FRANKLIN TEMPLETON INVESTMENTS

Franklin K2 Alternative Strategies Fund —Class A

Product Profile Third Quarter 2015

FUND CHARACTERISTICS (AS OF 9/30/15)

NASDAQ Symbol	FAAAX
Fund Inception Date	10/11/13
Dividends	Annually
Investment Style	Alternative
Benchmarks	BofA Merrill Lynch US 3-Month Treasury Bill Index
	HFRX Global Hedge Fund Index
Lipper Classification	Alternative Multi-Strategy Funds
Total Net Assets—All Share Classes	1,036 million
Maximum Initial Sales Charge	5.75%

FUND DESCRIPTION

The Fund's principal investment goal is 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 alternative strategies.

Average Annual Total Returns for Periods Ended September 30, 2015 (%)

PERFORMANCE DATA	1 Mth*	3 Mths*	YTD*	1 Yr	Since Incept* (10/11/13)
With Sales Charge	-7.32	-7.79	-6.18	-4.36	1.28
Without Sales Charge	-1.64	-2.18	-0.46	1.46	4.37
BofA Merrill Lynch US 3-Month Treasury Bill Index	0.00	0.01	0.02	0.03	0.05
HFRX Global Hedge Fund Index	-2.07	-4.36	-3.14	-4.83	-0.97

Total Annual Operating Expenses—*With Waiver:* *2.85%* ***Without Waiver:*** *3.49%*

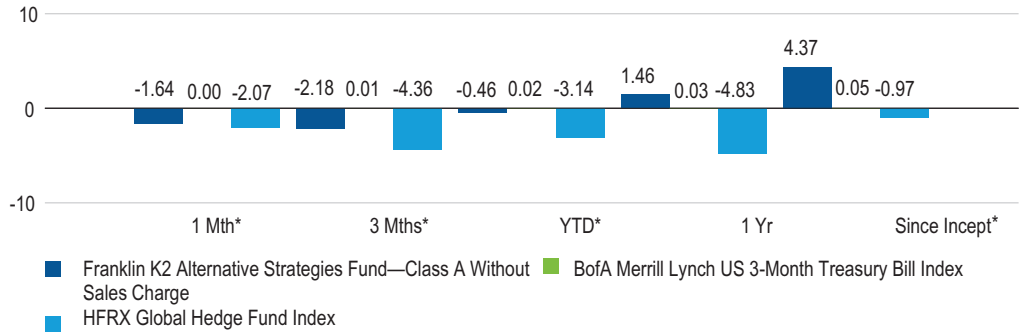
Capped Expense Ratio^: *1.95%*

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com for the most recent month-end performance.

The fund has an expense reduction contractually guaranteed through at least September 30, 2016. The fund may also have a fee waiver associated with any investments it makes in a Franklin Templeton money fund, an arrangement that is contractually guaranteed through at least its current fiscal year end. Fund investment results reflect any expense reduction and fee waiver ("Total Annual Operating Expenses with Waiver"). Without these reductions, the results would have been lower.

^The investment manager has contractually agreed to waive or assume certain expenses so that total annual fund operating expenses (excluding Rule 12b-1 fees; acquired fund fees and expenses; expenses related to securities sold short; and certain non-routine expenses) for each class of the fund do not exceed (and could be less than) 1.95% until September 30, 2016.

Average Annual Total Returns for Periods Ended September 30, 2015 (%)



If the Fund's sales charge had been included, the returns would have been lower.

*Cumulative Total Returns.
For information related to the "Performance Data" section please see Explanatory Notes.

Not FDIC Insured | May Lose Value | No Bank Guarantee

MANAGER ALLOCATION (AS OF 9/30/15)

Long Short Equity	% of Invested Capital
Chilton Investment Company, LLC	8.76
Impala Asset Management, LLC	7.90
Jennison Associates, LLC	7.04
Wellington Management Company LLP	6.44

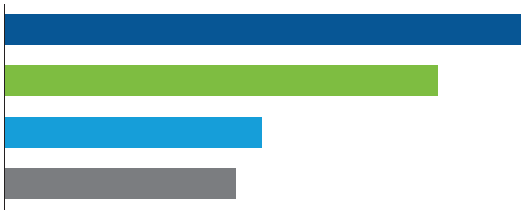
Relative Value	% of Invested Capital
Chatham Asset Management, LLC	12.22
Basso Capital Management, L.P.	9.79
Loomis Sayles & Company, L.P.	7.67
Lazard Asset Management, LLC	6.20

Event Driven	
P. Schoenfeld Asset Management L.P.	9.77
York Capital Management	8.14

Global Macro	
Graham Capital Management, L.P.	10.20
EMSO	5.88

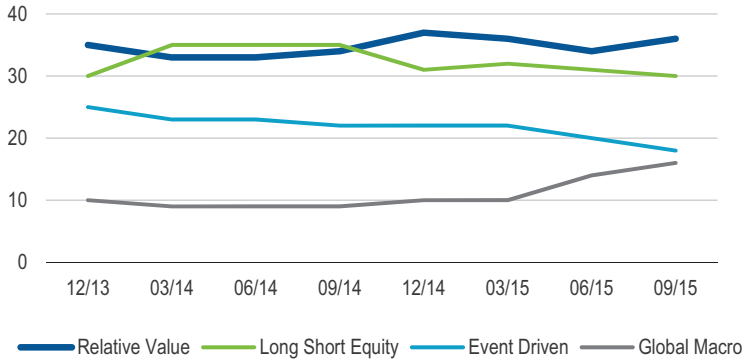
PORTFOLIO DIVERSIFICATION (AS OF 9/30/15)

Strategy Allocation (% of Invested Capital)

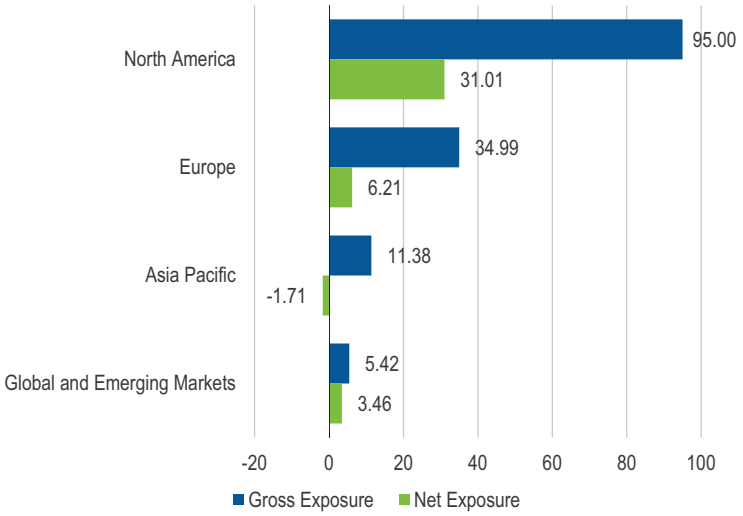


	Target Allocation	Actual Allocation
Relative Value	30-45	35.88
Long Short Equity	25-40	30.14
Event Driven	15-30	17.90
Global Macro	0-20	16.08

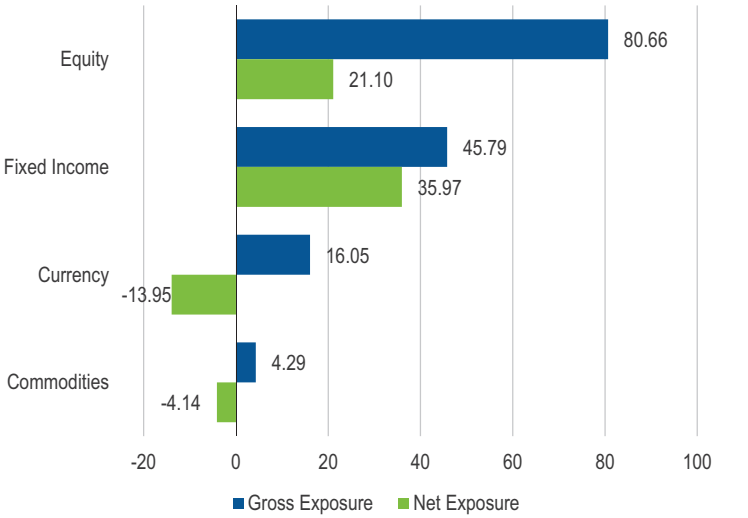
Historical Strategy Allocation (% of Invested Capital)



Geographic Allocation (% of Total)



Asset Class Exposures (% of Total)



Figures shown reflect certain derivatives held in the portfolio (or their underlying reference assets) and may not total 100% or may be negative due to rounding, use of derivatives, unsettled trades or other factors. The exceptions are Manager Allocation, Strategy Allocation and Historical Strategy Allocation, which are based on percentage of invested capital into fund managers (sub-advisors or co-managers) as of the end of the period. Holdings are subject to change.

For information related to the "Manager Allocation" and the "Portfolio Diversification" sections, please see Explanatory Notes.

PORTFOLIO DIVERSIFICATION (AS OF 9/30/15) - *continued*

Top Ten Long Exposures - Equity Only (% of Total)

Security	% of Total
ACTAVIS PLC	0.98
COSTCO WHOLESALE CORP	0.66
BROADCOM CORP	0.58
WR GRACE & CO	0.58
PERRIGO CO PLC	0.53
TIME WARNER CABLE INC	0.53
BUFFALO WILD WINGS INC	0.49
HOME DEPOT INC/THE	0.48
IDEXX LABORATORIES INC	0.42
UNION PACIFIC CORP	0.42

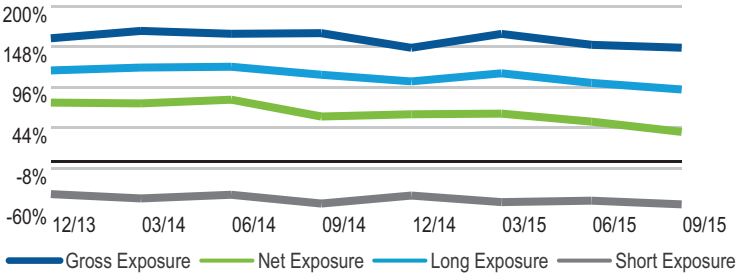
Top Ten Short Exposures - Equity Only (% of Total)

Security	% of Total
YAMAGUCHI FINANCIAL GROUP INC	-0.38
DRILLISCH AG	-0.38
ELECTRONIC ARTS INC	-0.27
ALCATEL-LUCENT	-0.25
HALLIBURTON CO	-0.23
AIRBUS GROUP NV	-0.19
AVAGO TECHNOLOGIES LTD	-0.19
DEUTSCHE POST AG	-0.18
GREAT PORTLAND ESTATES PLC	-0.18
ALSTRIA OFFICE REIT-AG	-0.18

PORTFOLIO CHARACTERISTIC (AS OF 9/30/15)

Portfolio Exposure (% of Total)	
Gross Exposure	146.79%
Net Exposure	38.97%
Long Exposure	92.88%
Short Exposure	-53.91%

Historical Portfolio Exposures (% of Total)



PERFORMANCE RISK STATISTICS - Class A

Modern Portfolio Theory (MPT) Statistics

(As of 9/30/15)

Performance Risk Statistics	1 Year
Standard Deviation	5.12

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Glossary

Gross Exposure: Gross exposure is the sum of the absolute value of all exposures, including derivatives, as a percentage of total assets. The sum of the percentage of long positions and short (in absolute terms) positions.
Long Exposure: Sum of the long exposures, including derivatives, as a percentage of total assets.
Net Exposure: Net exposure is the sum of the total value of all exposures, including derivatives, as a percentage of total assets. The percentage value of the long positions less the percentage value of the short positions.
Short Exposure: Sum of the short exposures, including or through derivatives, as a percentage of total assets.
Standard Deviation: Standard deviation is a statistical measurement of the dispersion of historical returns. A higher standard deviation means greater volatility. Calculated by annualizing the standard deviation of the fund's daily returns over the 1-year period ended as of the date of the calculation.

Portfolio Characteristics: Figures shown reflect certain derivatives held in the portfolio (or their underlying reference assets) and may not total 100% or may be negative due to rounding, use of derivatives, unsettled trades or other factors.

For information on "Top Ten Long (or Short) Exposures (Equity Only)", please see Explanatory Notes.

MARKET REVIEW

Global equity markets declined in 2015's third quarter amid escalating worries about China's slowing economy and tumbling stock markets, as well as uncertainty over the US Federal Reserve's (Fed's) timing for raising interest rates. Stocks in the United States, most of Europe, and Japan retreated during the quarter, although developed-market equities performed better than their emerging-market peers. Solid economic data from the United States and certain eurozone countries, and positive developments in Greece's debt crisis during the quarter provided some support. US economic growth for 2015's second quarter was revised upward, and US housing data and retail sales improved during the third quarter. In its September meeting, the Fed kept interest rates unchanged and said it would continue to monitor developments abroad. Eurozone economic growth rose in 2015's second quarter, but inflation contracted in September. In the United Kingdom, the economy expanded in the second quarter, largely due to growth in services and exports. In contrast, Japan's economy contracted in the second quarter, and the country again experienced deflation toward the end of the third quarter due to slumping global energy prices.

Broad retreats across emerging-market equities accompanied the selloff in China's stock markets and the People's Bank of China's (PBOC's) surprise move in August to devalue the Chinese yuan. Toward the end of August, China's failure to implement widely anticipated monetary policy easing measures triggered a fresh retreat in Chinese equities, leading the country's central bank to reduce its benchmark interest rate and the reserve requirement ratio for banks. Although China's economy expanded in the second quarter, the nation's purchasing managers' index fell in July and contracted in August and September. In Latin America, Brazil slipped into a recession, and the country's central bank reduced its growth forecast and raised inflation projections for fiscal-year 2015.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

The fund declined modestly in the third quarter. The long short equity, relative value and event strategies weighed on absolute returns, while the global macro strategy contributed to performance. The fund's third-quarter performance was more resilient than broad global equity indexes, which tended to experience steep declines.

Long Short Equity

The long short equity allocation had negative performance in the third quarter. Developments linked to China materially weighed on global markets in the quarter. Subadvisor holdings, particularly those within the China-exposed basic materials and consumer goods spaces, faced targeted selling pressure. During this period, we removed Independence Capital from the Fund. Following a period of underperformance, the manager decided to close their firm.

Activist subadvisors were adversely affected by the slowdown in China and the health care sector sell-off. A number of long short equity managers expanded the sizes of their short positions in September. Subadvisors have broadly continued to shift their short exposure into single-name positions. As volatility picked up during the third quarter, the subadvisors made position-level adjustments to their long portfolios.

Relative Value

Three of the fund's four relative value subadvisors had negative results during a challenging third quarter. Credit markets came under heavy pressure amid global growth concerns, anticipation of rising rates, and a host of company- and sector-specific issues. Non-agency mortgage-backed securities (MBS) detracted from returns due to a risk-off sentiment in structured credit markets. Natural resources also weighed on results as lower quality names came under pressure due to falling commodity prices and broad-based risk aversion. On the plus side, subadvisors benefited from bankruptcy claims on a German telecommunications group, in addition to bonds for a technology company and a gaming company. Greek sovereign debt contributed as the country secured a bailout agreement with creditors. Emerging-market short positions, especially in Brazil, contributed to returns as spreads widened.

Event Driven

The event driven subadvisors hindered results in the third quarter. For one subadvisor, negative performance for the quarter came primarily from special situations investments that traded lower with equity markets over the period. Despite losses, the fund performed better than the peer group, as measured by the HFRX Event Driven Index. Benefiting results was the manager's index hedge strategy, which contributed as equity markets broadly declined.

For the other event driven manager, negative performance during the quarter primarily came from special situation equities, which suffered from higher downside movement in market sell-offs, the long-biased nature of the portfolio, and increased macro-driven volatility. Contributing positively to performance was a specialty contracting services firm to telecommunications and infrastructure firms. The company's stock traded higher on better-than-expected earnings.

Global Macro

Both global macro subadvisors benefited third-quarter performance. Short positions in the Russian ruble, the Canadian dollar and the Australian dollar contributed to results in July. A long position in Greek sovereign bonds also helped as Greece reached an agreement with its creditors following a long negotiation process. Positions in sovereign bonds of oil exporters Russia and Venezuela weighed on performance as oil prices slumped in July.

Equity markets experienced broad declines in August, and long equity positions in Japan, Europe and the United States detracted from performance. In credit markets, exposure to Russian government bonds and a large Brazilian oil company weighed on results for the month. Conversely, Greek bonds contributed to results in August. Short positions in the New Zealand dollar, the Mexican peso and the Australian dollar provided positive returns.

In September, the large Brazilian oil company again weighed on returns amid continued uncertainty about the company as well as the country itself. In contrast, Greek government bonds continued to rally and boost performance as the standing prime minister was reelected. Sovereign debt from Russia also contributed to returns as markets recouped losses incurred in the prior month.

The above commentary does not provide a complete analysis of every material fact regarding any market, region, industry, security, portfolio or pooled investment vehicle. Portfolio holdings information, opinions and other market or economic information and data provided are as of the date of the commentary, unless another date is expressly indicated, and may change without notice. Statements of fact cited by the manager have been obtained from sources considered reliable but no representation is made as to their completeness or accuracy. The manager's assessment of a particular industry, region, security, sector or investment is intended solely to provide insight into the manager's investment process and is not a recommendation to buy or sell any security, nor investment advice. References to particular securities or sectors are only for the limited purpose of illustrating general market or economic conditions and are not recommendations to buy or sell a security. Although historical data is no guarantee of future results, these insights may help you understand our investment management philosophy.

INVESTMENT PHILOSOPHY AND PROCESS

Investment Philosophy

Our investment philosophy is to work to grow capital by seeking to produce attractive risk-adjusted returns with lower correlation to traditional asset classes and reduced volatility. We believe that comprehensive risk management, rigorous manager research and active strategy allocation are key to a successful multi-strategy, multi-manager alternatives fund.

Investment Process

K2 Advisors (K2) combines manager research with strategy allocation analysis to construct a dynamic multi-manager, multi-strategy fund that seeks to reduce downside risk while providing capital appreciation potential from a complementary alternative source of returns.

- Dynamic and diversified alternative strategy allocation analysis is performed from a top-down perspective. Through this analysis, K2 seeks to identify factors influencing returns and risks across market cycles.
- Utilizing holdings-based transparency, K2 seeks to identify alpha-generating managers through manager research and monitoring. On an ongoing basis, K2 then monitors each manager's market exposures as well as operational and headline risks.
- K2's portfolio construction process aims to manage overall portfolio exposures and risks through extensive modeling and scenario analysis.

An Integrated Solution to Access Multiple Alternative Strategies

LONG SHORT EQUITY Generally seeks to produce returns from investments in the equity markets by making long and short investments in stocks and common stock indices

Strategy examples: Growth • Value • Market Neutral • Sector • Region

GLOBAL MACRO Generally focuses on macroeconomic opportunities across numerous markets and investments

Strategy examples: Discretionary • Systematic

RELATIVE VALUE Encompasses a wide range of investment techniques that are intended to profit from pricing inefficiencies

Strategy examples: Credit Long Short • Credit Arbitrage • Convertible Arbitrage • Volatility Arbitrage

EVENT DRIVEN Generally invests in securities of companies undergoing corporate events

Strategy examples: Merger Arbitrage • Special Situations (spin-offs, recapitalizations, exchange offers, liquidations)

INVESTMENT AND MANAGEMENT TEAM (AS OF 9/30/15)

Franklin K2 Alternative Strategies Fund Management Team	Years with Firm	Years Experience
David C. Saunders	21	32
Brooks Ritchey	9	32
Robert Christian	5	25

WHAT ARE THE RISKS

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 sub-advisors. The Fund is actively managed and could experience losses if the investment manager's and sub-advisors' judgment about particular investments made for the Fund's portfolio prove to be incorrect. Some sub-advisors 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 sub-advisor 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. Please see the prospectus and summary prospectus for information on these as well as other risk considerations.

EXPLANATORY NOTES

PERFORMANCE DATA

The fund offers other share classes subject to different fees and expenses, which will affect their performance.
Source for Index: FactSet. Indexes are unmanaged and one cannot invest directly in an index.
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See www.franklintempletondatasources.com for additional data provider information.

ADDITIONAL INFORMATION

MANAGER ALLOCATION

Weightings as percent of invested capital into fund managers (sub-advisors or co-managers). Percentage may not total 100% due to rounding. Manager allocation includes managers that have been appointed as sub-advisors or managers of investment funds. K2 may determine in its sole discretion to not allocate to one or more of the managers and/or to add new managers. Accordingly, the manager allocation is presented for illustrative purposes only, and should not be viewed as predictive of the ongoing composition of the Fund's portfolio, which may change at any time.

PORTFOLIO DIVERSIFICATION

Source for holdings: HedgeMark.
Strategy Allocation and Historical Strategy Allocation: Actual Allocation is a percentage of invested capital into fund managers (sub-advisors or co-managers) as of the end of the period. Percentage may not total 100% due to rounding. Target Allocations are as of the end of the period. The Fund may shift allocations among strategies at any time. Further, K2 may determine in its sole discretion to not allocate to one or more of the strategies and or to add new strategies. Accordingly the above Target Allocations are presented for illustrative purposes only, and should not be viewed as predictive of the ongoing composition of the fund's portfolio (and its managers), which may change at any time.
Top Ten Long / Short Exposures (Equity Only): The Top Ten Long and Short Exposures represent the ten largest long and short equity issuer exposures of Franklin K2 Alternative Strategies Fund as of the date indicated. Issuer exposures include actual security holdings and single security exposures obtained through the use of derivatives. Direct security holdings and derivatives exposures are combined for calculation purposes. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included in the top 10 holdings list. The information provided is not a recommendation to purchase, sell, or hold any particular security. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change.

Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

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