to, each Sub-Advisor's background, experience, personnel, operations, policies, procedures and compliance functions; and (8) a report (written or oral) from the Trust's Chief Compliance Officer regarding each compliance program and capabilities, including each Sub-Advisor's policies and procedures in place to address potential conflicts of interest, and the diligence undertaken by the Trust's 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 each Sub-Advisor'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 each 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 each Sub-Advisor. In this regard, they reviewed the Fund's investment goal and each Sub-Advisor's proposed investment strategy, and each Sub-Advisor's ability to implement such investment goal and/or investment strategy, including, but not limited to, each Sub-Advisor's trading practices and investment decision processes.

With respect to the sub-advisory services to be provided by each Sub-Advisor, the Board noted the responsibilities that each Sub-Advisor would have with respect to the Fund's assets to be allocated to each Sub-Advisor by K2-Advisors (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 each Sub-Advisor in serving as a sub-advisor for the Franklin K2 Long Short Credit Fund or Franklin K2 Global Macro Opportunities Fund, as applicable, and 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 each Sub-Advisor 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 each Sub-Advisor, their relative fees and reasons for differences with respect thereto and any potential conflicts. The Board also considered a report (written or oral) from the Trust's Chief Compliance Officer regarding each Sub-Advisor'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 each Sub-Advisor as a sub-advisor to the Fund, including the due diligence undertaken with respect to each Sub-Advisor's compliance capabilities.

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

INVESTMENT PERFORMANCE. The Board noted that, as each Sub-Advisor had not provided any services to the Fund, there was no investment performance of each Sub-Advisor with respect to the Fund. The Board considered the investment performance of each Sub-Advisor in serving as a sub-advisor for the Franklin K2 Long Short Credit Fund or Franklin K2 Global Macro Opportunities Fund, as applicable, and 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 each Sub-Advisor in managing the Sub-Advised Portion.

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

The Board noted that the sub-advisory fees would be paid by K2 Advisors to each Sub-Advisor 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 each Sub-Advisor were the product of arms-length negotiations between K2 Advisors and each Sub-Advisor and the Board considered the allocation of the investment management fee charged to the Fund between K2 Advisors and each Sub-Advisor in light of the nature, extent and quality of the investment management services expected to be provided by K2 Advisors and each Sub-Advisor. The trustees considered various other products, portfolios and entities that are advised by each Sub-Advisor (including Franklin K2 Long Short Credit Fund or Franklin K2 Global Macro Opportunities Fund, as applicable), 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 each Sub-Advisor 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 each Sub-Advisor 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 sub-advisory fees to be paid to each Sub-Advisor are the same as the fees charged by all of the Fund's existing sub-advisors (with the exception of one other sub-advisor), and (3) K2 Advisors' belief that the hiring of each Sub-Advisor 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 each Sub-Advisor was fair and reasonable.

ECONOMIES OF SCALE. The Board considered economies of scale that may be realized by each Sub-Advisor 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 each New Sub-Advisory Agreement, including the fees payable thereunder, with each Sub-Advisor for the Fund.

Proxy Voting Policies and Procedures

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Fund's complete Policies online at franklintempleton.com. Alternatively, shareholders may request copies of the Policies free of charge by calling the Proxy Group collect at (954) 527-7678 or by sending a written request to: Franklin Templeton Companies, LLC, 300 S.E. 2nd Street, Fort Lauderdale, FL 33301, Attention: Proxy Group. Copies of the Fund's proxy voting records are also made available online at franklintempleton.com and posted on the U.S. Securities and Exchange Commission's website at sec.gov and reflect the most recent 12-month period ended June 30.

Quarterly Consolidated Statement of Investments

The Trust, on behalf of the Fund, files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT by visiting the Commission's website at sec.gov. The filed form may also be viewed and copied at the Commission's Public Reference Room in Washington, DC. Information regarding the operations of the Public Reference Room may be obtained by calling (800) SEC-0330.

Householding of Reports and Prospectuses

You will receive the Fund's financial reports every six months as well as an annual updated summary prospectus (prospectus available upon request). To reduce Fund expenses, we try to identify related shareholders in a household and send only one copy of the financial reports and summary prospectus. This process, called "householding," will continue indefinitely unless you instruct us otherwise. If you prefer not to have these documents househanded, please call us at (800) 632-2301. At any time you may view current prospectuses/summary prospectuses and financial reports on our website. If you choose, you may receive these documents through electronic delivery.

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Authorized for distribution only when accompanied or preceded by a summary prospectus and/or prospectus. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. A prospectus contains this and other information; please read it carefully before investing.

To help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.



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