



FRANKLIN TEMPLETON
INVESTMENTS

**Semiannual Report
and Shareholder Letter**
November 30, 2018

Franklin K2 Alternative Strategies Fund

A SERIES OF FRANKLIN ALTERNATIVE STRATEGIES FUNDS



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Internet Delivery of Shareholder Reports: 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.

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Franklin Templeton Investments

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 six months ended November 30, 2018, global markets benefited from crude oil price gains through the end of September, upbeat economic data in certain regions, generally healthy corporate earnings, and optimism near period-end that the U.S. Federal Reserve would raise interest rates at a slower pace than during the past two years. However, global markets also reflected investor concerns about stricter regulation of technology companies, U.S. and European Union political uncertainties, changing interest-rate policies of major central banks, and how the U.S.-China trade dispute could affect global growth and corporate earnings. In this environment, global developed stock markets, as measured by the MSCI World Index, had a -1.45% total return for the period.¹ Global emerging market stocks, as measured by the MSCI Emerging Markets Index, had a -9.68% total return.¹ Global government bonds, as measured by the FTSE World Government Bond Index, had a -2.51% 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 six 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 November 30, 2018, 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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financial planning tools.

Semiannual Report

Franklin K2 Alternative Strategies Fund

This semiannual report for Franklin K2 Alternative Strategies Fund covers the period ended November 30, 2018.

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 subadvisors, 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 had a -0.79% cumulative total return for the six 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, had a -4.25% total return for the same period.¹ Also for comparison, the Fund's secondary benchmark, the ICE BofA Merrill Lynch 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 +1.04% 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 six months under review, despite weakness in certain regions. Global developed and emerging market stocks were aided by higher crude oil prices in the first four months of the period, encouraging corporate earnings reports, and indications from the U.S. Federal Reserve (Fed) near period-end that led to expectations of a slower pace of interest-rate increases. However, various factors weighed on global markets during the period, including concerns about tighter regulation of technology companies, political uncertainties in the U.S. and the European Union, major central banks' interest-rate path and unwinding of monetary stimulus measures, and the impact of the U.S.-China trade dispute on global growth and corporate earnings. In this environment, global stocks, as measured by the MSCI All Country World Index, had a -2.44% total return for the six months ended November 30, 2018.²

The U.S. economy grew during the six-month period. The economy grew faster in 2018's second quarter, driven by consumer spending, business investment, exports and government spending, but moderated in the third quarter due to declines in exports and housing investment. The unemployment rate declined from 3.8% in May 2018 to a nearly 49-year low of 3.7% at period-end.³ Annual inflation, as measured by the Consumer Price Index, decreased from 2.8% in May 2018 to 2.2% at period-end.³ The Fed raised its target range for the federal funds rate in June and September 2018 and continued reducing its balance sheet as part of an ongoing plan to normalize monetary policy. Near period-end, Fed Chair Jerome Powell, in his speech at the Economic Club of New York, mentioned the

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 15.

Fed's current policy rate was "just below" estimates of what it believed would be neutral for economic growth, suggesting it might slow its pace of rate increases.

In Europe, the U.K.'s quarterly economic growth accelerated in 2018's second and third quarters, amid growth in the services sector. The Bank of England raised its key policy rate once during the review period. The eurozone's quarterly growth moderated in the third quarter. The bloc's annual inflation rate ended the period higher than in May 2018. The European Central Bank (ECB) kept its benchmark interest rate unchanged during the period. In October 2018, the ECB further reduced its monthly bond purchases and reiterated its plan to conclude the program at the end of 2018, while keeping interest rates unchanged through at least the summer of 2019.

In Asia, Japan's quarterly gross domestic product (GDP) grew in 2018's second quarter but contracted in the third quarter. The Bank of Japan left its benchmark interest rate unchanged during the period and continued its monetary stimulus measures.

In emerging markets, Brazil's quarterly GDP growth accelerated in 2018's third quarter. Russia's annual GDP growth rate accelerated in 2018's second quarter but moderated in the third quarter. The Bank of Russia raised its key interest rate once during the period. China's annual GDP growth moderated in 2018's second and third quarters. The People's Bank of China left its benchmark interest rate unchanged during the period, but it took measures to improve financial liquidity to mitigate the negative effects of the U.S.-China trade dispute and support economic growth. Overall, emerging market stocks, as measured by the MSCI Emerging Markets Index, had a -9.68% total return during the 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.

Manager's Discussion

During the six months under review, performance was dispersed across the Fund's four underlying strategies, reflecting the benefits of a diversified alternatives portfolio. The long short equity and global macro strategies detracted from results, while the event driven and relative value strategies contributed. The Fund also implemented a conditional risk overlay (CRO), which supported performance as volatility returned to global equity markets. 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 a 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 long short equity strategy subadvisors were Chilton Investment, Impala Asset Management, Jennison Associates, Portland Hill Asset Management and Wellington Management. While Chilton delivered positive performance, the other subadvisors experienced negative returns, with Impala and Portland Hill among the worst performers. In terms of aggregate sector performance, the top detractors were consumer discretionary, information technology and industrials, due to net long positioning in these sectors. Conversely, long positioning in consumer staples and communication services made positive contributions.

The Fund allocated assets to two new global macro strategy subadvisors in July: discretionary subadvisor H2O AM and systematic subadvisor Grantham, Mayo, Van Otterloo & Co. They

Strategy Allocation*

Based on Total Investments as of 11/30/18

Strategy	Long Positions	Short Positions
Relative Value	40.4%	-16.3%
Long Short Equity	40.3%	-24.3%
Event Driven	21.8%	-8.7%
Global Macro	48.7%	-92.2%
Risk Overlay	0.00%	-3.32%

*Figures represent the net Fund exposure and include certain derivatives held in the portfolio (or their underlying reference assets) or unsettled trades and may not total 100% or may be negative due to rounding, use of any derivatives or other factors.

Subadvisors

11/30/18

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

joined existing subadvisors Graham Capital Management and Emso Asset Management. Emso contributed a modest gain for the six-month period, while Graham weakened performance. The two new subadvisors also detracted from results for the partial period in which they were allocated assets. The strategy was generally positioned short in equity indexes, which hindered returns. In contrast, short positioning in non-U.S. currencies and interest-rate derivatives benefited performance.

The Fund's two event driven strategy subadvisors strengthened returns: P. Schoenfeld Asset Management and Bardin Hill Arbitrage IC Management (formerly Halcyon Arbitrage IC Management). The strategy benefited from robust mergers-and-acquisitions activity over the period. In terms of aggregate sector performance, health care, consumer discretionary and utilities strengthened returns. Conversely,

telecommunication services and consumer staples weakened returns.

The Fund's relative value strategy subadvisors were Basso Capital Management, Chatham Asset Management, Lazard Asset Management and Loomis Sayles & Company. During the review period, we eliminated our allocation to Basso as our outlook for the subadvisor's strategy had not improved. Lazard and Chatham generated positive performance, while Loomis's return was generally flat. Basso had a negative impact on performance. In terms of aggregate sector performance, consumer discretionary, communication services and industrials contributed. In contrast, long exposures to the energy and financials sectors detracted from the strategy's performance.

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

The foregoing information reflects our analysis, opinions and portfolio holdings as of November 30, 2018, 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.



A handwritten signature in cursive script that reads "Brooks Ritchey".

Brooks Ritchey
Co-Lead Portfolio Manager



A handwritten signature in cursive script that reads "Robert Christian".

Robert Christian
Co-Lead Portfolio Manager



A handwritten signature in cursive script that reads "Anthony Zanolla".

Anthony Zanolla, CFA
Portfolio Manager

Performance Summary as of November 30, 2018

The performance table does 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 11/30/18¹

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		
6-Month	-0.79%	-6.23%
1-Year	+0.50%	-5.01%
5-Year	+15.33%	+1.73%
Since Inception (10/11/13)	+17.98%	+2.14%
Advisor		
6-Month	-0.61%	-0.61%
1-Year	+0.76%	+0.76%
5-Year	+16.93%	+3.18%
Since Inception (10/11/13)	+19.62%	+3.55%

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 8 for Performance Summary footnotes.

Total Annual Operating Expenses⁵

Share Class	With Waiver	Without 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 would have differed. Total returns with sales charges have been restated to reflect the current maximum initial sales charge of 5.50%.
5. 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.

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 6/1/18	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio ²
		Ending Account Value 11/30/18	Expenses Paid During Period 6/1/18–11/30/18 ^{1,2}	Ending Account Value 11/30/18	Expenses Paid During Period 6/1/18–11/30/18 ^{1,2}	
A	\$1,000	\$992.10	\$12.88	\$1,012.13	\$13.01	2.58%
C	\$1,000	\$987.60	\$16.59	\$1,008.37	\$16.77	3.33%
R	\$1,000	\$990.40	\$14.12	\$1,010.88	\$14.27	2.83%
R6	\$1,000	\$993.90	\$11.20	\$1,013.84	\$11.31	2.24%
Advisor	\$1,000	\$993.90	\$11.65	\$1,013.39	\$11.76	2.33%

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 183/365 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

	Six Months Ended November 30, 2018 (unaudited)	Year Ended May 31,				
		2018	2017	2016	2015	2014 ^a
Class A						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.38	\$11.14	\$10.55	\$11.16	\$10.64	\$10.00
Income from investment operations ^b :						
Net investment income (loss) ^c	— ^d	0.01	0.03	(0.05)	(0.11)	(0.02)
Net realized and unrealized gains (losses)	(0.09)	0.38	0.61	(0.38)	0.70	0.70
Total from investment operations	(0.09)	0.39	0.64	(0.43)	0.59	0.68
Less distributions from:						
Net investment income	—	(0.15)	(0.05)	(0.14)	(0.07)	(0.04)
Net realized gains	—	—	—	(0.04)	—	—
Total distributions	—	(0.15)	(0.05)	(0.18)	(0.07)	(0.04)
Net asset value, end of period	\$11.29	\$11.38	\$11.14	\$10.55	\$11.16	\$10.64
Total return ^e	(0.79)%	3.57%	6.07%	(3.89)%	5.53%	6.82%
Ratios to average net assets^f						
Expenses before waiver, payments by affiliates and expense reduction ^g	2.77%	2.81%	3.07%	3.22%	3.40%	3.33%
Expenses net of waiver, payments by affiliates and expense reduction ^g	2.58%	2.59%	2.73%	2.88% ^h	2.99% ^h	2.83%
Expenses incurred in connection with securities sold short	0.38%	0.39%	0.53%	0.67%	0.65%	0.56%
Net investment income (loss)	0.09%	0.06%	0.10%	(0.44)%	(0.95)%	(0.35)%
Supplemental data						
Net assets, end of period (000's)	\$107,205	\$119,214	\$119,385	\$177,412	\$148,991	\$96,889
Portfolio turnover rate	105.03%	234.77%	209.45%	229.90%	295.81%	181.06%

^aFor the period October 11, 2013 (commencement of operations) to May 31, 2014.

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

^cBased on average daily shares outstanding.

^dAmount rounds to less than \$0.01 per share.

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

^fRatios are annualized for periods less than one year.

^gIncludes 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(f).

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

Franklin K2 Alternative Strategies Fund (continued)

	Six Months Ended November 30, 2018 (unaudited)	Year Ended May 31,				
		2018	2017	2016	2015	2014 ^a
Class C						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.25	\$11.00	\$10.45	\$11.09	\$10.60	\$10.00
Income from investment operations ^b :						
Net investment income (loss) ^c	(0.04)	(0.08)	(0.04)	(0.12)	(0.17)	(0.08)
Net realized and unrealized gains (losses)	(0.10)	0.39	0.59	(0.39)	0.69	0.72
Total from investment operations	(0.14)	0.31	0.55	(0.51)	0.52	0.64
Less distributions from:						
Net investment income	—	(0.06)	—	(0.09)	(0.03)	(0.04)
Net realized gains	—	—	—	(0.04)	—	—
Total distributions	—	(0.06)	—	(0.13)	(0.03)	(0.04)
Net asset value, end of period	\$11.11	\$11.25	\$11.00	\$10.45	\$11.09	\$10.60
Total return ^d	(1.24)%	2.82%	5.26%	(4.62)%	4.87%	6.42%
Ratios to average net assets^e						
Expenses before waiver, payments by affiliates and expense reduction ^f	3.52%	3.56%	3.79%	3.96%	4.04%	4.03%
Expenses net of waiver, payments by affiliates and expense reduction ^f	3.33%	3.34%	3.45%	3.62% ^g	3.63% ^g	3.53%
Expenses incurred in connection with securities sold short	0.38%	0.39%	0.53%	0.67%	0.65%	0.56%
Net investment income (loss)	(0.66)%	(0.69)%	(0.62)%	(1.18)%	(1.59)%	(1.05)%
Supplemental data						
Net assets, end of period (000's)	\$48,234	\$53,196	\$55,496	\$71,154	\$37,937	\$16,618
Portfolio turnover rate	105.03%	234.77%	209.45%	229.90%	295.81%	181.06%

^aFor the period October 11, 2013 (commencement of operations) to May 31, 2014.

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

^cBased on average daily shares outstanding.

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

^eRatios are annualized for periods less than one year.

^fIncludes 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(f).

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

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED FINANCIAL STATEMENTS

Franklin K2 Alternative Strategies Fund (continued)

	Six Months Ended November 30, 2018 (unaudited)	Year Ended May 31,				
		2018	2017	2016	2015	2014 ^a
Class R						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.42	\$11.17	\$10.61	\$11.15	\$10.62	\$10.00
Income from investment operations ^b :						
Net investment income (loss) ^c	(0.01)	(0.02)	(0.25)	(0.10)	(0.16)	(0.05)
Net realized and unrealized gains (losses)	(0.10)	0.39	0.86	(0.40)	0.73	0.71
Total from investment operations	(0.11)	0.37	0.61	(0.50)	0.57	0.66
Less distributions from:						
Net investment income	—	(0.12)	(0.05)	—	(0.04)	(0.04)
Net realized gains	—	—	—	(0.04)	—	—
Total distributions	—	(0.12)	(0.05)	(0.04)	(0.04)	(0.04)
Net asset value, end of period	\$11.31	\$11.42	\$11.17	\$10.61	\$11.15	\$10.62
Total return ^d	(0.96)%	3.28%	5.79%	(4.51)%	5.39%	6.62%
Ratios to average net assets^e						
Expenses before waiver, payments by affiliates and expense reduction ^f	3.02%	3.06%	3.32%	3.46%	3.57%	3.63%
Expenses net of waiver, payments by affiliates and expense reduction ^f	2.83%	2.84%	2.98%	3.12% ^g	3.16% ^g	3.13%
Expenses incurred in connection with securities sold short	0.38%	0.39%	0.53%	0.67%	0.65%	0.56%
Net investment income (loss)	(0.16)%	(0.19)%	(0.15)%	(0.68)%	(1.12)%	(0.65)%
Supplemental data						
Net assets, end of period (000's)	\$709	\$648	\$597	\$341	\$9,173	\$11,660
Portfolio turnover rate	105.03%	234.77%	209.45%	229.90%	295.81%	181.06%

^aFor the period October 11, 2013 (commencement of operations) to May 31, 2014.

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

^cBased on average daily shares outstanding.

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

^eRatios are annualized for periods less than one year.

^fIncludes 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(f).

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

Franklin K2 Alternative Strategies Fund (continued)

	Six Months Ended November 30, 2018 (unaudited)	Year Ended May 31,				
		2018	2017	2016	2015	2014 ^a
Class R6						
Per share operating performance						
(for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.41	\$11.17	\$10.59	\$11.18	\$10.66	\$10.00
Income from investment operations ^b :						
Net investment income (loss) ^c	0.02	0.03	0.02	(0.01)	(0.08)	(0.01)
Net realized and unrealized gains (losses)	(0.09)	0.40	0.65	(0.37)	0.70	0.71
Total from investment operations	(0.07)	0.43	0.67	(0.38)	0.62	0.70
Less distributions from:						
Net investment income	—	(0.19)	(0.09)	(0.17)	(0.10)	(0.04)
Net realized gains	—	—	—	(0.04)	—	—
Total distributions	—	(0.19)	(0.09)	(0.21)	(0.10)	(0.04)
Net asset value, end of period	\$11.34	\$11.41	\$11.17	\$10.59	\$11.18	\$10.66
Total return ^d	(0.61)%	3.83%	6.40%	(3.45)%	5.80%	7.02%
Ratios to average net assets^e						
Expenses before waiver, payments by affiliates and expense reduction ^f	2.43%	2.46%	2.73%	2.87%	2.98%	3.19%
Expenses net of waiver, payments by affiliates and expense reduction ^f	2.24%	2.24%	2.39%	2.53% ^g	2.60% ^g	2.69%
Expenses incurred in connection with securities sold short	0.38%	0.39%	0.53%	0.67%	0.65%	0.56%
Net investment income (loss)	0.43%	0.41%	0.44%	(0.09)%	(0.56)%	(0.21)%
Supplemental data						
Net assets, end of period (000's)	\$36,849	\$31,805	\$265,247	\$265,517	\$239,754	\$215,526
Portfolio turnover rate	105.03%	234.77%	209.45%	229.90%	295.81%	181.06%

^aFor the period October 11, 2013 (commencement of operations) to May 31, 2014.

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

^cBased on average daily shares outstanding.

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

^eRatios are annualized for periods less than one year.

^fIncludes 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(f).

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

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED FINANCIAL STATEMENTS

Franklin K2 Alternative Strategies Fund (continued)

	Six Months Ended November 30, 2018 (unaudited)	Year Ended May 31,				
		2018	2017	2016	2015	2014 ^a
Advisor Class						
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.40	\$11.16	\$10.58	\$11.18	\$10.65	\$10.00
Income from investment operations ^b :						
Net investment income (loss) ^c	0.02	0.04	0.04	(0.02)	(0.02)	(0.02)
Net realized and unrealized gains (losses)	(0.09)	0.38	0.62	(0.38)	0.64	0.71
Total from investment operations	(0.07)	0.42	0.66	(0.40)	0.62	0.69
Less distributions from:						
Net investment income	—	(0.18)	(0.08)	(0.16)	(0.09)	(0.04)
Net realized gains	—	—	—	(0.04)	—	—
Total distributions	—	(0.18)	(0.08)	(0.20)	(0.09)	(0.04)
Net asset value, end of period	\$11.33	\$11.40	\$11.16	\$10.58	\$11.18	\$10.65
Total return ^d	(0.61)%	3.75%	6.29%	(3.58)%	5.88%	6.92%
Ratios to average net assets^e						
Expenses before waiver, payments by affiliates and expense reduction ^f	2.52%	2.56%	2.82%	2.96%	3.07%	3.21%
Expenses net of waiver, payments by affiliates and expense reduction ^f	2.33%	2.34%	2.48%	2.62% ^g	2.66% ^g	2.71%
Expenses incurred in connection with securities sold short	0.38%	0.39%	0.53%	0.67%	0.65%	0.56%
Net investment income (loss)	0.34%	0.31%	0.35%	(0.18)%	(0.62)%	(0.23)%
Supplemental data						
Net assets, end of period (000's)	\$996,625	\$896,278	\$674,828	\$722,216	\$329,139	\$54,593
Portfolio turnover rate	105.03%	234.77%	209.45%	229.90%	295.81%	181.06%

^aFor the period October 11, 2013 (commencement of operations) to May 31, 2014.

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

^cBased on average daily shares outstanding.

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

^eRatios are annualized for periods less than one year.

^fIncludes 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(f).

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

Consolidated Statement of Investments, November 30, 2018 (unaudited)
Franklin K2 Alternative Strategies Fund

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests 45.5%			
Aerospace & Defense 1.1%			
The Boeing Co.	United States	15,634	\$ 5,421,246
^a Esterline Technologies Corp.	United States	13,610	1,615,915
Harris Corp.	United States	16,085	2,299,351
^b Heico Corp.	United States	34,337	2,902,163
^a Kratos Defense & Security Solutions Inc.	United States	20,964	278,821
United Technologies Corp.	United States	2,561	312,042
			12,829,538
Air Freight & Logistics 0.8%			
^a CEVA Logistics AG	Switzerland	174,746	5,221,128
^b FedEx Corp.	United States	16,539	3,787,431
			9,008,559
Airlines 0.6%			
Alaska Air Group Inc.	United States	12,088	885,567
^c Delta Air Lines Inc.	United States	987	59,921
^a Jetblue Airways Corp.	United States	45,064	879,649
^b Southwest Airlines Co.	United States	60,318	3,293,966
^a Spirit Airlines Inc.	United States	5,480	351,377
^a United Continental Holdings Inc.	United States	14,728	1,424,198
			6,894,678
Automobiles 0.4%			
Thor Industries Inc.	United States	62,618	4,246,127
Banks 0.8%			
Bank of America Corp.	United States	177,367	5,037,223
Barclays PLC	United Kingdom	108,406	224,995
Cadence Bancorp, A	United States	36,621	751,097
^c Citigroup Inc.	United States	873	56,561
^c JPMorgan Chase & Co.	United States	34,925	3,883,311
			9,953,187
Beverages 0.6%			
^b Brown-Forman Corp., B	United States	1,236	58,982
^b Constellation Brands Inc., A	United States	14,720	2,881,587
Davide Campari-Milano SpA	Italy	523,898	4,377,135
^c Molson Coors Brewing Co., B	United States	865	56,891
			7,374,595
Biotechnology 3.4%			
^c Abbvie Inc.	United States	634	59,767
^a Aeglea BioTherapeutics Inc.	United States	19,046	160,367
^a Agios Pharmaceuticals Inc.	United States	3,937	259,055
^a Aileron Therapeutics Inc.	United States	6,614	14,352
^a Aimmune Therapeutics Inc.	United States	9,493	225,459
^a Alexion Pharmaceuticals Inc.	United States	13,766	1,695,283
^a Allakos Inc.	United States	7,213	424,918
^a Allogene Therapeutics Inc.	United States	14,136	442,174
^c Amgen Inc.	United States	292	60,809
^a Amicus Therapeutics Inc.	United States	102,944	1,136,502
^a AnaptysBio Inc.	United States	1,893	141,180
^a Apellis Pharmaceuticals Inc.	United States	12,096	185,553

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Biotechnology (continued)			
^a Arbutus Biopharma Corp.	Canada	5,156	\$ 22,480
^a Argenx SE, ADR	Netherlands	6,563	635,102
^{a,d} Ascleptis Pharma Inc., 144A	China	143,510	132,431
^a Audentes Therapeutics Inc.	United States	22,325	545,846
^{a,e} Autolus Therapeutics PLC, ADR	United Kingdom	2,607	101,725
^a BioCryst Pharmaceuticals Inc.	United States	78,595	721,502
^{a,b} BioMarin Pharmaceutical Inc.	United States	36,341	3,489,826
^a Bluebird Bio Inc.	United States	11,977	1,471,854
^a Blueprint Medicines Corp.	United States	4,563	261,779
^a Celgene Corp.	United States	10,935	789,726
^a CRISPR Therapeutics AG	Switzerland	10,798	413,887
^a DBV Technologies SA, ADR	France	25,630	387,013
^a Eiger Biopharmaceuticals Inc.	United States	20,581	218,364
^a Epizyme Inc.	United States	44,721	331,830
^{a,b} Exact Sciences Corp.	United States	23,739	1,851,167
^a Fate Therapeutics Inc.	United States	5,718	87,828
^a Fibrogen Inc.	United States	7,430	322,165
^c Gilead Sciences Inc.	United States	787	56,617
^a GlycoMimetics Inc.	United States	33,674	386,914
^a Heron Therapeutics Inc.	United States	5,644	162,152
^a Immunogen Inc.	United States	23,995	132,212
^a Immunomedics Inc.	United States	51,880	1,042,269
^{a,d} Innovent Biologics Inc., 144A	China	19,463	52,862
^a Kodiak Sciences Inc.	United States	19,599	181,291
^{a,e} La Jolla Pharmaceutical Co.	United States	28,847	417,416
^a Madrigal Pharmaceuticals Inc.	United States	4,689	542,283
^a Mirati Therapeutics Inc.	United States	10,266	396,165
^a Natera Inc.	United States	49,672	860,319
^a Neurocrine Biosciences Inc.	United States	10,894	961,613
^a ProQR Therapeutics NV	Netherlands	46,615	888,482
^a Proteostasis Therapeutics Inc.	United States	72,767	368,929
^a Repligen Corp.	United States	5,188	335,508
^a Retrophin Inc.	United States	14,446	354,505
^a Rubius Therapeutics Inc.	United States	11,804	252,370
^{a,b} Sage Therapeutics Inc.	United States	18,388	2,119,953
^{a,b} Sarepta Therapeutics Inc.	United States	22,629	2,929,777
^b Shire PLC, ADR	United Kingdom	41,676	7,317,472
Shire PLC	United Kingdom	22,284	1,291,982
^a Solid Biosciences Inc.	United States	16,150	503,557
^a Spring Bank Pharmaceuticals Inc.	United States	13,047	146,648
^{a,e} Sutro Biopharma Inc.	United States	3,907	40,984
^a Tesaro Inc.	United States	9,075	420,899
^a Unum Therapeutics Inc.	United States	14,530	100,257
^a Vertex Pharmaceuticals Inc.	United States	8,118	1,467,653
^{a,e} Viking Therapeutics Inc.	United States	10,892	122,971
			40,444,004
Building Products 0.4%			
USG Corp.	United States	124,769	5,370,058
Capital Markets 0.2%			
^d Anima Holding SpA, 144A	Italy	131,081	548,774

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Capital Markets (continued)			
Moody's Corp.	United States	14,707	\$ 2,339,442
^c Morgan Stanley	United States	169	7,502
			2,895,718
Chemicals 1.2%			
^{a,b} Ingevity Corp.	United States	30,580	2,997,146
^b Linde PLC	United Kingdom	11,213	1,783,428
^b The Sherwin-Williams Co.	United States	22,645	9,603,065
^{a,f,g} TerraVia Holdings Inc., Contingent Distribution	United States	1,117,000	—
			14,383,639
Commercial Services & Supplies 0.8%			
Atento SA	Spain	144,493	723,910
Cintas Corp.	United States	22,123	4,145,408
Edenred	France	25,763	982,325
Republic Services Inc., A	United States	47,873	3,702,498
^c Waste Management Inc.	United States	337	31,594
			9,585,735
Communications Equipment 0.8%			
^a ARRIS International PLC	United States	181,044	5,594,259
^c Cisco Systems Inc.	United States	1,244	59,550
^a Commscope Holding Co. Inc.	United States	74,739	1,352,776
^a Mitel Networks Corp.	Canada	94,865	1,057,745
Motorola Solutions Inc.	United States	12,930	1,697,063
^a Quantenna Communications Inc.	United States	11,578	173,438
			9,934,831
Construction Materials 0.2%			
^a Cemex SAB de CV, ADR	Mexico	72,599	373,159
HeidelbergCement AG	Germany	32,396	2,152,863
			2,526,022
Consumer Finance 0.0%†			
^c Capital One Financial Corp.	United States	627	56,229
Containers & Packaging 0.6%			
^b Ball Corp.	United States	148,833	7,309,189
Diversified Consumer Services 0.1%			
^a Frontdoor Inc.	United States	50,506	1,176,285
Diversified Financial Services 0.0%†			
^a ARYA Sciences Acquisition Corp.	United States	18,316	188,655
Element Fleet Management Corp.	Canada	10,299	54,648
			243,303
Diversified Telecommunication Services 0.3%			
^{a,d} China Tower Corp. Ltd., H, 144A	China	3,266,000	484,223
China Unicom Hong Kong Ltd., ADR	China	54,511	639,959
^a ORBCOMM Inc.	United States	47,040	445,939
^a Telecom Italia SpA	Italy	1,365,663	888,683
^b Verizon Communications Inc.	United States	25,142	1,516,063
			3,974,867

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Electric Utilities 0.0%†			
^c FirstEnergy Corp.	United States	1,473	\$ 55,723
PPL Corp.	United States	1,791	54,787
			110,510
Electrical Equipment 0.0%†			
^c Eaton Corp. PLC	United States	626	48,164
Electronic Equipment, Instruments & Components 0.5%			
Chroma Ate Inc.	Taiwan	85,000	328,393
^a Fabrinet	Thailand	9,560	504,099
^a Flex Ltd.	Singapore	262,885	2,300,244
^a ltron Inc.	United States	25,683	1,390,991
^a Zebra Technologies Corp., A	United States	5,331	958,514
			5,482,241
Energy Equipment & Services 0.4%			
^a Ocean Rig UDW Inc., A	United States	159,049	4,410,429
Entertainment 1.8%			
Entertainment One Ltd.	Canada	81,329	381,162
^a NetFlix Inc.	United States	7,751	2,217,794
^a Nexon Co. Ltd.	Japan	51,360	607,189
^a Spotify Technology SA	United States	8,309	1,133,181
^b Twenty-First Century Fox Inc., A	United States	214,489	10,610,771
^c Viacom Inc., B	United States	1,732	53,449
Vivendi SA	France	74,501	1,855,546
The Walt Disney Co.	United States	36,840	4,254,652
			21,113,744
Equity Real Estate Investment Trusts (REITs) 0.6%			
Gaming And Leisure Properties Inc.	United States	1,714	59,013
Host Hotels & Resorts Inc.	United States	14,861	282,359
^a Lasalle Hotel Properties	United States	217,651	6,977,891
^a Uniti Group Inc.	United States	2,906	57,917
			7,377,180
Food & Staples Retailing 0.4%			
Costco Wholesale Corp.	United States	18,632	4,309,209
^c Walgreens Boots Alliance Inc.	United States	688	58,253
			4,367,462
Food Products 0.1%			
Chocoladefabriken Lindt & Spruengli AG	Switzerland	15	1,205,645
Health Care Equipment & Supplies 1.2%			
Abbott Laboratories	United States	22,556	1,670,272
^a ABIOMED Inc.	United States	878	292,093
^a Align Technology Inc.	United States	3,418	785,764
^a Axogen Inc.	United States	12,506	418,701
^a Boston Scientific Corp.	United States	44,362	1,671,116
^{a,b} DexCom Inc.	United States	10,652	1,380,393
^a Edwards Lifesciences Corp.	United States	8,398	1,360,560
^a IDEXX Laboratories Inc.	United States	14,029	2,858,548
^a Inogen Inc.	United States	1,996	294,131

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Health Care Equipment & Supplies (continued)			
^a Insulet Corp.	United States	1,762	\$ 147,885
^a Intuitive Surgical Inc.	United States	2,957	1,569,783
^a iRhythm Technologies Inc.	United States	3,719	275,503
^c Medtronic PLC	United States	172	16,775
^a Nevro Corp.	United States	9,902	411,032
Teleflex Inc.	United States	2,850	784,947
			13,937,503
Health Care Providers & Services 2.4%			
^c AmerisourceBergen Corp., A	United States	621	55,207
Anthem Inc.	United States	4,672	1,355,207
^{a,b} Centene Corp.	United States	15,676	2,229,911
^b Cigna Corp.	United States	11,077	2,474,380
CVS Health Corp.	United States	63,998	5,132,616
^{a,b} Express Scripts Holding Co.	United States	81,326	8,252,149
^a Guardant Health Inc.	United States	8,009	286,162
^a Healthequity Inc.	United States	4,304	381,722
^b Humana Inc.	United States	7,678	2,529,671
^c McKesson Corp.	United States	435	54,157
^{b,c} UnitedHealth Group Inc.	United States	21,303	5,993,812
			28,744,994
Health Care Technology 0.1%			
^a Inspire Medical Systems Inc.	United States	1,855	85,219
^a Tabula Rasa HealthCare Inc.	United States	10,326	779,406
^a Teladoc Health Inc.	United States	4,779	298,449
			1,163,074
Hotels, Restaurants & Leisure 0.7%			
^a Belmond Ltd., A	United Kingdom	24,774	450,887
^b Domino's Pizza Inc.	United States	9,885	2,741,308
^e Papa John's International Inc.	United States	31,596	1,516,292
Royal Caribbean Cruises Ltd.	United States	32,837	3,712,880
^a Seaworld Entertainment Inc.	United States	15,011	427,513
^c Yum! Brands Inc.	United States	634	58,467
			8,907,347
Household Durables 0.3%			
^a Mohawk Industries Inc.	United States	2,175	278,531
^a NVR Inc.	United States	688	1,685,600
^a Sodastream International Ltd.	Israel	8,408	1,207,809
			3,171,940
Industrial Conglomerates 0.0%†			
Smiths Group PLC	United Kingdom	17,888	316,718
Insurance 0.8%			
^c Aflac Inc.	United States	1,229	56,215
Aspen Insurance Holdings Ltd.	Bermuda	130,417	5,459,256
Kemper Corp.	United States	22,724	1,729,296
^c MetLife Inc.	United States	1,245	55,564
Principal Financial Group Inc.	United States	1,149	56,669
^c Prudential Financial Inc.	United States	598	56,069

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Insurance (continued)			
RSA Insurance Group PLC	United Kingdom	44,331	\$ 306,506
^{a,e} Trupanion Inc.	United States	52,610	1,574,617
			9,294,192
Interactive Media & Services 1.4%			
^{a,b} Alphabet Inc., A	United States	4,620	5,126,583
^a Alphabet Inc., C	United States	1,643	1,798,148
^{a,b} Facebook Inc., A	United States	29,137	4,096,953
Tencent Holdings Ltd.	China	99,795	3,979,556
^a Yandex NV, A	Russia	43,102	1,271,509
			16,272,749
Internet & Direct Marketing Retail 1.5%			
^{a,b} Alibaba Group Holding Ltd., ADR	China	34,025	5,473,262
^{a,b} Amazon.com Inc.	United States	2,071	3,500,342
^{a,b} Booking Holdings Inc.	United States	1,149	2,173,770
^{a,d} Delivery Hero AG, 144A	Germany	9,344	339,990
^a eBay Inc.	United States	36,105	1,077,734
^b Expedia Group Inc.	United States	13,350	1,612,546
^a Just Eat PLC	United Kingdom	98,615	732,092
NutriSystem Inc.	United States	24,025	893,490
^a Qurate Retail Inc., A	United States	66,402	1,475,452
			17,278,678
IT Services 4.1%			
^c Accenture PLC, A	United States	5,368	883,144
Alliance Data Systems Corp.	United States	9,873	1,978,154
^c Automatic Data Processing Inc.	United States	5,405	796,805
Booz Allen Hamilton Holding Corp., A	United States	1,100	56,441
^c Broadridge Financial Solutions Inc.	United States	537	56,852
^a EPAM Systems Inc.	United States	11,583	1,508,686
^a ExlService Holdings Inc.	United States	40,356	2,339,034
^a FleetCor Technologies Inc.	United States	19,596	3,789,866
Genpact Ltd.	United States	111,364	3,383,238
Global Payments Inc.	United States	36,011	4,026,390
^a GoDaddy Inc., A	United States	25,963	1,694,345
^{b,c} MasterCard Inc., A	United States	39,710	7,984,490
^c Paychex Inc.	United States	831	58,802
^{a,b} PayPal Holdings Inc.	United States	105,569	9,058,876
Sabre Corp.	United States	2,248	57,481
^{a,e} StoneCo. Ltd.	Brazil	1,300	30,641
^b Total System Services Inc.	United States	30,509	2,665,571
^a VeriSign Inc.	United States	12,341	1,925,937
^c Visa Inc., A	United States	21,950	3,110,535
Western Union Co.	United States	3,000	56,190
^{a,b} WEX Inc.	United States	21,123	3,273,431
			48,734,909
Leisure Products 0.5%			
^b Brunswick Corp.	United States	51,145	2,712,731
Hasbro Inc.	United States	31,258	2,844,478
			5,557,209

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Life Sciences Tools & Services 1.6%			
Eurofins Scientific SE	Luxembourg	4,050	\$ 1,756,065
Gerresheimer AG	Germany	50,407	3,589,454
^{a,b} Illumina Inc.	United States	10,437	3,522,487
^a Iqvia Holdings Inc.	United States	27,884	3,487,452
^{a,b} Mettler-Toledo International Inc.	United States	2,435	1,550,267
^a Pacific Biosciences of California Inc.	United States	136,500	1,067,430
^a PRA Health Sciences Inc.	United States	6,273	732,310
^{a,e} Quantarix Corp.	United States	7,123	133,485
^c Thermo Fisher Scientific Inc.	United States	12,914	3,222,689
			19,061,639
Machinery 0.3%			
Altra Industrial Motion Corp., W	United States	3	95
^c Cummins Inc.	United States	389	58,762
^c Illinois Tool Works Inc.	United States	429	59,653
^c PACCAR Inc.	United States	961	59,793
Trinity Industries Inc.	United States	24,480	583,358
Xylem Inc.	United States	40,603	2,963,207
			3,724,868
Marine 0.0%†			
^a Star Bulk Carriers Corp.	Greece	10,160	97,231
Media 0.5%			
^c Comcast Corp., A	United States	26,071	1,017,030
^c The Interpublic Group of Cos. Inc.	United States	2,372	55,742
ITV PLC	United Kingdom	293,248	542,567
^a Liberty Global PLC, C	United Kingdom	55,613	1,350,840
^c Omnicom Group Inc.	United States	747	57,496
^a Postmedia Network Canada Corp.	Canada	666,338	596,803
^c Sinclair Broadcast Group Inc., A	United States	1,804	56,736
^e Sirius XM Holdings, Inc.	United States	9,107	56,737
Stroeer SE & Co. KGaA	Germany	51,085	2,668,442
			6,402,393
Metals & Mining 1.2%			
^a AK Steel Holding Corp.	United States	6,168	18,997
First Quantum Minerals Ltd.	Zambia	195,669	1,796,682
Nevsun Resources Ltd.	Canada	1,396,824	6,255,299
Teck Resources Ltd., B	Canada	264,225	5,363,768
^b Vale SA, B, ADR	Brazil	75,787	1,038,282
			14,473,028
Multiline Retail 0.1%			
^c Kohl's Corp.	United States	695	46,683
^b Macy's Inc.	United States	34,921	1,194,997
^c Target Corp.	United States	664	47,117
			1,288,797
Multi-Utilities 0.1%			
^a Innogy SE	Germany	22,870	959,271

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Oil, Gas & Consumable Fuels 1.1%			
Anadarko Petroleum Corp.	United States	1,101	\$ 58,243
Canadian Natural Resources Ltd.	Canada	2,000	50,261
^c Chevron Corp.	United States	488	58,043
^c ConocoPhillips	United States	892	59,033
Diamondback Energy Inc.	United States	70,283	7,757,838
EnCana Corp.	Canada	6,937	46,617
^{a,b} Equitrans Midstream Corp.	United States	55,091	1,229,631
^c Exxon Mobil Corp.	United States	425	33,787
^a Halcon Resources Corp., wts., 9/09/20	United States	2,159	151
^b Hess Corp.	United States	47,983	2,585,804
^c Marathon Petroleum Corp.	United States	875	57,015
^c Murphy Oil Corp.	United States	1,890	60,291
^c Occidental Petroleum Corp.	United States	795	55,865
^a Whiting Petroleum Corp.	United States	4,509	136,487
^a Wildhorse Resource Development Corp.	United States	24,103	445,423
			12,634,489
Pharmaceuticals 1.2%			
^a Aerie Pharmaceuticals Inc.	United States	21,065	840,283
^c Allergan PLC	United States	9,848	1,542,197
^a Assembly Biosciences Inc.	United States	48,611	1,253,192
AstraZeneca PLC, ADR	United Kingdom	45,927	1,828,813
^c Bristol-Myers Squibb Co.	United States	19,389	1,036,535
^a Charlottes Web Holdings Inc.	United States	20,522	235,548
Eli Lilly & Co.	United States	14,200	1,684,688
^a GW Pharmaceuticals PLC, ADR	United Kingdom	5,607	689,773
Hikma Pharmaceuticals PLC	Jordan	10,168	230,755
^{a,d} Hua Medicine, 144A	China	113,586	110,334
^c Johnson & Johnson	United States	390	57,291
^a Marinus Pharmaceuticals Inc.	United States	27,015	126,160
^c Merck & Co. Inc.	United States	22,368	1,774,677
^a Mylan NV	United States	12,438	421,151
^a Ocular Therapeutix Inc.	United States	46,103	307,046
Pfizer Inc.	United States	12,776	590,634
^a Restorbio Inc.	United States	29,946	391,095
^{a,c} Tilray Inc.	Canada	10,546	1,080,438
			14,200,610
Professional Services 1.7%			
^a CoStar Group Inc.	United States	2,592	957,459
Dun & Bradstreet Corp.	United States	43,671	6,268,535
Equifax Inc.	United States	23,693	2,432,560
Experian PLC	United Kingdom	65,899	1,600,913
^{a,b} Huron Consulting Group Inc.	United States	20,236	1,126,538
^d Intertrust NV, 144A	Netherlands	219,998	3,529,193
^c Robert Half International Inc.	United States	895	55,338
TransUnion	United States	27,503	1,775,869
^a TriNet Group Inc.	United States	53,527	2,457,425
			20,203,830
Road & Rail 1.1%			
^b CSX Corp.	United States	82,153	5,966,772

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Road & Rail (continued)			
Norfolk Southern Corp.	United States	19,519	\$ 3,332,674
^b Old Dominion Freight Line Inc.	United States	9,163	1,252,857
^b Union Pacific Corp.	United States	17,132	2,634,559
			13,186,862
Semiconductors & Semiconductor Equipment 1.2%			
^{a,b} Advanced Micro Devices Inc.	United States	55,002	1,171,543
^{b,c} Broadcom Inc.	United States	1,841	437,072
^a First Solar Inc.	United States	5,537	246,120
^a FormFactor Inc.	United States	75,130	1,238,894
^a Integrated Device Technology Inc.	United States	139,528	6,688,972
^c Intel Corp.	United States	1,198	59,073
KLA-Tencor Corp.	United States	4,453	438,888
Marvell Technology Group Ltd.	Bermuda	24,754	398,787
Microchip Technology Inc.	United States	5,004	375,300
QUALCOMM Inc.	United States	12,390	721,841
^{a,d,g} SunEdison Inc., Contingent Distribution, 144A	United States	35,000	831
Taiwan Semiconductor Manufacturing Co. Ltd., ADR	Taiwan	41,842	1,572,841
Teradyne Inc.	United States	18,879	673,791
^c Texas Instruments Inc.	United States	211	21,068
			14,045,021
Software 3.7%			
^a Adobe Inc.	United States	5,014	1,257,962
^a Atlassian Corp. PLC, A	Australia	17,021	1,462,785
Blackbaud Inc.	United States	11,238	823,183
^{a,e} Ceridian Hcm Holding Inc.	United States	19,700	790,364
^{a,b} Dell Technologies Inc., V	United States	83,110	8,766,443
^a Gemalto NV	Netherlands	17,574	1,005,923
^a Guidewire Software Inc.	United States	20,982	1,950,487
^a HubSpot Inc.	United States	8,505	1,182,450
^c Intuit Inc.	United States	14,486	3,107,682
^{b,c} Microsoft Corp.	United States	100,788	11,176,381
^a Red Hat Inc.	United States	32,258	5,759,988
^a RingCentral Inc., A	United States	12,109	1,003,836
^{a,b} Salesforce.com Inc.	United States	14,274	2,037,756
^a ServiceNow Inc.	United States	9,165	1,698,000
^a Workday Inc., A	United States	11,090	1,818,760
^a Zscaler Inc.	United States	10,200	400,452
			44,242,452
Specialty Retail 1.3%			
^c American Eagle Outfitters Inc.	United States	2,725	57,034
^c Best Buy Co. Inc.	United States	845	54,579
^a Carmax Inc.	United States	41,211	2,722,811
^c Dick's Sporting Goods Inc.	United States	1,509	54,294
^{b,c} The Home Depot Inc.	United States	46,042	8,302,293
^a Hudson Ltd., A	United Kingdom	41,296	856,892
^{a,b} MarineMax Inc.	United States	25,485	541,047
Pets at Home Group PLC	United Kingdom	166,908	272,445
^a Sports Direct International PLC	United Kingdom	155,760	575,183

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares/ Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Specialty Retail (continued)			
Tiffany & Co.	United States	16,046	\$ 1,460,186
			<u>14,896,764</u>
Technology Hardware, Storage & Peripherals 0.3%			
Apple Inc.	United States	18,200	3,250,156
^a Cray Inc.	United States	23,704	621,282
^c Hewlett Packard Enterprise Co.	United States	3,703	55,545
			<u>3,926,983</u>
Textiles, Apparel & Luxury Goods 0.3%			
^a Lululemon Athletica Inc.	United States	2,146	284,452
^{a,b} Michael Kors Holdings Ltd.	United States	44,270	1,936,812
^b Tapestry Inc.	United States	41,204	1,604,072
			<u>3,825,336</u>
Tobacco 0.0%[†]			
^c Altria Group Inc.	United States	931	51,047
Trading Companies & Distributors 0.3%			
Brenntag AG	Germany	81,642	3,773,809
Transportation Infrastructure 0.1%			
BBA Aviation PLC	United Kingdom	291,364	882,134
Wireless Telecommunication Services 0.3%			
Millicom International Cellular SA, IDR	Colombia	27,552	1,622,192
^{a,b} T-Mobile U.S. Inc.	United States	19,026	1,302,330
^b Vodafone Group PLC, ADR	United Kingdom	5,878	126,318
			<u>3,050,840</u>
Total Common Stocks and Other Equity Interests (Cost \$471,144,641)			<u>540,628,656</u>
Exchange Traded Funds 0.5%			
^b Financial Select Sector SPDR ETF	United States	9,155	246,910
Invesco QQQ Trust Series 1	United States	1,755	297,244
iShares China Large-Capital ETF	United States	4,505	189,300
^b iShares MSCI Emerging Markets ETF	United States	12,317	505,983
^b iShares Russell 2000 ETF	United States	15,075	2,300,747
^b SPDR EURO STOXX 50 ETF	Euro Community	6,359	223,074
^b SPDR S&P 500 ETF Trust	United States	7,108	1,959,320
			<u>5,722,578</u>
Total Exchange Traded Funds (Cost \$5,592,530)			<u>5,722,578</u>
Convertible Preferred Stocks (Cost \$86,130) 0.0%[†]			
Oil, Gas & Consumable Fuels 0.0%[†]			
^a Chesapeake Energy Corp., 5.75%, cvt. pfd.	United States	139	83,400
Preferred Stocks 0.0%[†]			
Food Products 0.0%[†]			
^a Bunge Ltd., 4.875%, cvt. pfd.	United States	2,819	281,618
Diversified Financial Services 0.0%[†]			
^{a,f} Aergen Structured Investments Cayman Blocker LLC, pfd.	Ireland	4,480	4
			<u>281,622</u>
Total Preferred Stocks (Cost \$269,731)			<u>281,622</u>

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Convertible Bonds 6.4%			
Air Freight & Logistics 0.1%			
^b Atlas Air Worldwide Holdings Inc., senior note, 1.875%, 6/01/24	United States	680,000	\$ 732,105
Banks 0.0%†			
^d Hope Bancorp Inc., senior bond, 144A, 2.00%, 5/15/38	United States	559,000	499,715
Biotechnology 0.6%			
Alder Biopharmaceuticals Inc., senior note, 2.50%, 2/01/25	United States	354,000	326,810
^{b,d} Amicus Therapeutics Inc., senior note, 144A, 3.00%, 12/15/23	United States	963,000	1,887,363
^e BioMarin Pharmaceutical Inc., senior sub. note, 0.599%, 8/01/24	United States	270,000	284,277
Flexion Therapeutics Inc., senior note, 3.375%, 5/01/24	United States	50,000	46,148
Ionis Pharmaceuticals Inc., senior note, 1.00%, 11/15/21	United States	215,000	238,476
^d Karyopharm Therapeutics Inc., senior note, 144A, 3.00%, 10/15/25	United States	552,000	513,209
^d Ligand Pharmaceuticals Inc., senior note, 144A, 0.75%, 5/15/23	United States	684,000	637,720
^b Neurocrine Biosciences Inc., senior note, 2.25%, 5/15/24	United States	522,000	701,438
^b PDL BioPharma Inc., senior note, 2.75%, 12/01/21	United States	694,000	726,098
Radius Health Inc., senior note, 3.00%, 9/01/24	United States	684,000	526,415
Repligen Corp., senior note, 2.125%, 6/01/21	United States	324,000	667,264
Retrophin Inc., senior note, 2.50%, 9/15/25	United States	555,000	512,753
			7,067,971
Building Products 0.0%†			
^{d,e} Patrick Industries Inc., senior note, 144A, 1.00%, 2/01/23	United States	540,000	437,846
Capital Markets 0.1%			
^{b,d} Cowen Inc., senior note, 144A, 3.00%, 12/15/22	United States	465,000	511,035
Chemicals 0.0%†			
^h Mitsubishi Chemical Holdings Corp., senior note, Reg S, zero cpn., 3/30/22	Japan	30,000,000 JPY	273,818
Commercial Services & Supplies 0.1%			
RWT Holdings Inc., senior note, 5.625%, 11/15/19	United States	787,000	795,638
Team Inc., senior note, 5.00%, 8/01/23	United States	520,000	554,388
			1,350,026
Communications Equipment 0.2%			
CalAmp Corp., senior note, 1.625%, 5/15/20	United States	325,000	315,094
^d 144A, 2.00%, 8/01/25	United States	411,000	356,041
Finisar Corp., senior bond, 0.50%, 12/15/36	United States	265,000	255,228
Infinera Corp., senior note, 2.125%, 9/01/24	United States	533,000	409,470
^d Palo Alto Networks Inc., senior note, 144A, 0.75%, 7/01/23	United States	1,175,000	1,126,966
			2,462,799
Construction & Engineering 0.1%			
^d HC2 Holdings Inc., senior note, 144A, 7.50%, 6/01/22	United States	110,000	102,850
^d KBR Inc., senior note, 144A, 2.50%, 11/01/23	United States	607,000	588,759
^h Mirait Holdings Corp., senior note, Reg S, zero cpn., 12/30/21	Japan	25,000,000 JPY	276,977
^e Tutor Perini Corp., senior note, 2.875%, 6/15/21	United States	80,000	76,900
			1,045,486
Construction Materials 0.1%			
^b Cemex SAB de CV, sub. note, 3.72%, 3/15/20	Mexico	1,736,000	1,699,685
Consumer Finance 0.4%			
^b Encore Capital Group Inc., senior note, 2.875%, 3/15/21	United States	848,000	737,601
3.25%, 3/15/22	United States	1,090,000	962,343

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Convertible Bonds (continued)			
Consumer Finance (continued)			
Ezcorp Inc., senior note, ^b 2.125%, 6/15/19	United States	1,524,000	\$ 1,501,692
^d 144A, 2.375%, 5/01/25	United States	547,000	462,981
PRA Group Inc., senior note, ^b 3.00%, 8/01/20	United States	625,000	588,352
3.50%, 6/01/23	United States	654,000	608,890
			4,861,859
Diversified Consumer Services 0.1%			
^d Chegg Inc., senior note, 144A, 0.25%, 5/15/23	United States	706,000	843,983
Diversified Financial Services 0.1%			
^d Element Fleet Management Corp., sub. note, 144A, 5.125%, 6/30/19	Canada	886,000 CAD	663,808
Electric Utilities 0.1%			
^h The Chugoku Electric Power Co. Inc., senior note, Reg S, zero cpn., 1/24/20	Japan	30,000,000 JPY	283,455
^h Kyushu Electric Power Co. Inc., secured note, Reg S, zero cpn., 3/31/20	Japan	40,000,000 JPY	370,435
			653,890
Electrical Equipment 0.0%†			
^b SolarCity Corp., senior note, 1.625%, 11/01/19	United States	407,000	382,790
Electronic Equipment, Instruments & Components 0.2%			
^b Knowles Corp., senior note, 3.25%, 11/01/21	United States	530,000	578,665
^e Nice Systems Inc., senior note, 1.25%, 1/15/24	Israel	273,000	398,375
OSI Systems Inc., senior note, 1.25%, 9/01/22	United States	543,000	504,106
Vishay Intertechnology Inc., senior bond, 2.25%, 5/15/41	United States	286,000	363,313
^d senior note, 144A, 2.25%, 6/15/25	United States	776,000	730,433
			2,574,892
Energy Equipment & Services 0.2%			
^h Fugro NV, sub. note, Reg S, 4.00%, 10/26/21	Netherlands	600,000 EUR	641,766
4.50%, 11/02/24	Netherlands	300,000 EUR	346,909
Nabors Industries Inc., senior note, 0.75%, 1/15/24	United States	135,000	90,366
SEACOR Holdings Inc., senior bond, 3.00%, 11/15/28	United States	715,000	679,003
			1,758,044
Entertainment 0.1%			
^d iQIYI Inc., senior note, 144A, 3.75%, 12/01/23	China	694,000	720,039
^d Live Nation Entertainment Inc., senior note, 144A, 2.50%, 3/15/23	United States	127,000	135,907
^d Sea Ltd., senior note, 144A, 2.25%, 7/01/23	Thailand	548,000	516,679
			1,372,625
Equity Real Estate Investment Trusts (REITs) 0.2%			
^b Colony Capital Inc., senior note, 3.875%, 1/15/21	United States	622,000	589,345
iStar Inc., senior note, 3.125%, 9/15/22	United States	250,000	236,926
^b Starwood Waypoint Homes, senior note, 3.00%, 7/01/19	United States	1,653,000	1,956,325
			2,782,596
Health Care Equipment & Supplies 0.2%			
^d DexCom Inc., senior note, 144A, 0.75%, 12/01/23	United States	694,000	726,476
^d Insulet Corp., senior note, 144A, 1.375%, 11/15/24	United States	273,000	298,458

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Convertible Bonds (continued)			
Health Care Equipment & Supplies (continued)			
^h Nipro Corp., senior note, Reg S, zero cpn., 1/29/21	Japan	40,000,000 JPY \$	405,387
^d Wright Medical Group Inc., senior note, 144A, 1.625%, 6/15/23	United States	646,000	671,188
			2,101,509
Health Care Technology 0.1%			
^b Allscripts Healthcare Solutions Inc., senior note, 1.25%, 7/01/20	United States	577,000	559,339
Evolut Health Inc., senior note, 2.00%, 12/01/21	United States	492,000	628,222
^d 144A, 1.50%, 10/15/25	United States	479,000	495,626
			1,683,187
Hotels, Restaurants & Leisure 0.1%			
Huazhu Group Ltd., senior note, 0.375%, 11/01/22	China	740,000	742,590
Independent Power & Renewable Electricity Producers 0.1%			
^d NRG Energy Inc., senior bond, 144A, 2.75%, 6/01/48	United States	801,000	860,392
Interactive Media & Services 0.1%			
^d Momo Inc., senior note, 144A, 1.25%, 7/01/25	China	278,000	239,753
Zillow Group Inc., senior note, 2.00%, 12/01/21	United States	751,000	765,020
			1,004,773
Internet & Direct Marketing Retail 0.1%			
Ctrip.Com International Ltd., senior note, 1.00%, 7/01/20	China	276,000	258,405
^d MercadoLibre Inc., senior note, 144A, 2.00%, 8/15/28	Argentina	684,000	688,121
^d Wayfair Inc., senior note, 144A, 1.125%, 11/01/24	United States	555,000	617,104
			1,563,630
IT Services 0.6%			
^d Akamai Technologies Inc., senior note, 144A, 0.125%, 5/01/25	United States	774,000	739,302
^b Carbonite Inc., senior note, 2.50%, 4/01/22	United States	543,000	696,714
CSG Systems International Inc., senior bond, 4.25%, 3/15/36	United States	646,000	661,554
^d GDS Holdings Ltd., senior note, 144A, 2.00%, 6/01/25	China	557,000	459,370
^{b,d} MongoDB Inc., senior note, 144A, 0.75%, 6/15/24	United States	548,000	746,248
^{b,d} Okta Inc., senior note, 144A, 0.25%, 2/15/23	United States	695,000	1,002,838
^d Perficient Inc., senior note, 144A, 2.375%, 9/15/23	United States	548,000	509,138
^{b,d} Square Inc., senior note, 144A, 0.50%, 5/15/23	United States	843,000	972,175
^d Twilio Inc., senior note, 144A, 0.25%, 6/01/23	United States	581,000	860,664
			6,648,003
Life Sciences Tools & Services 0.0%†			
^d Illumina Inc., senior note, 144A, zero cpn., 8/15/23	United States	274,000	294,769
Machinery 0.0%†			
The Greenbrier Cos. Inc., senior note, 2.875%, 2/01/24	United States	45,000	47,909
^b Navistar International Corp., senior sub. note, 4.75%, 4/15/19	United States	398,000	398,004
			445,913
Media 0.2%			
DISH Network Corp., senior bond, 3.375%, 8/15/26	United States	225,000	198,090
senior note, 2.375%, 3/15/24	United States	370,000	308,931
Liberty Interactive LLC, senior bond, 4.00%, 11/15/29	United States	1,122,000	762,960
senior note, 3.75%, 2/15/30	United States	811,000	543,370

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Convertible Bonds (continued)			
Media (continued)			
Liberty Media Corp., senior bond, 2.25%, 9/30/46	United States	24,149	\$ 12,571
^d 144A, 2.25%, 12/01/48	United States	828,000	861,544
			2,687,466
Metals & Mining 0.2%			
^b Cleveland-Cliffs Inc., senior note, 1.50%, 1/15/25	United States	658,000	838,527
^d Endeavour Mining Corp., senior note, 144A, 3.00%, 2/15/23	Ivory Coast	250,000	219,225
^d First Majestic Silver Corp., senior note, 144A, 1.875%, 3/01/23	Canada	521,000	440,766
^b SSR Mining Inc., senior bond, 2.875%, 2/01/33	Canada	735,000	725,353
			2,223,871
Mortgage Real Estate Investment Trusts (REITs) 0.0%†			
Redwood Trust Inc., senior note, 4.75%, 8/15/23	United States	293,000	278,606
Oil, Gas & Consumable Fuels 0.3%			
Chesapeake Energy Corp., senior note, 5.50%, 9/15/26	United States	288,000	249,971
Golar LNG Ltd., senior note, 2.75%, 2/15/22	Bermuda	543,000	551,379
Green Plains Inc., senior note, ^b 3.25%, 10/01/19	United States	1,506,000	1,574,559
4.125%, 9/01/22	United States	602,000	559,547
^e SM Energy Co., senior note, 1.50%, 7/01/21	United States	30,000	29,367
^d Teekay Corp., senior note, 144A, 5.00%, 1/15/23	Bermuda	438,000	350,123
Whiting Petroleum Corp., senior note, 1.25%, 4/01/20	United States	45,000	42,718
			3,357,664
Personal Products 0.1%			
^d Herbalife Nutrition Ltd., senior note, 144A, 2.625%, 3/15/24	United States	518,000	568,287
Pharmaceuticals 0.3%			
^d Canopy Growth Corp., senior note, 144A, 4.25%, 7/15/23	Canada	929,000 CAD	884,495
^b Innoviva Inc., sub. note, 2.125%, 1/15/23	United States	781,000	864,584
The Medicines Co., senior note, 2.50%, 1/15/22	United States	547,000	510,954
Pacira Pharmaceuticals Inc., senior note, 2.375%, 4/01/22	United States	554,000	580,609
^{b,d} Tilray Inc., senior note, 144A, 5.00%, 10/01/23	Canada	1,094,000	928,290
			3,768,932
Professional Services 0.0%†			
^d FTI Consulting Inc., senior note, 144A, 2.00%, 8/15/23	United States	416,000	400,067
Real Estate Management & Development 0.0%†			
Forestar Group Inc., senior note, 3.75%, 3/01/20	United States	445,000	438,424
Semiconductors & Semiconductor Equipment 0.3%			
Advanced Micro Devices Inc., senior note, 2.125%, 9/01/26	United States	219,000	602,640
^d Cree Inc., senior note, 144A, 0.875%, 9/01/23	United States	718,000	707,098
Inphi Corp., senior note, 0.75%, 9/01/21	United States	515,000	509,850
^b Microchip Technology Inc., senior sub. bond, 1.625%, 2/15/27	United States	1,094,000	1,108,112
^b On Semiconductor Corp., senior note, 1.625%, 10/15/23	United States	735,000	849,780
Synaptics Inc., senior note, 0.50%, 6/15/22	United States	267,000	236,157
			4,013,637
Software 0.8%			
^d Alteryx Inc., senior note, 144A, 0.50%, 6/01/23	United States	557,000	834,615
^d Atlassian Inc., senior note, 144A, 0.625%, 5/01/23	United States	729,000	896,490

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Convertible Bonds (continued)			
Software (continued)			
Avaya Holdings Corp., senior note, 144A, 2.25%, 6/15/23	United States	684,000	\$ 594,757
DocuSign Inc., senior note, 144A, 0.50%, 9/15/23	United States	636,000	596,305
Envestnet Inc., senior note, 144A, 1.75%, 6/01/23	United States	588,000	617,755
Everbridge Inc., senior note, 1.50%, 11/01/22	United States	274,000	465,365
Five9 Inc., senior note, 144A, 0.125%, 5/01/23	United States	553,000	666,603
HubSpot Inc., senior note, 0.25%, 6/01/22	United States	400,000	617,230
MINDBODY Inc., senior note, 144A, 0.375%, 6/01/23	United States	534,000	464,834
Nutanix Inc., senior note, 144A, zero cpn., 1/15/23	United States	268,000	305,759
PROS Holdings Inc., senior bond, 2.00%, 6/01/47	United States	749,000	704,584
Rapid7 Inc., senior note, 144A, 1.25%, 8/01/23	United States	752,000	768,321
Rovi Corp., senior note, 0.50%, 3/01/20	United States	55,000	52,347
Servicenow Inc., senior note, zero cpn., 6/01/22	United States	590,000	855,155
Splunk Inc., senior note, 144A, 0.50%, 9/15/23	United States	684,000	687,254
Verint Systems Inc., senior note, 1.50%, 6/01/21	United States	70,000	69,570
			9,196,944
Technology Hardware, Storage & Peripherals 0.1%			
Electronics For Imaging Inc., senior note, 144A, 2.25%, 11/15/23	United States	402,000	409,729
Western Digital Corp., senior note, 144A, 1.50%, 2/01/24	United States	578,000	481,604
			891,333
Wireless Telecommunication Services 0.1%			
Boingo Wireless Inc., senior note, 144A, 1.00%, 10/01/23	United States	547,000	497,940
NII Holdings Inc., senior note, 144A, 4.25%, 8/15/23	United States	745,000	817,223
			1,315,163
			76,460,133
Total Convertible Bonds (Cost \$76,588,044)			
Corporate Bonds and Notes 12.9%			
Aerospace & Defense 0.0%†			
Leonardo US Holdings Inc., senior bond, 144A, 6.25%, 1/15/40	Italy	236,000	223,020
TransDigm UK Holdings PLC, senior note, 144A, 6.875%, 5/15/26	United States	215,000	212,850
			435,870
Automobiles 0.1%			
BMW US Capital LLC, senior note, 144A, FRN, 2.747%, (3-Month USD LIBOR + 0.41%), 4/12/21	Germany	465,000	462,599
General Motors Financial Co. Inc., senior note, FRN, 3.189%, (3-Month USD LIBOR + 0.85%), 4/09/21	United States	275,000	273,227
Nissan Motor Acceptance Corp., senior note, 144A, 3.65%, 9/21/21	United States	375,000	371,546
Toyota Motor Credit Corp., senior note, FRN, 2.726%, (3-Month USD LIBOR + 0.39%), 1/17/19	United States	40,000	40,013
			1,147,385
Banks 0.5%			
Banco Macro SA, senior note, 144A, 17.50%, 5/08/22	Argentina	1,740,000 ARS	30,436
Bank of America Corp., senior note, FRN, 3.379%, (3-Month USD LIBOR + 1.04%), 1/15/19	United States	20,000	20,018
Bank of America NA, senior note, FRN, 2.957%, (3-Month USD LIBOR + 0.25%), 8/28/20	United States	755,000	752,425
Citibank NA, senior note, 3.05%, 5/01/20	United States	435,000	432,878
HSBC Holdings PLC, senior note, FRN, 2.984%, (3-Month USD LIBOR + 0.65%), 9/11/21	United Kingdom	375,000	372,363

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds and Notes (continued)			
Banks (continued)			
ⁱ JPMorgan Chase & Co., senior note, FRN, 3.418%, (3-Month USD LIBOR + 0.68%), 6/01/21	United States	480,000	\$ 480,020
ⁱ JPMorgan Chase Bank NA, senior note, FRN, 2.968%, (3-Month USD LIBOR + 0.23%), 9/01/20	United States	755,000	752,767
Mitsubishi UFJ Financial Group Inc.,			
ⁱ senior note, FRN, 3.158%, (3-Month USD LIBOR + 0.65%), 7/26/21	Japan	380,000	380,727
senior note, 3.535%, 7/26/21	Japan	380,000	379,963
Qwest Capital Funding Inc., senior bond, 6.875%, 7/15/28	United States	260,000	227,453
^{d,i} Standard Chartered PLC, 144A, FRN,			
senior note, 3.558%, (3-Month USD LIBOR + 1.15%), 1/20/23	United Kingdom	200,000	198,713
senior note, 4.247%, (3-Month USD LIBOR + 1.15%), 1/20/23	United Kingdom	200,000	198,666
ⁱ US Bank NA, senior note, FRN, 3.009%, (3-Month USD LIBOR + 0.38%), 11/16/21	United States	380,000	379,592
^{h,j} VTB Capital SA, loan participation, sub. bond, Reg S, 6.95%, 10/17/22	Russia	486,000	474,021
Wells Fargo Bank NA, senior note, 3.625%, 10/22/21	United States	250,000	250,023
			5,330,065
Biotechnology 0.0%†			
ⁱ Gilead Sciences Inc., senior note, FRN, 2.558%, (3-Month USD LIBOR + 0.22%), 3/20/19	United States	430,000	430,083
Capital Markets 0.0%†			
ⁱ The Bank of New York Mellon, senior note, FRN, 3.036%, (3-Month USD LIBOR + 0.30%), 12/04/20	United States	385,000	384,796
Chemicals 0.0%†			
^e Hexion Inc. / Hexion Nova Scotia Finance ULC, secured note, 9.00%, 11/15/20	United States	1,019,000	489,120
Commercial Services & Supplies 1.8%			
^d GFL Environmental Inc., senior note, 144A, 5.625%, 5/01/22	Canada	676,000	637,130
^d Harland Clarke Holdings Corp., 144A,			
^b senior note, 9.25%, 3/01/21	United States	14,203,500	13,173,746
senior secured note, 8.375%, 8/15/22	United States	388,000	360,840
R.R. Donnelley & Sons Co.,			
senior bond, 8.875%, 4/15/21	United States	141,000	149,812
senior bond, 6.50%, 11/15/23	United States	2,789,000	2,761,110
senior bond, 6.00%, 4/01/24	United States	2,557,000	2,525,038
senior bond, 6.625%, 4/15/29	United States	201,000	188,940
senior note, 7.00%, 2/15/22	United States	1,497,000	1,504,485
			21,301,101
Construction & Engineering 0.0%†			
Great Lakes Dredge & Dock Corp., senior note, 8.00%, 5/15/22	United States	98,000	100,470
Consumer Finance 0.7%			
ⁱ American Express Co., senior note, FRN, 3.192%, (3-Month USD LIBOR + 0.60%), 11/05/21	United States	260,000	259,687
^d Everi Payments Inc., senior note, 144A, 7.50%, 12/15/25	United States	4,917,000	4,806,367
Navient Corp., senior note, 6.75%, 6/15/26	United States	2,656,000	2,410,320
			7,476,374

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds and Notes (continued)			
Diversified Financial Services 1.1%			
^{d,i} Banco Supervielle SA, senior note, 144A, FRN, 39.125%, (ARS Badlar + 4.50%), 8/09/20	Argentina	3,800,000 ARS \$	93,301
^d Financiera de Desarrollo Territorial SA Findeter, senior bond, 144A, 7.875%, 8/12/24	Colombia	795,000,000 COP	249,494
Hexion Inc., senior secured note, ^b 6.625%, 4/15/20	United States	1,844,000	1,530,520
^{d,e} 144A, 10.375%, 2/01/22	United States	487,000	407,862
^h MDC-GMTN BV, Reg S, 4.50%, 11/07/28	United Arab Emirates	261,000	263,121
^d One Call Corp., 144A, secured note, second lien, 10.00%, 10/01/24	United States	5,329,000	4,129,975
senior secured note, first lien, 7.50%, 7/01/24	United States	6,616,000	6,318,280
			12,992,553
Electric Utilities 0.3%			
^h 1MDB Energy Ltd., senior note, Reg S, 5.99%, 5/11/22	Malaysia	1,300,000	1,325,017
^d Enel SpA, sub. bond, 144A, 8.75% to 9/24/23, FRN thereafter, 9/24/73	Italy	545,000	573,613
^h Eskom Holdings SOC Ltd., Reg S, secured bond, 6.35%, 8/10/28	South Africa	200,000	189,900
senior bond, 5.75%, 1/26/21	South Africa	414,000	391,257
^{d,k} Vertiv Intermediate Holding Corp., senior note, 144A, PIK, 12.00%, 2/15/22	United States	918,000	884,722
			3,364,509
Equity Real Estate Investment Trusts (REITs) 0.3%			
^d AHP Health Partners Inc., senior note, 144A, 9.75%, 7/15/26	United States	3,432,000	3,440,580
Food & Staples Retailing 0.1%			
^{d,i} Alimentation Couche-Tard Inc., senior note, 144A, FRN, 2.834%, (3-Month USD LIBOR + 0.50%), 12/13/19	Canada	245,000	244,997
^d Chobani LLC / Chobani Finance Corp. Inc., senior note, 144A, 7.50%, 4/15/25	United States	699,000	575,801
Unilever Capital Corp., senior note, 3.00%, 3/07/22	United Kingdom	380,000	374,074
			1,194,872
Food Products 0.6%			
ⁱ Campbell Soup Co., senior note, FRN, 2.834%, (3-Month USD LIBOR + 0.50%), 3/16/20	United States	235,000	234,303
^d Dean Foods Co., senior note, 144A, 6.50%, 3/15/23	United States	8,074,000	7,105,120
^d Marb Bondco PLC, senior note, 144A, 6.875%, 1/19/25	Brazil	265,000	244,628
			7,584,051
Hotels, Restaurants & Leisure 1.1%			
^d The Enterprise Development Authority, senior note, 144A, 12.00%, 7/15/24	United States	1,224,000	1,175,040
^d Golden Nugget Inc., senior note, 144A, 8.75%, 10/01/25	United States	3,386,000	3,411,395
^d Mohegan Gaming & Entertainment, senior note, 144A, 7.875%, 10/15/24	United States	9,370,000	9,006,912
			13,593,347

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds and Notes (continued)			
Insurance 0.1%			
^{d,i} AIA Group Ltd., senior note, 144A, FRN, 2.858%, (3-Month USD LIBOR + 0.52%), 9/20/21	Hong Kong	200,000	\$ 200,285
^{d,i} New York Life Global Funding, secured note, 144A, FRN, 2.912%, (3-Month USD LIBOR + 0.32%), 8/06/21	United States	380,000	379,583
			<u>579,868</u>
Internet Software & Services 0.0%†			
^{d,e} GTT Communications Inc., senior note, 144A, 7.875%, 12/31/24	United States	80,000	73,800
^d Uber Technologies Inc., senior note, 144A, 7.50%, 11/01/23	United States	190,000	186,200
8.00%, 11/01/26	United States	185,000	181,763
			<u>441,763</u>
Machinery 0.1%			
Caterpillar Financial Services Corp., senior note, 3.15%, 9/07/21	United States	265,000	263,846
ⁱ FRN, 2.564%, (3-Month USD LIBOR + 0.23%), 3/15/21	United States	235,000	234,809
John Deere Capital Corp., senior note, 3.125%, 9/10/21	United States	750,000	745,732
			<u>1,244,387</u>
Media 3.4%			
^d American Media Inc., 144A, secured note, second lien, 5.50%, 9/01/21	United States	275,950	275,605
sub. note, zero cpn., 3/01/22	United States	20,963,513	19,862,929
Clear Channel Worldwide Holdings Inc., senior sub. note, 7.625%, 3/15/20	United States	1,095,000	1,097,737
The McClatchy Co., senior bond, 6.875%, 3/15/29	United States	4,095,000	5,221,125
^d senior secured note, 144A, 9.00%, 7/15/26	United States	8,132,000	8,274,310
^{d,k} Postmedia Network Inc., secured note, second lien, 144A, PIK, 10.25%, 7/15/23	Canada	5,015,722	5,899,743
			<u>40,631,449</u>
Multiline Retail 0.1%			
^{b,d,e} Neiman Marcus Group Ltd. LLC, senior note, 144A, 8.00%, 10/15/21	United States	2,317,000	1,146,915
Oil, Gas & Consumable Fuels 1.3%			
^{d,e} Bellatrix Exploration Ltd., senior note, 144A, 8.50%, 5/15/20	Canada	625,000	439,062
^d Bruin E&P Partners LLC, senior note, 144A, 8.875%, 8/01/23	United States	390,000	364,162
^{d,e} California Resources Corp., secured note, second lien, 144A, 8.00%, 12/15/22	United States	3,758,000	2,874,870
Callon Petroleum Co., senior note, 6.125%, 10/01/24	United States	85,000	82,450
Eclipse Resources Corp., senior note, 8.875%, 7/15/23	United States	195,000	191,100
^{h,i} EP PetroEcuador via Noble Sovereign Funding I Ltd., FRN, Reg S, 7.966%, (3-Month USD LIBOR + 5.63%), 9/24/19	Ecuador	169,895	170,319
^d Gran Tierra Energy International Holdings Ltd., senior note, 144A, 6.25%, 2/15/25	Canada	200,000	188,500
Halcon Resources Corp., senior note, 6.75%, 2/15/25	United States	645,000	498,262
^d Jagged Peak Energy LLC, senior note, 144A, 5.875%, 5/01/26	United States	185,000	176,212
^{b,d} Jones Energy Holdings LLC / Jones Energy Finance Corp., senior secured note, 144A, 9.25%, 3/15/23	United States	239,000	226,751
^d Lonestar Resources America Inc., senior note, 144A, 11.25%, 1/01/23	United States	95,000	96,900
^d MEG Energy Corp., senior bond, 144A, 6.375%, 1/30/23	Canada	110,000	102,988
^d Par Petroleum LLC / Petroleum Finance Corp., first lien, 144A, 7.75%, 12/15/25	United States	430,000	421,400

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Corporate Bonds and Notes (continued)			
Oil, Gas & Consumable Fuels (continued)			
Petrobras Global Finance BV,			
senior bond, 5.75%, 2/01/29	Brazil	270,000	\$ 247,860
senior bond, 5.625%, 5/20/43	Brazil	190,000	157,459
senior note, 6.125%, 1/17/22	Brazil	708,000	727,980
senior note, 4.375%, 5/20/23	Brazil	834,000	799,639
senior note, 6.25%, 3/17/24	Brazil	822,000	834,125
senior note, 5.999%, 1/27/28	Brazil	365,000	344,378
Petroleos Mexicanos,			
^h senior bond, Reg S, 6.50%, 1/23/29	Mexico	553,000	510,225
senior bond, 5.50%, 1/21/21	Mexico	499,000	498,002
senior note, 4.875%, 1/24/22	Mexico	712,000	690,996
senior note, 3.50%, 1/30/23	Mexico	535,000	483,319
senior note, 4.625%, 9/21/23	Mexico	619,000	576,295
Resolute Energy Corp., senior note, 8.50%, 5/01/20	United States	2,064,000	2,083,092
^e Sanchez Energy Corp., senior note, 7.75%, 6/15/21	United States	532,000	158,270
^d Transportadora de Gas del Sur SA, senior note, 144A, 6.75%, 5/02/25	Argentina	155,000	145,313
^d Vine Oil & Gas LP / Vine Oil & Gas Finance Corp., senior note, 144A,			
8.75%, 4/15/23	United States	415,000	349,638
9.75%, 4/15/23	United States	190,000	163,163
^d YPF Sociedad Anonima, 144A,			
senior bond, 6.95%, 7/21/27	Argentina	220,000	187,275
ⁱ senior note, FRN, 36.75%, (ARS Badlar + 4.00%), 7/07/20	Argentina	245,000	90,270
			14,880,275
Paper & Forest Products 1.2%			
Resolute Forest Products Inc., senior note, 5.875%, 5/15/23	United States	14,418,000	14,562,180
Pharmaceuticals 0.1%			
Pfizer Inc., senior note, 3.00%, 9/15/21	United States	755,000	753,847
Specialty Retail 0.0%†			
ⁱ The Home Depot Inc., senior note, FRN, 3.009%, (3-Month USD			
LIBOR + 0.31%), 3/01/22	United States	310,000	310,143
Total Corporate Bonds and Notes (Cost \$145,158,754)			153,816,003
Corporate Bonds and Notes in Reorganization 0.7%			
Electric Utilities 0.4%			
^l Bruce Mansfield Unit 1 2007 Pass-Through Trust, secured bond, 6.85%,			
6/01/34	United States	5,647,214	4,094,230
Media 0.3%			
^l Heartcommunications Inc., senior secured note, 11.25%, 3/01/21	United States	5,327,000	3,795,488
Oil, Gas & Consumable Fuels 0.0%†			
^{h,l} Petroleos de Venezuela SA, senior note, Reg S, 6.00%, 10/28/22	Venezuela	506,036	72,110
Total Corporate Bonds and Notes in Reorganization			
(Cost \$6,816,592)			7,961,828
Senior Floating Rate Interests 0.9%			
Aerospace & Defense 0.0%†			
TransDigm Group Inc.,			
4.84%, (1-Month USD LIBOR + 2.50%), 6/09/23	United States	202,348	198,339
4.84%, (1-Month USD LIBOR + 2.50%), 8/22/24	United States	24,689	24,100

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
i,m Senior Floating Rate Interests (continued)			
Aerospace & Defense (continued)			
TransDigm Group Inc., (continued)			
4.84%, (1-Month USD LIBOR + 2.50%), 5/30/25	United States	28,669	\$ 27,990
			<u>250,429</u>
Auto Components 0.0%†			
Tectum Holdings, Term Loan, 6.065%, (1-Month USD LIBOR + 3.75%), 4/22/24 ...	United States	215,276	212,518
Automobiles 0.0%†			
SAIC Motor Corp. Ltd., 4.09%, (1-Month USD LIBOR + 1.75%), 10/31/25	United States	160,000	159,180
Building Products 0.0%†			
Quickrete Holdings Inc., Term Loan, 5.09%, (1-Month USD LIBOR + 2.75%), 11/15/23	United States	274,219	269,322
Capital Markets 0.0%†			
BCP Raptor LLC, Term Loan B, 6.64%, (2-Month USD LIBOR + 4.25%), 6/24/24 ..	United States	193,375	187,139
Donnelley Financial Solutions Inc., Term Loan B, 5.222%, (1-Week USD LIBOR + 3.00%), 9/29/23	United States	35,321	35,189
			<u>222,328</u>
Chemicals 0.1%			
Axalta Coating Systems Dutch Holding BV, Term Loan B, 4.14%, (3-Month USD LIBOR + 1.75%), 6/01/24	United States	147,948	146,180
Consolidated Energy Ltd., Initial Term Loan, 4.818%, (1-Month USD LIBOR + 2.50%), 5/07/25	United States	254,363	251,183
Plaskolite Inc., Term Loan, first lien, 5.84%, (1-Month USD LIBOR + 3.50%), 11/03/22	United States	124,376	124,220
WR Grace & Co., Term Loan B-1, 4.14%, (3-Month USD LIBOR + 1.75%), 4/03/25	United States	149,734	149,173
			<u>670,756</u>
Commercial Services & Supplies 0.1%			
Camelot Finance LP, Term Loan, 5.59%, (1-Month USD LIBOR + 3.25%), 10/03/23	United States	126,145	124,931
GFL Environmental Inc., Term Loan, 5.386%, (3-Month USD LIBOR + 3.00%), 5/30/25	United States	88,950	86,893
7.00%, (3-Month USD LIBOR + 1.75%), 5/30/25	United States	11,077	10,821
Presidio LLC, Term Loan B, 5.09%, (1-Month USD LIBOR + 2.75%), 2/02/24	United States	1,685	1,672
5.146%, (3-Month USD LIBOR + 2.75%), 2/02/24	United States	136,772	135,780
			<u>360,097</u>
Communications Equipment 0.0%†			
Plantronics Inc., Initial Term Loan B, 4.84%, (1-Month USD LIBOR + 2.50%), 7/02/25	United States	212,392	209,472
Construction & Engineering 0.0%†			
Engility Corp., Term Loan B, 5.09%, (1-Month USD LIBOR + 2.75%), 8/14/23	United States	79,159	79,208
Construction Materials 0.0%†			
ABC Supply, Term Loan B, 4.34%, (1-Month USD LIBOR + 2.00%), 10/31/23	United States	213,914	208,566
ⁿ Summit Materials LLC, 4.345%, (1-Month USD LIBOR + 2.00%), 11/21/24	United States	80,000	78,550
			<u>287,116</u>

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Senior Floating Rate Interests (continued)			
Diversified Financial Services 0.2%			
The AES Corp., Term Loan, 4.456%, (3-Month USD LIBOR + 1.75%), 5/31/22	United States	288,967	\$ 288,832
B.C. Unlimited Liability Co., Term Loan B-3, 4.59%, (1-Month USD LIBOR + 2.25%), 2/16/24	United States	275,791	270,160
BBB Industries US Holdings Inc., 6.814%, (1-Month USD LIBOR + 4.50%), 8/01/25	United States	150,000	148,875
Diversey Inc.,			
5.391%, (2-Month USD LIBOR + 3.00%), 9/06/24	United States	479	467
5.527%, (3-Month USD LIBOR + 3.00%), 9/06/24	United States	189,521	184,783
ⁿ Grizzly Short Fund, 5.646%, (3-Month USD LIBOR + 3.25%), 10/01/25	United States	80,000	79,350
USI Inc., Term Loan, 5.39%, (3-Month USD LIBOR + 3.00%), 5/16/24	United States	243,244	237,832
Ziggo BV, Term Loan E, 4.807%, (1-Month USD LIBOR + 2.50%), 4/15/25	United States	343,079	340,475
			1,550,774
Diversified Telecommunication Services 0.0%†			
Sprint Communications Inc., Term Loan B, 4.88%, (1-Month USD LIBOR + 2.50%), 2/02/24	United States	221,626	218,948
Electrical Equipment 0.0%†			
Graftech International Ltd., Initial Term Loan, 5.84%, (1-Month USD LIBOR + 3.50%), 2/12/25	United States	163,363	161,521
Electronic Equipment, Instruments & Components 0.0%†			
Dell International LLC, Term Loan A-2, 4.10%, (1-Month USD LIBOR + 1.75%), 9/07/21	United States	209,000	207,672
Energy Equipment & Services 0.0%†			
U.S. Silica Holdings Inc., Term Loan, 6.38%, (1-Month USD LIBOR + 4.00%), 5/01/25	United States	218,900	194,775
Equity Real Estate Investment Trusts (REITs) 0.0%†			
Iron Mountain Inc., Term Loan B, 4.09%, (1-Month USD LIBOR + 1.75%), 1/02/26	United States	218,900	215,250
Food & Staples Retailing 0.0%†			
ⁿ ARAMARK Services Inc., Term Loan B-3, 4.09%, (1-Month USD LIBOR + 1.75%), 3/11/25	United States	149,226	148,433
Food Products 0.1%			
JBS USA LLC / Finance Inc., Initial Term Loan,			
4.84%, (3-Month USD LIBOR + 2.50%), 10/30/22	United States	240,686	238,336
4.89%, (3-Month USD LIBOR + 2.50%), 10/30/22	United States	41,979	41,569
Post Holdings Inc., Term Loan B, 4.32%, (1-Month USD LIBOR + 2.00%), 5/24/24	United States	137,246	136,817
			416,722
Health Care Providers & Services 0.0%†			
Universal Health Services Inc., 4.09%, (1-Month USD LIBOR + 1.75%), 10/31/25 . .	United States	45,000	44,990
Health Care Technology 0.0%†			
Quintiles IMS Inc., Term Loan B-2, 4.39%, (3-Month USD LIBOR + 2.00%), 1/17/25	United States	79,200	78,631
Hotels, Restaurants & Leisure 0.0%†			
Wyndham Hotels, 4.09%, (1-Month USD LIBOR + 1.75%), 5/30/25	United States	65,000	64,441

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
i,m Senior Floating Rate Interests (continued)			
Independent Power & Renewable Electricity Producers 0.0%†			
Vistra Energy Corp., Term Loan B-3, 4.303%, (1-Month USD LIBOR + 2.00%), 12/31/25	United States	148,202	\$ 146,395
4.34%, (1-Month USD LIBOR + 2.00%), 12/31/25	United States	53,834	53,178
			199,573
Insurance 0.0%†			
Hyperion Insurance Group Ltd., Initial Term Loan, 5.88%, (1-Month USD LIBOR + 3.50%), 12/20/24	United Kingdom	37,033	36,922
Internet & Direct Marketing Retail 0.0%†			
BWay, Initial Term Loan, 5.658%, (3-Month USD LIBOR + 3.25%), 4/03/24	United States	237,000	231,174
Internet Software & Services 0.0%†			
GTT Communications Inc., 5.09%, (1-Month USD LIBOR + 2.75%), 5/31/25	United States	168	163
Rackspace Hosting Inc., Term Loan B, first lien, 5.418%, (2-Month USD LIBOR + 3.00%), 11/03/23	United States	191	173
5.582%, (3-Month USD LIBOR + 3.00%), 11/03/23	United States	42,778	38,821
Uber Technologies Inc., Term Loan, 5.807%, (1-Month USD LIBOR + 3.50%), 7/13/23	United States	294,296	290,342
			329,499
IT Services 0.1%			
First Data Corp., Term Loan B, 4.315%, (1-Month USD LIBOR + 2.00%), 7/08/22	United States	220,543	217,272
Global Payments Inc., Term Loan B, 4.086%, (1-Month USD LIBOR + 1.75%), 10/17/25	United States	95,000	94,109
Micro Focus, Term Loan B, 4.84%, (1-Month USD LIBOR + 2.50%), 6/21/24	United States	189,663	186,396
Neustar Inc., Term Loan B-4, first lien, 5.84%, (1-Month USD LIBOR + 3.50%), 8/08/24	United States	108,900	107,777
Sedgwick CMS Holdings Inc., Initial Term Loan, first lien, 5.09%, (1-Month USD LIBOR + 2.75%), 3/01/21	United States	243,727	242,991
			848,545
Life Sciences Tools & Services 0.0%†			
Iqvia Holdings Inc., Term Loan B, 4.14%, (3-Month USD LIBOR + 1.75%), 6/11/25	United States	204,488	202,826
Machinery 0.0%†			
Altra Industrial Motion Corp., Term Loan B, 4.34%, (1-Month USD LIBOR + 2.00%), 10/01/25	United States	45,000	44,733
North American Lifting Holdings Inc., Initial Term Loan, 6.89%, (3-Month USD LIBOR + 4.50%), 11/27/20	United States	15,257	14,399
			59,132
Media 0.1%			
Cablevision SA, Term Loan B, 4.557%, (1-Month USD LIBOR + 2.25%), 7/17/25	United States	242,278	238,553
CBS Radio Inc., Term Loan B, 5.065%, (1-Month USD LIBOR + 2.75%), 11/18/24	United States	218,892	216,703
Lamar Media Corp., Term Loan B, 4.125%, (1-Month USD LIBOR + 1.75%), 3/14/25	United States	39,800	39,676
UPC Financing Partnership, Term Loan, 4.807%, (1-Month USD LIBOR + 2.50%), 1/15/26	United States	96,442	95,417
			590,349

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Senior Floating Rate Interests (continued)			
Oil, Gas & Consumable Fuels 0.0%†			
California Resources Corp., Initial Term Loan, 7.065%, (1-Month USD LIBOR + 4.75%), 12/31/22	United States	123,000	\$ 123,615
Gavilan Resources LLC, Initial Term Loan, second lien, 8.306%, (1-Month USD LIBOR + 6.00%), 3/01/24	United States	200,000	170,500
			<u>294,115</u>
Personal Products 0.0%†			
Coty Inc., Term Loan B, 4.567%, (1-Month USD LIBOR + 2.25%), 4/07/25	United States	219,450	206,557
Pharmaceuticals 0.0%†			
Valeant Bausch, Term Loan B, 4.972%, (1-Week USD LIBOR + 2.75%), 11/27/25	United States	120,000	118,425
Professional Services 0.0%†			
On Assignment Inc., Term Loan B-2, 4.34%, (1-Month USD LIBOR + 2.00%), 4/02/25	United States	43,084	42,788
Trans Union LLC, Term Loan B-4, 4.34%, (1-Month USD LIBOR + 2.00%), 6/19/25	United States	54,863	54,314
			<u>97,102</u>
Semiconductors & Semiconductor Equipment 0.0%†			
Microchip Technology Inc., Term Loan B, 4.35%, (1-Month USD LIBOR + 2.00%), 5/29/25	United States	99,477	99,303
Software 0.1%			
Change Healthcare Holdings Inc., Term Loan, 5.09%, (1-Month USD LIBOR + 2.75%), 3/01/24	United States	154,225	152,545
SS&C Technologies Inc., Term Loan B-3, 4.59%, (1-Month USD LIBOR + 2.25%), 4/16/25	United States	73,189	71,629
Term Loan B-5, 4.55%, (1-Month USD LIBOR + 2.25%), 4/16/25	United States	136,175	133,269
			<u>357,443</u>
Specialty Retail 0.0%†			
Harbor Freight Tools USA Inc., Initial Term Loan, 4.84%, (1-Month USD LIBOR + 2.50%), 8/18/23	United States	114,938	111,513
Textiles, Apparel & Luxury Goods 0.0%†			
Hanesbrands Inc., Term Loan B, 4.09%, (1-Month USD LIBOR + 1.75%), 12/16/24	United States	84,363	84,561
Trading Companies & Distributors 0.0%†			
Reece Ltd., Term Loan B, 4.40%, (3-Month USD LIBOR + 2.00%), 7/02/25	United States	211,731	209,614
United Rentals Inc., Term Loan, 4.09%, (1-Month USD LIBOR + 1.75%), 10/31/25	United States	110,000	109,691
			<u>319,305</u>
Wireless Telecommunication Services 0.1%			
Telenet Financing USD LLC, Term Loan B, 4.557%, (1-Month USD LIBOR + 2.25%), 8/15/26	United States	128,182	126,286
Unitymedia Hessen GmbH & Co. KG, Term Loan, 4.307%, (1-Month USD LIBOR + 2.00%), 6/01/23	United States	80,000	79,350
4.557%, (1-Month USD LIBOR + 2.25%), 9/30/25	United States	301,134	298,852
Virgin Media Talk, Term Loan I, 4.807%, (1-Month USD LIBOR + 2.50%), 1/15/26	United States	230,000	227,502
			<u>731,990</u>
Total Senior Floating Rate Interests (Cost \$11,111,914)			<u>10,940,917</u>
Foreign Government and Agency Securities 2.1%			
^h Government of Angola, senior bond, Reg S, 9.375%, 5/08/48	Angola	200,000	194,270

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Foreign Government and Agency Securities (continued)			
Government of Argentina,			
3.75%, 2/08/19	Argentina	7,259,000 ARS \$	256,899
2.26% to 3/31/19, 4.74% thereafter, 12/31/38	Argentina	1,644,071 EUR	1,028,372
ⁱ senior note, FRN, 64.951%, (ARLLMONP), 6/21/20	Argentina	10,866,182 ARS	312,526
^h senior note, Reg S, 3.875%, 1/15/22	Argentina	1,171,000 EUR	1,175,640
senior note, 5.625%, 1/26/22	Argentina	1,546,000	1,373,234
senior note, 4.625%, 1/11/23	Argentina	719,000	602,252
^h Government of Bahrain, senior bond, Reg S,			
7.00%, 1/26/26	Bahrain	467,000	472,557
7.50%, 9/20/47	Bahrain	400,000	375,000
Government of Brazil, senior bond, 4.875%, 1/22/21	Brazil	640,000	653,760
^h Government of Ecuador, senior note, Reg S, 10.75%, 3/28/22	Ecuador	316,000	327,613
^h Government of Hellenic Republic, senior bond, Reg S, 3.90%, 1/30/33	Greece	436,877 EUR	449,448
^h Government of Nigeria, senior note, Reg S, 7.625%, 11/21/25	Nigeria	363,000	350,466
^h Government of Paraguay, senior note, Reg S, 4.625%, 1/25/23	Paraguay	945,000	942,992
^h Government of Russia, Reg S,			
senior bond, 5.25%, 6/23/47	Russia	2,800,000	2,562,896
senior note, 5.00%, 4/29/20	Russia	400,000	406,370
senior note, 4.50%, 4/04/22	Russia	400,000	402,720
^h Government of Saudi Arabia, Reg S, 2.375%, 10/26/21	Saudi Arabia	800,000	770,200
Government of South Africa,			
5.50%, 3/09/20	South Africa	746,000	755,355
8.75%, 1/31/44	South Africa	24,725,000 ZAR	1,599,318
8.75%, 2/28/48	South Africa	38,614,644 ZAR	2,495,132
R186, 10.50%, 12/21/26	South Africa	53,482,978 ZAR	4,192,579
Government of Turkey, senior bond,			
7.00%, 6/05/20	Turkey	1,124,000	1,133,972
5.625%, 3/30/21	Turkey	203,000	198,607
^h National Highways Authority of India, senior note, Reg S, 7.30%, 5/18/22	India	50,000,000 INR	678,377
Provincia de Buenos Aires,			
ⁱ FRN, 54.086%, (ARS Badlar + 3.83%), 5/31/22	Argentina	18,295,000 ARS	439,975
^h ⁱ FRN, Reg S, 54.256%, (ARS Badlar + 3.75%), 4/12/25	Argentina	3,670,000 ARS	87,235
^d senior note, 144A, 6.50%, 2/15/23	Argentina	185,000	155,992
^h ZAR Sovereign Capital Fund Property Ltd., senior note, Reg S,			
3.903%, 6/24/20	South Africa	573,000	568,326
Total Foreign Government and Agency Securities (Cost \$27,807,824)			24,962,083
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	578,531	557,414
Banks 0.0%†			
^d ^o Banco Hipotecario SA, senior note, 144A, FRN,			
36.333%, (ARS Badlar + 2.50%), 1/12/20	Argentina	3,890,000 ARS	98,224
54.625%, (ARS Badlar + 4.00%), 11/07/22	Argentina	3,160,000 ARS	77,619
			175,843
Consumer Finance 0.1%			
^o American Express Credit Account Master Trust, 2017-8, A, FRN, 2.40%, (1-Month USD LIBOR + 0.12%), 5/16/22	United States	210,000	209,951

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Asset-Backed Securities and Commercial Mortgage-Backed Securities (continued)			
Consumer Finance (continued)			
◦ Bank of America Credit Card Trust, 2014-A1, A, FRN, 2.66%, (1-Month USD LIBOR + 0.38%), 6/15/21	United States	100,000	\$ 100,022
◦ Chase Issuance Trust, 2014-A5, A5, FRN, 2.65%, (1-Month USD LIBOR + 0.37%), 4/15/21	United States	120,000	120,116
◦ Citibank Credit Card Issuance Trust, 2017-A8, A8, 1.86%, 8/08/22	United States	425,000	416,150
◦ Discover Card Execution Note Trust, 2018-A3, A3, FRN, 2.51%, (1-Month USD LIBOR + 0.23%), 12/15/23	United States	345,000	345,495
			1,191,734
Diversified Financial Services 1.3%			
◦ Accelerated Assets LLC, 2018-1, B, 144A, 4.51%, 12/02/33	United States	92,582	92,458
◦ Adams Outdoor Advertising LP, 2018-1, A, 144A, 4.81%, 11/15/48	United States	190,000	191,507
◦ AIM Aviation Finance Ltd., 2015-1A, B1, 144A, 5.072%, 2/15/40	Cayman Islands	227,224	225,345
◦ Ally Auto Receivables Trust, 2016-3, A3, 1.44%, 8/17/20	United States	51,195	51,000
◦ AmeriCredit Automobile Receivables Trust, 2017-3, A2B, FRN, 2.493%, (1-Month USD LIBOR + 0.24%), 12/18/20	United States	349,371	349,452
◦ 2018-2, D, 4.01%, 7/18/24	United States	155,000	154,883
◦ 2018-3, A2B, FRN, 2.495%, (1-Month USD LIBOR + 0.25%), 1/18/22	United States	230,000	230,040
◦ 2018-3, D, 4.04%, 11/18/24	United States	205,000	205,349
◦ Ascentium Equipment Receivables Trust, 2017-2A, C, 144A, 2.87%, 8/10/22	United States	25,000	24,555
◦ Bayview Opportunity Master Fund IIB Trust, 2018-RN5, A1, 144A, 3.82%, 4/28/33	United States	43,438	43,448
◦ Bayview Opportunity Master Fund IIIA Trust, 2017-RN8, A1, 144A, 3.352%, 11/28/32	United States	33,401	33,310
◦ Bayview Opportunity Master Fund IV Trust, 2018-RN2, A1, 144A, 3.598%, 2/25/33	United States	43,906	43,625
◦ Bayview Opportunity Master Fund IVB Trust, 2018-RN9, A1, 144A, 4.213%, 10/29/33	United States	130,529	130,529
◦ Blackbird Capital Aircraft Lease Securitization Ltd., 2016-1A, A, 144A, 4.213%, 12/16/41	United States	225,781	228,580
◦ California Republic Auto Receivables Trust, 2018-1, D, 4.33%, 4/15/25	United States	115,000	115,035
◦ Carmax Auto Owner Trust, 2017-4, A2B, FRN, 2.41%, (1-Month USD LIBOR + 0.13%), 4/15/21	United States	147,794	147,776
◦ 2018-2, D, 3.99%, 4/15/25	United States	100,000	99,929
◦ 2018-4, D, 4.15%, 4/15/25	United States	60,000	60,416
◦ Chesapeake Funding II LLC, 144A, 2017-4A, A2, FRN, 2.62%, (1-Month USD LIBOR + 0.34%), 11/15/29	United States	155,814	156,113
◦ 2018-1A, D, 3.92%, 4/15/30	United States	115,000	114,415
◦ Cig Auto Receivables Trust, 2017-1A, A, 144A, 2.71%, 5/15/23	United States	21,901	21,757
◦ Club Credit Trust, 2017-P1, A, 144A, 2.42%, 9/15/23	United States	20,646	20,594
◦ Coinstar Funding LLC, 2017-1A, A2, 144A, 5.216%, 4/25/47	United States	241,325	243,286
◦ Colony Starwood Homes Trust, 2016-2A, E, 144A, FRN, 5.63%, (1-Month USD LIBOR + 3.35%), 12/17/33	United States	84,981	85,596
◦ CPS Auto Receivables Trust, 144A, 2014-B, D, 4.62%, 5/15/20	United States	110,000	110,499
◦ 2018-D, C, 3.83%, 9/15/23	United States	100,000	100,340
◦ CSMC Trust, 2018-RPL2, A1, 144A, 4.03%, 8/25/62	United States	227,440	226,810
◦ Drive Auto Receivables Trust, 2018-1, D, 3.81%, 5/15/24	United States	220,000	219,399
◦ 2018-5, A2B, FRN, 2.407%, (1-Month USD LIBOR + 0.32%), 7/15/21	United States	305,000	304,561

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Asset-Backed Securities and Commercial Mortgage-Backed Securities (continued)			
Diversified Financial Services (continued)			
Drive Auto Receivables Trust, (continued)			
2018-5, D, 4.30%, 4/15/26	United States	125,000	\$ 125,590
◦ Driven Brands Funding LLC, 2018-1A, A2, 144A, 4.739%, 4/20/48	United States	59,700	59,873
◦ DT Auto Owner Trust, 144A,			
2016-1A, D, 4.66%, 12/15/22	United States	180,000	181,193
2016-2A, D, 5.43%, 11/15/22	United States	240,000	242,739
2018-2A, D, 4.15%, 3/15/24	United States	90,000	90,166
2018-3A, C, 3.79%, 7/15/24	United States	120,000	120,494
◦ Fifth Third Auto Trust, 2017-1, A2B, FRN, 2.43%, (1-Month USD LIBOR + 0.15%), 4/15/20			
	United States	28,105	28,108
◦ First Investors Auto Owner Trust, 2016-1A, D, 144A, 4.70%, 4/18/22			
United States		110,000	111,572
◦ Five Guys Funding LLC, 2017-1A, A2, 144A, 4.60%, 7/25/47			
	United States	129,025	129,314
Ford Credit Auto Owner Trust,			
◦ 2014-2, A, 144A, 2.31%, 4/15/26	United States	100,000	99,270
◦ 2017-C, A2B, FRN, 2.427%, (1-Month USD LIBOR + 0.12%), 9/15/20	United States	203,380	203,667
◦ GCAT LLC, 144A,			
2017-2, A1, 3.50%, 4/25/47	United States	47,123	46,800
2018-1, A1, 3.844%, 6/25/48	United States	75,424	75,173
2018-2, A1, 4.09%, 6/26/23	United States	132,787	132,863
◦ GLS Auto Receivables Trust, 2018-3A, B, 144A, 3.78%, 8/15/23			
	United States	70,000	70,106
◦ Gosforth Funding PLC, 2018-1A, A1, 144A, FRN, 3.139%, (3-Month USD LIBOR + 0.45%), 8/25/60			
	United Kingdom	194,411	194,653
◦ Hertz Vehicle Financing II LP, 2017-2A, A, 144A, 3.29%, 10/25/23			
	United States	100,000	97,566
◦ Home Partners of America Trust, 144A, FRN,			
2016-2, E, 6.07%, (1-Month USD LIBOR + 3.78%), 10/17/33	United States	100,000	100,459
2016-2, F, 6.99%, (1-Month USD LIBOR + 4.70%), 10/17/33	United States	100,000	100,382
Honda Auto Receivables Owner Trust, 2017-3, A3, 1.79%, 9/20/21			
	United States	115,000	113,353
◦ Horizon Aircraft Finance I Ltd., 2018-1, A, 144A, 4.458%, 12/15/38			
	United States	265,000	266,186
◦ Invitation Homes Trust, 144A, FRN,			
2018-SFR1, E, 4.158%, (1-Month USD LIBOR + 2.00%), 3/17/37	United States	100,000	100,359
2018-SFR2, E, 4.28%, (1-Month USD LIBOR + 2.00%), 6/17/37	United States	200,000	200,941
◦ Merlin Aviation Holdings DAC, 2016-1, A, 144A, 4.50%, 12/15/32			
	United States	155,396	156,908
◦ Navistar Financial Dealer Note Master Owner Trust II, 2018-1, A, 144A, FRN,			
2.945%, (1-Month USD LIBOR + 0.63%), 9/25/23	United States	60,000	60,003
◦ NextGear Floorplan Master Owner Trust, 144A, FRN,			
2017-1A, A1, 3.157%, (1-Month USD LIBOR + 0.85%), 4/18/22	United States	240,000	241,491
2017-2A, A1, 2.96%, (1-Month USD LIBOR + 0.68%), 10/17/22	United States	220,000	220,798
2018-1A, A1, 2.92%, (1-Month USD LIBOR + 0.64%), 2/15/23	United States	200,000	200,365
◦ Nissan Auto Lease Trust, 2017-B, A2B, FRN, 2.49%, (1-Month USD LIBOR + 0.21%), 12/16/19			
	United States	197,047	197,007
Nissan Auto Receivables Owner Trust,			
2016-C, A3, 1.18%, 1/15/21	United States	55,366	54,823
◦ 2017-C, A2B, FRN, 2.35%, (1-Month USD LIBOR + 0.07%), 10/15/20	United States	272,411	272,321
2018-A, A3, 2.65%, 5/16/22	United States	250,000	248,496
◦ OneMain Financial Issuance Trust, 144A,			
2015-1A, A, 3.19%, 3/18/26	United States	38,108	38,169
2015-2A, D, 5.64%, 7/18/25	United States	285,000	286,977
2015-3A, B, 4.16%, 11/20/28	United States	155,000	156,287
2016-2A, B, 5.94%, 3/20/28	United States	335,000	340,698
◦ Planet Fitness Master Issuer LLC, 2018-1A, A2I, 144A, 4.262%, 9/05/48			
	United States	170,000	170,455

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Asset-Backed Securities and Commercial Mortgage-Backed Securities (continued)			
Diversified Financial Services (continued)			
◦RMAT LP, 2018-NPL1, A1, 144A, 4.09%, 5/25/48	United States	128,527	\$ 128,077
Santander Drive Auto Receivables Trust,			
2018-2, D, 3.88%, 2/15/24	United States	275,000	274,888
2018-3, D, 4.07%, 8/15/24	United States	210,000	210,494
◦2018-5, A2B, FRN, 2.483%, (1-Month USD LIBOR + 0.23%), 7/15/21	United States	275,000	275,227
2018-5, C, 3.81%, 12/16/24	United States	150,000	150,535
◦SCF Equipment Leasing 2018-1 LLC, 2018-1A, C, 144A, 4.21%, 4/20/27	United States	255,000	255,956
◦Shenton Aircraft Investment I Ltd., 2015-1A, A, 144A, 4.75%, 10/15/42	United States	112,223	113,468
◦S-Jets Ltd., 2017-1, A, 144A, 3.967%, 8/15/42	Bermuda	261,250	259,746
◦SLM Private Credit Student Loan Trust, FRN,			
2003-A, A3, 4.77%, (28-Day T-Bill), 6/15/32	United States	65,000	65,028
2003-B, A3, 4.75%, (28-Day T-Bill), 3/15/33	United States	300,000	300,461
2003-B, A4, 4.77%, (28-Day T-Bill), 3/15/33	United States	50,000	49,833
◦◦SMB Private Education Loan Trust, 2017-B, A2B, 144A, FRN, 3.03%, (1-Month USD LIBOR + 0.75%), 10/15/35	United States	100,000	100,109
◦Sofi Consumer Loan Program Trust, 2018-2, A2, 144A, 3.35%, 4/26/27	United States	155,000	153,910
◦Sofi Professional Loan Program LLC, 2016-A, B, 144A, 3.57%, 1/26/38	United States	103,708	101,228
◦Sprite Ltd., 2017-1, B, 144A, 5.75%, 12/15/37	Cayman Islands	233,753	233,469
◦Stanwich Mortgage Loan Trust, 2018-NPB1, A1, 144A, 4.016%, 5/16/23	United States	220,521	219,455
◦◦Starwood Retail Property Trust, 2014-STAR, E, 144A, FRN, 6.43%, (1-Month USD LIBOR + 4.15%), 11/15/27	United States	200,000	184,940
◦TAL Advantage V LLC, 2013-2A, A, 144A, 3.55%, 11/20/38	United States	50,000	49,428
◦Thunderbolt Aircraft Lease Ltd., 2017-A, B, 144A, 5.75%, 5/17/32	United States	209,620	215,771
Toyota Auto Receivables Owner Trust,			
2016-C, A3, 1.14%, 8/17/20	United States	32,695	32,471
◦2017-D, A2B, FRN, 2.33%, (1-Month USD LIBOR + 0.05%), 8/17/20	United States	273,259	273,241
◦◦Verizon Owner Trust, 144A, FRN,			
2017-3A, A1B, 2.571%, (1-Month USD LIBOR + 0.27%), 4/20/22	United States	295,000	295,403
2018-1A, A1B, 2.561%, (1-Month USD LIBOR + 0.26%), 9/20/22	United States	175,000	175,033
◦Veros Automobile Receivables Trust, 2017-1, A, 144A, 2.84%, 4/17/23	United States	35,729	35,620
◦VOLT LXI LLC, 2017-NPL8, A1, 144A, 3.125%, 6/25/47	United States	47,223	46,930
◦VOLT LXIII LLC, 2018-NPL4, A1A, 144A, 4.336%, 7/27/48	United States	100,024	100,167
◦VOLT LXX LLC, 2018-NPL6, A1A, 144A, 4.115%, 9/25/48	United States	109,158	109,117
◦VOLT LXXII LLC, 2018-NPL8, A1A, 144A, 4.213%, 10/26/48	United States	534,315	535,898
◦Westlake Automobile Receivables Trust, 144A,			
2018-1A, D, 3.41%, 5/15/23	United States	60,000	59,220
2018-2A, D, 4.00%, 1/16/24	United States	50,000	50,184
◦2018-3A, A2B, FRN, 2.63%, (1-Month USD LIBOR + 0.35%), 1/18/22	United States	315,000	315,121
			14,936,660
Equity Real Estate Investment Trusts (REITs) 0.1%			
◦American Homes 4 Rent, 144A,			
2014-SFR2, E, 6.231%, 10/17/36	United States	250,000	270,886
2014-SFR3, E, 6.418%, 12/17/36	United States	100,000	109,541
2015-SFR1, E, 5.639%, 4/17/52	United States	210,000	220,844
◦Colony American Finance Ltd., 2015-1, D, 144A, 5.649%, 10/15/47	United States	115,000	116,143
◦Diamond Resorts Owner Trust, 144A,			
2017-1A, C, 6.07%, 10/22/29	United States	53,427	53,806
2018-1, C, 4.53%, 1/21/31	United States	153,649	153,348

Franklin K2 Alternative Strategies Fund (continued)

	Country	Principal Amount*	Value
Asset-Backed Securities and Commercial Mortgage-Backed Securities (continued)			
Equity Real Estate Investment Trusts (REITs) (continued)			
^d Oak Hill Advisors Residential Loan Trust, 2017-NPL2, A1, 144A, 3.00%, 7/25/57	United States	144,467	\$ 142,098
			1,066,666
Mortgage Real Estate Investment Trusts (REITs) 0.6%			
^d Ajax Mortgage Loan Trust, 2016-C, A, 144A, 4.00%, 10/25/57	United States	108,840	108,937
^p 2017-B, A, 144A, FRN, 3.163%, 9/25/56	United States	121,633	119,424
^o American Home Mortgage Investment Trust, 2006-1, 11A1, FRN, 2.561%, (1-Month USD LIBOR + 0.28%), 3/25/46	United States	265,811	253,215
^p ARM Trust, 2005-1, 3A1, FRN, 4.192%, 5/25/35	United States	80,704	81,482
Banc of America Alternative Loan Trust, 2003-8, 1CB1, 5.50%, 10/25/33	United States	7,512	7,648
Banc of America Funding Trust, 2005-5, 1A1, 5.50%, 9/25/35	United States	11,123	11,825
2007-4, 5A1, 5.50%, 11/25/34	United States	113,403	112,703
^p Banc of America Mortgage Trust, FRN, 2005-A, 2A1, 3.686%, 2/25/35	United States	7,409	7,376
2005-I, 4A1, 4.099%, 10/25/35	United States	90,259	87,641
BCAP LLC Trust, 2007-AA2, 22A1, 6.00%, 3/25/22	United States	81,044	80,538
^{d,p} CCRESG Commercial Mortgage Trust, 2016-HEAT, D, 144A, FRN, 5.671%, 4/10/29	United States	100,000	102,140
Citigroup Mortgage Loan Trust, ^p 2005-3, 2A3, FRN, 4.518%, 8/25/35	United States	53,911	53,429
^{d,p} 2009-10, 6A2, 144A, FRN, 4.75%, 9/25/34	United States	37,612	37,268
^{d,p} 2018-A, A1, 144A, FRN, 4.00%, 1/25/68	United States	99,016	98,732
^d 2018-C, A1, 144A, 4.125%, 3/25/59	United States	164,523	165,243
^{d,o} Communication Mortgage Trust, 2016-SAVA, C, 144A, FRN, 5.28%, (1-Month USD LIBOR + 3.00%), 10/15/34	United States	155,000	155,178
Countrywide Alternative Loan Trust, 2003-22CB, 1A1, 5.75%, 12/25/33	United States	50,186	51,060
2004-16CB, 1A1, 5.50%, 7/25/34	United States	32,346	33,261
2004-16CB, 3A1, 5.50%, 8/25/34	United States	34,977	35,902
2004-28CB, 5A1, 5.75%, 1/25/35	United States	6,289	6,277
2004-J3, 1A1, 5.50%, 4/25/34	United States	32,044	32,504
2005-J1, 2A1, 5.50%, 2/25/25	United States	5,750	5,854
2004-J10, 2CB1, 6.00%, 9/25/34	United States	91,988	95,236
^p Countrywide Home Loans Mortgage Pass-Through Trust, FRN, 2004-12, 8A1, 4.441%, 8/25/34	United States	7,610	7,509
2004-HYB4, 2A1, 4.172%, 9/20/34	United States	72,018	70,042
Credit Suisse First Boston Mortgage Securities Corp., 2003-27, 4A4, 5.75%, 11/25/33	United States	20,035	20,466
^p 2003-AR26, 7A1, FRN, 4.342%, 11/25/33	United States	6,837	6,889
^p 2003-AR28, 4A1, FRN, 4.582%, 12/25/33	United States	3,594	3,641
^d CSMC OA LLC, 2014-USA, E, 144A, 4.373%, 9/15/37	United States	300,000	271,052
^o Deutsche Mortgage Securities Inc. Mortgage Loan Trust, 2004-4, 7AR1, FRN, 2.665%, (1-Month USD LIBOR + 0.35%), 6/25/34	United States	67,376	65,778
^o DSLA Mortgage Loan Trust, 2005-AR5, 2A1A, FRN, 2.612%, (1-Month USD LIBOR + 0.33%), 9/19/45	United States	49,011	40,436
^{h,o} Dukinfield II PLC, 2016-2, A, FRN, Reg S, 1.879%, (3-Month GBP LIBOR + 1.25%), 12/20/52	United Kingdom	185,886 GBP	238,317

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)			
^{h,ο} Eurosail-UK PLC, 2007-2X, A3C, FRN, Reg S, 0.95%, (3-Month GBP LIBOR + 0.15%), 3/13/45	United Kingdom	52,445 GBP\$	65,054
^ο FHLMC Structured Agency Credit Risk Debt Notes, FRN, 2015-DNA1, M2, 4.165%, (1-Month USD LIBOR + 1.85%), 10/25/27	United States	206,894	209,873
2015-DNA1, M3, 5.615%, (1-Month USD LIBOR + 3.30%), 10/25/27	United States	250,000	274,900
^ρ GMACM Mortgage Loan Trust, FRN, 2005-AR1, 3A, 4.053%, 3/18/35	United States	85,169	86,000
2005-AR4, 3A1, 4.295%, 7/19/35	United States	108,715	106,145
^ρ GS Mortgage Securities Trust, FRN, 2007-GG10, AM, 5.973%, 8/10/45	United States	17,844	18,174
^δ 2011-GC5, D, 144A, 5.558%, 8/10/44	United States	195,000	190,691
GSR Mortgage Loan Trust, 2005-4F, 6A1, 6.50%, 2/25/35	United States	10,649	10,709
^ρ 2005-AR6, 4A5, FRN, 4.437%, 9/25/35	United States	78,936	79,813
^ο Harborview Mortgage Loan Trust, FRN, 2003-2, 1A, 3.022%, (1-Month USD LIBOR + 0.74%), 10/19/33	United States	61,269	59,564
2004-11, 2A2A, 2.922%, (1-Month USD LIBOR + 0.64%), 1/19/35	United States	119,789	112,004
2004-2, 1A1, 2.802%, (1-Month USD LIBOR + 0.52%), 6/19/34	United States	105,955	104,967
IndyMac Index Mortgage Loan Trust, FRN, ^ρ 2004-AR6, 4A, 4.555%, 10/25/34	United States	188,122	194,593
^ο 2004-AR7, A5, 3.535%, (1-Month USD LIBOR + 1.22%), 9/25/34	United States	58,801	54,075
^ο 2004-AR12, A1, 3.061%, (1-Month USD LIBOR + 0.78%), 12/25/34	United States	180,723	165,349
^ρ 2005-AR11, A3, 3.895%, 8/25/35	United States	66,169	59,433
^ο 2006-AR2, 2A1, 2.525%, (1-Month USD LIBOR + 0.21%), 2/25/46	United States	272,983	232,666
^ρ JP Morgan Chase Commercial Mortgage Securities Trust, 2007-LDPX, AM, FRN, 5.464%, 1/15/49	United States	11,702	11,724
JP Morgan Mortgage Trust, ^ρ 2003-A2, 3A1, FRN, 4.115%, 11/25/33	United States	9,480	9,579
2004-S1, 2A1, 6.00%, 9/25/34	United States	116,950	121,332
^ρ 2005-A1, 6T1, FRN, 4.301%, 2/25/35	United States	15,925	15,859
^ρ 2005-A3, 4A1, FRN, 4.714%, 6/25/35	United States	4,532	4,586
^ρ 2006-A1, 1A2, FRN, 4.445%, 2/25/36	United States	55,699	51,960
^ρ 2007-A1, 4A2, FRN, 4.571%, 7/25/35	United States	4,858	5,006
^ο Lehman XS Trust Series, 2006-2N, 1A1, FRN, 2.541%, (1-Month USD LIBOR + 0.26%), 2/25/46	United States	52,749	48,773
^{h,ο} Ludgate Funding PLC, FRN, Reg S, 2007-1, A2B, 0.665%, (3-Month EURIBOR + 0.16%), 1/01/61	United Kingdom	32,458 EUR	34,532
2008-W1X, A1, 1.28%, (3-Month GBP LIBOR + 0.60%), 1/01/61	United Kingdom	145,708 GBP	178,124
^ρ MASTR Adjustable Rate Mortgages Trust, 2004-7, 3A1, FRN, 4.201%, 7/25/34	United States	34,277	33,623
MASTR Alternative Loan Trust, 2004-2, 8A4, 5.50%, 3/25/34	United States	181,795	184,481
2004-8, 2A1, 6.00%, 9/25/34	United States	65,484	69,885
^ρ Merrill Lynch Mortgage Investors MLCC, 2006-2, 2A, FRN, 4.139%, 5/25/36	United States	7,397	7,477
^{δ,ρ} Morgan Stanley Capital I Trust, 2011-C2, E, 144A, FRN, 5.668%, 6/15/44	United States	150,000	143,001
^{h,ο} Newgate Funding PLC, 2007-3X, A2B, FRN, Reg S, 0.279%, (3-Month EURIBOR + 0.60%), 12/15/50	United Kingdom	68,147 EUR	74,564
^δ PRPM LLC, 2017-2A, A1, 144A, 3.47%, 9/25/22	United States	189,360	187,772
2017-2A, A2, 144A, 5.00%, 9/25/22	United States	100,000	98,974
^ρ 2017-3A, A1, 144A, FRN, 3.47%, 11/25/22	United States	90,839	90,266

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)			
o RALI Trust, 2006-QO4, 2A1, FRN, 2.505%, (1-Month USD LIBOR + 0.19%), 4/25/46	United States	76,287 \$	71,438
d RCO Mortgage LLC, 2017-1, A1, 144A, 3.375%, 8/25/22	United States	79,251	78,928
Residential Asset Securitization Trust, 2003-A9, A2, 4.00%, 8/25/33	United States	119,905	116,070
p RFMSI Trust, FRN,			
2005-SA1, 1A1, 4.596%, 3/25/35	United States	124,195	103,392
2006-SA2, 3A1, 4.958%, 8/25/36	United States	132,660	124,491
h.o RMAC Securities PLC, 2006-NS1X, A2C, FRN, Reg S, 0.229%, (3-Month EURIBOR + 0.15%), 6/12/44	United Kingdom	44,878 EUR	48,128
Structured ARM Loan Trust, FRN,			
p 2004-12, 7A3, 4.384%, 9/25/34	United States	16,803	17,095
o 2005-14, A1, 2.625%, (1-Month USD LIBOR + 0.31%), 7/25/35	United States	291,448	238,384
Structured Asset Securities Corp. Trust, 2005-1, 7A7, 5.50%, 2/25/35	United States	12,067	12,120
h.o Towd Point Mortgage Funding 2016-Granite1 PLC, 2016-GR1X, B, FRN, Reg S, 2.159%, (3-Month GBP LIBOR + 1.40%), 7/20/46	United Kingdom	100,000 GBP	128,098
p Wells Fargo Bank, N.A., Adjustable Rate Mortgage Trust, 2004-4, 3A1, FRN, 4.212%, 3/25/35	United States	34,049	34,037
Wells Fargo Mortgage Backed Securities Trust,			
p 2003-M, A1, FRN, 4.852%, 12/25/33	United States	19,188	19,717
p 2004-I, 2A1, FRN, 4.326%, 7/25/34	United States	89,701	91,438
p 2004-O, A1, FRN, 4.681%, 8/25/34	United States	7,137	7,356
2005-16, A18, 6.00%, 12/25/35	United States	3,712	3,716
p 2005-AR10, 2A4, FRN, 4.39%, 5/01/35	United States	10,416	10,747
p 2005-AR12, 2A5, FRN, 4.257%, 6/25/35	United States	30,262	31,056
d.p WFRBS Commercial Mortgage Trust, 144A, FRN,			
2011-C3, D, 5.855%, 3/15/44	United States	90,000	81,415
2012-C6, D, 5.769%, 4/15/45	United States	150,000	150,251
2012-C7, E, 4.976%, 6/15/45	United States	75,000	62,238
			7,292,646
Total Asset-Backed Securities and Commercial Mortgage-Backed Securities (Cost \$25,128,149)			25,220,963

	Number of Contracts	Notional Amount#	
Options Purchased 0.2%			
Calls – Exchange-Traded 0.1%			
iQIYI Inc., ADR, December Strike Price \$21.00, Expires 12/28/18	28	2,800	2,800
NASDAQ 100 Stock Index, December Strike Price \$7,900.00, Expires 12/21/18	3	300	15
Neurocrine Biosciences Inc., December Strike Price \$120.00, Expires 12/21/18	11	1,100	138
NII Holdings Inc., March Strike Price \$7.50, Expires 3/15/19	14	1,400	1,512
Nutanix Inc., December Strike Price \$42.50, Expires 12/21/18	58	5,800	20,242
Okta Inc., December Strike Price \$65.00, Expires 12/21/18	22	2,200	9,680
S&P 500 Index, December Strike Price \$3,000.00, Expires 12/31/18	134	13,400	11,390
Sea Ltd., ADR, January Strike Price \$15.00, Expires 1/18/19	70	7,000	4,200
Shire PLC, ADR, April Strike Price \$200.00, Expires 4/18/19	274	27,400	32,880
SPDR S&P 500 ETF Trust, December Strike Price \$300.00, Expires 12/21/18	123	12,300	738
Square Inc., December Strike Price \$76.00, Expires 12/07/18	26	2,600	1,300
Technology Select Sector SPDR Fund, January Strike Price \$71.00, Expires 1/18/19	164	16,400	13,448

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

	Number of Contracts	Notional Amount#	Value
Options Purchased (continued)			
Calls – Exchange-Traded (continued)			
Telecom Italia SpA, March Strike Price 0.52 EUR, Expires 3/15/19	4,662	4,662,000	\$ 382,646
Telecom Italia SpA, June Strike Price 0.64 EUR, Expires 6/21/19	2,170	2,170,000	101,952
thyssenkrupp AG, June Strike Price 18.00 EUR, Expires 6/21/19	731	73,100	83,584
thyssenkrupp AG, June Strike Price 22.00 EUR, Expires 6/21/19	1,069	106,900	37,517
Twenty-First Century Fox Inc., A, January Strike Price \$41.00, Expires 1/18/19	84	8,400	73,500
Twenty-First Century Fox Inc., A, January Strike Price \$46.00, Expires 1/18/19	469	46,900	174,703
Vivendi SA, March Strike Price 24.00 EUR, Expires 3/15/19	1,153	115,300	69,182
			1,021,427
Calls – Over-the-Counter 0.0%†			
Currency Options 0.0%†			
AUD/USD, Counterparty JPHQ, December Strike Price 0.73 AUD, Expires 12/14/18	1	1,000,000	9,355
EUR/NOK, Counterparty JPHQ, December Strike Price 9.70 EUR, Expires 12/31/18	1	500,000 EUR	5,475
EUR/USD, Counterparty JPHQ, January Strike Price 1.20 EUR, Expires 1/10/19	1	500,000	113
EUR/USD, Counterparty JPHQ, April Strike Price 1.28 EUR, Expires 4/17/19	1	4,500,000	1,423
GBP/USD, Counterparty JPHQ, March Strike Price 1.40 GBP, Expires 3/08/19	1	3,000,000	8,803
GBP/USD, Counterparty JPHQ, May Strike Price 1.35 GBP, Expires 5/16/19	1	500,000	8,741
GBP/USD, Counterparty JPHQ, May Strike Price 1.35 GBP, Expires 5/16/19	1	500,000	8,056
USD/CAD, Counterparty JPHQ, December Strike Price \$1.32, Expires 12/21/18	1	750,000	7,690
USD/HKD, Counterparty JPHQ, April Strike Price \$7.95, Expires 4/02/19	1	4,000,000	782
USD/HKD, Counterparty JPHQ, September Strike Price \$7.95, Expires 9/16/19	1	2,000,000	1,028
USD/HKD, Counterparty JPHQ, September Strike Price \$7.95, Expires 9/18/19	1	3,000,000	1,559
USD/TWD, Counterparty JPHQ, April Strike Price \$31.50, Expires 4/02/19	1	3,000,000	12,242
			65,267
Puts – Exchange-Traded 0.1%			
DAX Stock Index, December Strike Price 10,650.00 EUR, Expires 12/21/18	34	170	9,738
DAX Stock Index, December Strike Price 11,000.00 EUR, Expires 12/21/18	33	165	22,304
DJ EURO STOXX 50 Index, December Strike Price 2,975.00 EUR, Expires 12/21/18	95	950	10,647
DJ EURO STOXX 50 Index, December Strike Price 3,075.00 EUR, Expires 12/21/18	94	940	25,753
Euro-Bund, December Strike Price 159.50 EUR, Expires 12/21/18	15	15,000	679
FTSE MIB Index, December Strike Price 17,500.00 EUR, Expires 12/21/18	23	58	3,645
Invesco QQQ ETF, January Strike Price \$158.00, Expires 1/18/19	1,081	108,100	223,767
ON Semiconductor Corp., December Strike Price \$17.00, Expires 12/21/18	58	5,800	1,276
Rapid7 Inc., December Strike Price \$30.00, Expires 12/21/18	17	1,700	1,785
S&P 500 Index, December Strike Price \$2,500.00, Expires 12/14/18	341	34,100	64,790
S&P 500 Index, December Strike Price \$2,550.00, Expires 12/14/18	175	17,500	62,125
S&P 500 Index, December Strike Price \$2,600.00, Expires 12/21/18	49	4,900	47,040
S&P 500 Index, January Strike Price \$2,600.00, Expires 1/18/19	9	900	19,260
Shire PLC, ADR, April Strike Price \$170.00, Expires 4/18/19	13	1,300	11,310
SPDR S&P 500 ETF Trust, December Strike Price \$273.00, Expires 12/21/18	27	2,700	9,909
The Walt Disney Co., January Strike Price \$95.00, Expires 1/18/19	169	16,900	2,535
The Walt Disney Co., April Strike Price \$95.00, Expires 4/18/19	86	8,600	6,794
			523,357

Franklin K2 Alternative Strategies Fund (continued)

	Number of Contracts	Notional Amount#	Value
Options Purchased (continued)			
Puts – Over-the-Counter 0.0%†			
Currency Options 0.0%†			
EUR/GBP, Counterparty DBAB, January Strike Price 0.90 EUR, Expires 1/14/19	1	837,000 EUR\$	21,380
Total Options Purchased (Cost \$2,521,444)			1,631,431
Total Investments before Short Term Investments (Cost \$772,225,753)			847,709,614
	<u>Country</u>	<u>Shares</u>	
Short Term Investments 24.0%			
Money Market Funds 20.2%			
^{s,t} Dreyfus Government Cash Management, Institutional, 2.09%	United States	13,714,041	13,714,041
^s Fidelity Investments Money Market Government Portfolio, Institutional, 2.10% ..	United States	226,755,842	226,755,842
Total Money Market Funds (Cost \$240,469,883)			240,469,883
		<u>Principal Amount*</u>	
Repurchase Agreements (Cost \$18,035,346) 1.5%			
^u Joint Repurchase Agreement, 2.278%, 12/03/18 (Maturity Value \$18,038,771)	United States	18,035,346	18,035,346
BNP Paribas Securities Corp. (Maturity Value \$11,648,356) Deutsche Bank Securities Inc. (Maturity Value \$3,478,236) HSBC Securities (USA) Inc. (Maturity Value \$2,912,179) Collateralized by U.S. Government Agency Securities, 3.00% - 4.50%, 7/15/40 - 2/20/45; U.S. Treasury Bond, 6.25%, 8/15/23; and U.S. Treasury Note, 0.875% - 3.50%, 1/15/19 - 5/15/23 (valued at \$18,402,083)			
^q Investments from Cash Collateral Received for Loaned Securities 0.8%			
		<u>Shares</u>	
Money Market Fund 0.6%			
^{r,s} Institutional Fiduciary Trust Money Market Portfolio, 1.91%	United States	7,395,000	7,395,000
		<u>Principal Amount*</u>	
Repurchase Agreement 0.2%			
^u Joint Repurchase Agreement, 1.96%, 12/03/18 (Maturity Value \$1,998,253)	United States	1,997,878	1,997,878
Merrill Lynch Pierce Fenner & Smith, Inc. Collateralized by a U.S. Government Agency Obligation, 1.38%, 6/30/23 (valued at \$2,025,470)			
Total Investments from Cash Collateral Received for Loaned Securities (Cost \$9,392,878)			9,392,878
U.S. Government and Agency Securities 1.5%			
^v U.S. Treasury Bill, ^b 1/03/19	United States	14,000,000	13,973,086
1/24/19-10/10/19	United States	4,245,000	4,182,034
Total U.S. Government and Agency Securities (Cost \$18,155,283)			18,155,120

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

	Value
Total Investments (Cost \$1,058,279,143) 95.3%	\$1,133,762,841
Options Written (0.0)%[†]	(390,304)
Securities Sold Short (22.8)%	(270,364,878)
Other Assets, less Liabilities 27.5%	326,614,008
Net Assets 100.0%	<u>\$1,189,621,667</u>

	<u>Number of Contracts</u>	<u>Notional Amount[#]</u>	
^wOptions Written (0.0)%[†]			
Calls – Exchange-Traded (0.0)%[†]			
AbbVie Inc., December Strike Price \$92.50, Expires 12/21/18	2	200	(590)
AbbVie Inc., January Strike Price \$95.00, Expires 1/18/19	2	200	(540)
AbbVie Inc., February Strike Price \$97.50, Expires 2/15/19	2	200	(536)
Accenture PLC, A, December Strike Price \$170.00, Expires 12/21/18	1	100	(190)
Accenture PLC, A, January Strike Price \$170.00, Expires 1/18/19	1	100	(307)
Accenture PLC, A, February Strike Price \$175.00, Expires 2/15/19	1	100	(240)
Aflac Inc., December Strike Price \$45.00, Expires 12/21/18	4	400	(448)
Aflac Inc., January Strike Price \$47.50, Expires 1/18/19	4	400	(204)
Allergan PLC, December Strike Price \$170.00, Expires 12/21/18	1	100	(41)
Allergan PLC, January Strike Price \$175.00, Expires 1/18/19	2	200	(152)
Altria Group Inc., December Strike Price \$65.00, Expires 12/21/18	3	300	(9)
Altria Group Inc., January Strike Price \$65.00, Expires 1/18/19	3	300	(21)
Altria Group Inc., March Strike Price \$65.00, Expires 3/15/19	3	300	(93)
American Eagle Outfitters Inc., December Strike Price \$24.00, Expires 12/21/18	9	900	(270)
American Eagle Outfitters Inc., January Strike Price \$25.00, Expires 1/18/19	9	900	(315)
American Eagle Outfitters Inc., February Strike Price \$26.00, Expires 2/15/19	9	900	(338)
AmerisourceBergen Corp., A, December Strike Price \$97.50, Expires 12/21/18	3	300	(68)
AmerisourceBergen Corp., A, February Strike Price \$100.00, Expires 2/15/19	3	300	(323)
Amgen Inc., December Strike Price \$200.00, Expires 12/21/18	1	100	(1,080)
Amgen Inc., January Strike Price \$200.00, Expires 1/18/19	1	100	(1,176)
Automatic Data Processing Inc., December Strike Price \$150.00, Expires 12/21/18	3	300	(480)
Best Buy Co. Inc., December Strike Price \$75.00, Expires 12/21/18	3	300	(21)
Best Buy Co. Inc., January Strike Price \$77.50, Expires 1/18/19	2	200	(46)
Best Buy Co. Inc., March Strike Price \$80.00, Expires 3/15/19	3	300	(270)
Bristol-Myers Squibb Co., December Strike Price \$55.00, Expires 12/21/18	3	300	(186)
Bristol-Myers Squibb Co., January Strike Price \$57.50, Expires 1/18/19	3	300	(117)
Broadcom Inc., December Strike Price \$240.00, Expires 12/21/18	1	100	(770)
Broadcom Inc., January Strike Price \$250.00, Expires 1/18/19	1	100	(610)
Broadridge Financial Solutions Inc., December Strike Price \$110.00, Expires 12/21/18	1	100	(54)
Capital One Financial Corp., December Strike Price \$95.00, Expires 12/21/18	2	200	(50)
Capital One Financial Corp., January Strike Price \$97.50, Expires 1/18/19	2	200	(101)
Capital One Financial Corp., March Strike Price \$97.50, Expires 3/15/19	2	200	(326)
Chevron Corp., December Strike Price \$120.00, Expires 12/21/18	2	200	(464)
Chevron Corp., January Strike Price \$125.00, Expires 1/18/19	2	200	(314)
Cisco Systems Inc., December Strike Price \$48.00, Expires 12/21/18	4	400	(392)
Citigroup Inc., December Strike Price \$67.50, Expires 12/21/18	3	300	(201)
Citigroup Inc., January Strike Price \$70.00, Expires 1/18/19	2	200	(160)
Citigroup Inc., March Strike Price \$70.00, Expires 3/15/19	3	300	(486)
Comcast Corp., December Strike Price \$40.00, Expires 12/21/18	5	500	(245)
Comcast Corp., January Strike Price \$41.25, Expires 1/18/19	4	400	(184)

Franklin K2 Alternative Strategies Fund (continued)

	Number of Contracts	Notional Amount*	Value
^w Options Written (continued)			
Calls – Exchange-Traded (continued)			
Comcast Corp., February Strike Price \$42.50, Expires 2/15/19	5	500	\$ (260)
ConocoPhillips, December Strike Price \$70.00, Expires 12/21/18	2	200	(164)
ConocoPhillips, January Strike Price \$72.50, Expires 1/18/19	2	200	(170)
Cummins Inc., January Strike Price \$155.00, Expires 1/18/19	1	100	(380)
Cummins Inc., March Strike Price \$155.00, Expires 3/15/19	1	100	(654)
Cummins Inc., March Strike Price \$160.00, Expires 3/15/19	1	100	(450)
Delta Air Lines Inc., December Strike Price \$60.00, Expires 12/21/18	3	300	(663)
Delta Air Lines Inc., January Strike Price \$60.00, Expires 1/18/19	3	300	(945)
Delta Air Lines Inc., March Strike Price \$62.50, Expires 3/15/19	3	300	(873)
Dick's Sporting Goods Inc., December Strike Price \$42.00, Expires 12/21/18	5	500	(10)
Dick's Sporting Goods Inc., January Strike Price \$45.00, Expires 1/18/19	5	500	(25)
Eaton Corp. PLC, December Strike Price \$77.50, Expires 12/21/18	2	200	(300)
Eaton Corp. PLC, January Strike Price \$77.50, Expires 1/18/19	2	200	(460)
Eaton Corp. PLC, January Strike Price \$80.00, Expires 1/18/19	2	200	(240)
Euro-Bund, December Strike Price 162.00 EUR, Expires 12/21/18	5	5,000	(4,868)
Exxon Mobil Corp., December Strike Price \$80.00, Expires 12/21/18	2	200	(286)
Exxon Mobil Corp., December Strike Price \$82.50, Expires 12/21/18	2	200	(104)
FirstEnergy Corp., December Strike Price \$40.00, Expires 12/21/18	4	400	(40)
FirstEnergy Corp., January Strike Price \$41.00, Expires 1/18/19	4	400	(50)
Gilead Sciences Inc., December Strike Price \$75.00, Expires 12/21/18	2	200	(154)
Gilead Sciences Inc., January Strike Price \$77.50, Expires 1/18/19	2	200	(182)
Gilead Sciences Inc., February Strike Price \$77.50, Expires 2/15/19	3	300	(507)
Hewlett Packard Enterprise Co., December Strike Price \$16.00, Expires 12/21/18	12	1,200	(264)
Hewlett Packard Enterprise Co., January Strike Price \$17.00, Expires 1/18/19	12	1,200	(144)
The Home Depot Inc., December Strike Price \$190.00, Expires 12/21/18	1	100	(75)
The Home Depot Inc., January Strike Price \$195.00, Expires 1/18/19	2	200	(224)
Illinois Tool Works Inc., December Strike Price \$140.00, Expires 12/21/18	1	100	(285)
Intel Corp., December Strike Price \$50.00, Expires 12/21/18	3	300	(294)
Intel Corp., January Strike Price \$52.50, Expires 1/18/19	3	300	(195)
The Interpublic Group of Cos. Inc., January Strike Price \$25.00, Expires 1/18/19	7	700	(210)
Intuit Inc., December Strike Price \$230.00, Expires 12/21/18	2	200	(200)
Johnson & Johnson, December Strike Price \$150.00, Expires 12/21/18	3	300	(267)
JPMorgan Chase & Co., December Strike Price \$115.00, Expires 12/21/18	1	100	(82)
Kohl's Corp., December Strike Price \$87.50, Expires 12/21/18	2	200	(4)
Kohl's Corp., January Strike Price \$90.00, Expires 1/18/19	2	200	(22)
Kohl's Corp., April Strike Price \$95.00, Expires 4/18/19	2	200	(100)
Marathon Petroleum Corp., December Strike Price \$70.00, Expires 12/21/18	2	200	(178)
Marathon Petroleum Corp., January Strike Price \$72.50, Expires 1/18/19	2	200	(202)
Mastercard Inc., A, December Strike Price \$210.00, Expires 12/21/18	1	100	(169)
Mastercard Inc., A, January Strike Price \$220.00, Expires 1/18/19	1	100	(143)
McKesson Corp., December Strike Price \$135.00, Expires 12/21/18	2	200	(85)
McKesson Corp., January Strike Price \$140.00, Expires 1/18/19	2	200	(110)
Medtronic PLC, January Strike Price \$100.00, Expires 1/18/19	1	100	(126)
Merck & Co. Inc., December Strike Price \$77.50, Expires 12/21/18	2	200	(450)
Merck & Co. Inc., January Strike Price \$80.00, Expires 1/18/19	2	200	(296)
MetLife Inc., December Strike Price \$47.50, Expires 12/21/18	4	400	(84)
MetLife Inc., January Strike Price \$50.00, Expires 1/18/19	4	400	(56)
Microsoft Corp., December Strike Price \$115.00, Expires 12/21/18	1	100	(105)
Microsoft Corp., January Strike Price \$115.00, Expires 1/18/19	1	100	(222)
Molson Coors Brewing Co., B, December Strike Price \$67.50, Expires 12/21/18	2	200	(160)
Molson Coors Brewing Co., B, January Strike Price \$70.00, Expires 1/18/19	2	200	(150)

Franklin K2 Alternative Strategies Fund (continued)

	Number of Contracts	Notional Amount*	Value
^wOptions Written (continued)			
Calls – Exchange-Traded (continued)			
Morgan Stanley, January Strike Price \$49.00, Expires 1/18/19	1	100	\$ (39)
Murphy Oil Corp., December Strike Price \$32.50, Expires 12/21/18	6	600	(690)
Murphy Oil Corp., January Strike Price \$35.00, Expires 1/18/19	6	600	(540)
Occidental Petroleum Corp., December Strike Price \$75.00, Expires 12/21/18	2	200	(72)
Occidental Petroleum Corp., January Strike Price \$77.50, Expires 1/18/19	2	200	(92)
Okta Inc., December Strike Price \$75.00, Expires 12/21/18	22	2,200	(3,212)
Omnicom Group Inc., December Strike Price \$80.00, Expires 12/21/18	2	200	(100)
Omnicom Group Inc., January Strike Price \$82.50, Expires 1/18/19	2	200	(100)
PACCAR Inc., December Strike Price \$62.50, Expires 12/21/18	3	300	(465)
PACCAR Inc., January Strike Price \$63.20, Expires 1/18/19	3	300	(623)
Paychex Inc., December Strike Price \$72.50, Expires 12/21/18	2	200	(215)
Prudential Financial Inc., December Strike Price \$100.00, Expires 12/21/18	2	200	(84)
Prudential Financial Inc., January Strike Price \$100.00, Expires 1/18/19	1	100	(115)
Prudential Financial Inc., March Strike Price \$105.00, Expires 3/15/19	2	200	(194)
Robert Half International Inc., December Strike Price \$65.00, Expires 12/21/18	2	200	(208)
Shire PLC, ADR, April Strike Price \$190.00, Expires 4/18/19	13	1,300	(4,290)
Sinclair Broadcast Group Inc., December Strike Price \$33.00, Expires 12/21/18	6	600	(270)
Sinclair Broadcast Group Inc., January Strike Price \$34.00, Expires 1/18/19	6	600	(420)
Target Corp., December Strike Price \$90.00, Expires 12/21/18	3	300	(6)
Target Corp., January Strike Price \$92.50, Expires 1/18/19	3	300	(12)
Texas Instruments Inc., December Strike Price \$100.00, Expires 12/21/18	1	100	(246)
Texas Instruments Inc., January Strike Price \$105.00, Expires 1/18/19	1	100	(172)
Thermo Fisher Scientific Inc., January Strike Price \$250.00, Expires 1/18/19	2	200	(1,574)
Tilray Inc., January Strike Price \$75.00, Expires 1/15/21	38	3,800	(117,306)
UnitedHealth Group Inc., December Strike Price \$280.00, Expires 12/21/18	1	100	(610)
UnitedHealth Group Inc., January Strike Price \$290.00, Expires 1/18/19	1	100	(485)
Viacom Inc., B, December Strike Price \$35.00, Expires 12/21/18	5	500	(25)
Visa Inc., December Strike Price \$150.00, Expires 12/21/18	1	100	(50)
Walgreens Boots Alliance Inc., January Strike Price \$87.50, Expires 1/18/19	3	300	(579)
Walgreens Boots Alliance Inc., April Strike Price \$90.00, Expires 4/18/19	3	300	(885)
Waste Management Inc., December Strike Price \$95.00, Expires 12/21/18	3	300	(285)
Yum! Brands Inc., December Strike Price \$92.50, Expires 12/21/18	2	200	(302)
			(163,371)
Calls – Over-the-Counter (0.0)%[†]			
Currency Options (0.0)%[†]			
AUD/USD, Counterparty JPHQ, May Strike Price 0.76 AUD, Expires 5/02/19	1	1,000,000	(6,593)
GBP/USD, Counterparty JPHQ, March Strike Price 1.35 GBP, Expires 3/08/19	1	1,000,000	(9,267)
USD/CAD, Counterparty JPHQ, December Strike Price \$1.35, Expires 12/21/18	1	1,500,000	(2,783)
USD/HKD, Counterparty JPHQ, April Strike Price \$7.85, Expires 4/02/19	1	2,000,000	(1,271)
USD/HKD, Counterparty JPHQ, September Strike Price \$7.85, Expires 9/18/19	1	1,500,000	(1,582)
			(21,496)
Puts – Exchange-Traded (0.0)%[†]			
DAX Stock Index, December Strike Price 10,000.00 EUR, Expires 12/21/18	34	170	(2,252)
DAX Stock Index, December Strike Price 10,450.00 EUR, Expires 12/21/18	33	165	(5,753)
DJ EURO STOXX 50 Index, December Strike Price 2,750.00 EUR, Expires 12/21/18	95	950	(2,366)
DJ EURO STOXX 50 Index, December Strike Price 2,925.00 EUR, Expires 12/21/18	94	940	(7,130)
Euro-Bund, December Strike Price 157.50 EUR, Expires 12/21/18	23	23,000	(260)
FTSE MIB Index, December Strike Price 16,000.00 EUR, Expires 12/21/18	26	65	(883)

Franklin K2 Alternative Strategies Fund (continued)

	Number of Contracts	Notional Amount*	Value
^w Options Written (continued)			
Puts – Exchange-Traded (continued)			
NII Holdings Inc., March Strike Price \$5.00, Expires 3/15/19	14	1,400	\$ (1,785)
S&P 500 Index, December Strike Price \$2,400.00, Expires 12/21/18	34	3,400	(4,930)
S&P 500 Index, January Strike Price \$2,450.00, Expires 1/18/19	9	900	(8,145)
Sea Ltd., ADR, February Strike Price \$12.50, Expires 2/15/19	35	3,500	(3,325)
SPDR S&P 500 ETF Trust, December Strike Price \$260.00, Expires 12/21/18	27	2,700	(2,754)
thyssenkrupp AG, June Strike Price 13.00 EUR, Expires 6/21/19	731	73,100	(35,585)
Twenty-First Century Fox Inc., April Strike Price \$39.00, Expires 4/18/19	553	55,300	(98,157)
			<u>(173,325)</u>
Puts – Over-the-Counter (0.0)%[†]			
Currency Options (0.0)%[†]			
EUR/NOK, Counterparty JPHQ, December Strike Price 9.40 EUR, Expires 12/31/18	1	500,000 EUR	(188)
EUR/USD, Counterparty JPHQ, January Strike Price 1.14 EUR, Expires 1/10/19	1	500,000	(4,950)
GBP/USD, Counterparty JPHQ, May Strike Price 1.22 GBP, Expires 5/16/19	1	500,000	(9,230)
GBP/USD, Counterparty JPHQ, May Strike Price 1.22 GBP, Expires 5/16/19	1	500,000	(9,569)
USD/HKD, Counterparty JPHQ, September Strike Price \$7.85, Expires 9/16/19	1	1,000,000	(1,046)
USD/TWD, Counterparty JPHQ, July Strike Price \$29.50, Expires 7/03/19	1	1,000,000	(7,129)
			<u>(32,112)</u>
Total Options Written (Premiums Received \$487,226)			<u>(390,304)</u>
	<u>Country</u>	<u>Shares</u>	
^x Securities Sold Short (22.8)%			
Common Stocks (6.1)%			
Aerospace & Defense (0.1)%			
Huntington Ingalls Industries Inc.	United States	1,271	(273,901)
Lockheed Martin Corp.	United States	817	(245,451)
Northrop Grumman Corp.	United States	1,778	(462,067)
Raytheon Co.	United States	1,524	(267,218)
United Technologies Corp.	United States	2,116	(257,813)
			<u>(1,506,450)</u>
Air Freight & Logistics (0.0)%[†]			
Atlas Air Worldwide Holdings Inc.	United States	2,904	(154,638)
Airlines (0.1)%			
Japan Airlines Co. Ltd.	Japan	13,657	(492,549)
SAS AB	Sweden	212,815	(522,240)
			<u>(1,014,789)</u>
Banks (0.0)%[†]			
Hope Bancorp Inc.	United States	3,905	(59,356)
Beverages (0.1)%			
Boston Beer Inc., A	United States	2,691	(738,787)
Molson Coors Brewing Co., B	United States	8,843	(581,604)
			<u>(1,320,391)</u>
Biotechnology (0.3)%			
Alder Biopharmaceuticals Inc.	United States	12,538	(167,758)
Amicus Therapeutics Inc.	United States	138,513	(1,529,183)

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares	Value
×Securities Sold Short (continued)			
Biotechnology (continued)			
Karyopharm Therapeutics Inc.	United States	25,967	\$ (270,057)
Ligand Pharmaceuticals Inc.	United States	1,057	(166,763)
Neurocrine Biosciences Inc.	United States	5,562	(490,958)
PDL BioPharma Inc.	United States	119,838	(367,903)
Radius Health Inc.	United States	8,409	(140,178)
Repligen Corp.	United States	9,573	(619,086)
Retrophin Inc.	United States	7,566	(185,670)
			(3,937,556)
Building Products (0.0)%†			
Patrick Industries Inc.	United States	2,459	(97,671)
Capital Markets (0.0)%†			
Cowen Inc., A	United States	18,248	(290,326)
Chemicals (0.0)%†			
Mitsubishi Chemical Holdings Corp.	Japan	8,400	(68,715)
Commercial Services & Supplies (0.0)%†			
Team Inc.	United States	16,237	(271,320)
Communications Equipment (0.1)%			
CalAmp Corp.	United States	7,027	(124,378)
Infinera Corp.	United States	26,533	(114,357)
Palo Alto Networks Inc.	United States	1,618	(279,833)
			(518,568)
Construction & Engineering (0.0)%†			
HC2 Holdings Inc.	United States	9,432	(29,805)
KBR Inc.	United States	13,662	(253,703)
Mirait Holdings Corp.	Japan	12,300	(180,304)
			(463,812)
Construction Materials (0.1)%			
Cemex SAB de CV, ADR	Mexico	15,229	(78,277)
Martin Marietta Materials Inc.	United States	3,078	(586,944)
			(665,221)
Consumer Finance (0.1)%			
Encore Capital Group Inc.	United States	17,236	(482,264)
Ezcorp Inc., A	United States	25,891	(246,482)
PRA Group Inc.	United States	9,614	(293,419)
			(1,022,165)
Diversified Consumer Services (0.1)%			
Chegg Inc.	United States	19,647	(549,134)
Electric Utilities (0.0)%†			
The Chugoku Electric Power Co. Inc.	Japan	10,500	(132,643)
Kyushu Electric Power Co. Inc.	Japan	12,700	(149,136)
			(281,779)
Electrical Equipment (0.0)%†			
Emerson Electric Co.	United States	1,006	(67,925)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares	Value
*Securities Sold Short (continued)			
Electronic Equipment, Instruments & Components (0.1)%			
Knowles Corp.	United States	16,808	\$ (256,154)
OSI Systems Inc.	United States	2,624	(189,978)
Vishay Intertechnology Inc.	United States	21,525	(448,796)
			(894,928)
Energy Equipment & Services (0.2)%			
Fugro NV, IDR	Netherlands	24,280	(295,216)
SEACOR Holdings Inc.	United States	329	(13,667)
Transocean Ltd.	United States	256,514	(2,380,450)
			(2,689,333)
Entertainment (0.2)%			
Electronic Arts Inc.	United States	2,570	(216,060)
iQIYI Inc., ADR	China	11,014	(223,694)
Live Nation Entertainment Inc.	United States	598	(33,296)
Sea Ltd., ADR	Thailand	19,770	(263,732)
Twenty-First Century Fox Inc., A	United States	31,203	(366,635)
The Walt Disney Co.	United States	17,375	(2,006,639)
			(3,110,056)
Equity Real Estate Investment Trusts (REITs) (0.5)%			
Invitation Homes Inc.	United States	80,563	(1,728,888)
Pebblebrook Hotel Trust	United States	122,341	(4,272,148)
			(6,001,036)
Food Products (0.2)%			
Mondelez International Inc., A	United States	38,270	(1,721,385)
Health Care Equipment & Supplies (0.1)%			
DexCom Inc.	United States	2,746	(355,854)
Insulet Corp.	United States	2,114	(177,428)
Nipro Corp.	Japan	15,100	(205,253)
Wright Medical Group NV	United States	6,789	(189,821)
			(928,356)
Health Care Providers & Services (0.5)%			
Cigna Corp.	United States	17,892	(3,996,715)
CVS Health Corp.	United States	29,144	(2,337,349)
			(6,334,064)
Health Care Technology (0.1)%			
Allscripts Healthcare Solutions Inc.	United States	8,266	(84,396)
Evolent Health Inc., A	United States	24,124	(619,987)
			(704,383)
Hotels, Restaurants & Leisure (0.0)%†			
Choice Hotels International Inc.	United States	2,603	(202,696)
Huazhu Group Ltd., ADR	China	5,124	(161,611)
			(364,307)
Independent Power & Renewable Electricity Producers (0.0)%†			
NRG Energy Inc.	United States	9,132	(350,943)
Industrial Conglomerates (0.1)%			
3M Co.	United States	2,810	(584,255)

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares	Value
×Securities Sold Short (continued)			
Interactive Media & Services (0.1)%			
CarGurus Inc., A	United States	23,471	\$ (913,257)
Momo Inc., ADR	China	1,729	(54,204)
Zillow Group Inc., C	United States	5,832	(213,159)
			(1,180,620)
Internet & Direct Marketing Retail (0.1)%			
Alibaba Group Holding Ltd., ADR	China	2,448	(393,785)
MercadoLibre Inc.	Argentina	1,221	(429,756)
Wayfair Inc., A	United States	3,380	(358,956)
			(1,182,497)
IT Services (0.3)%			
Akamai Technologies Inc.	United States	3,687	(253,481)
Carbonite Inc.	United States	14,086	(399,056)
CSG Systems International Inc.	United States	2,806	(98,407)
GDS Holdings Ltd., ADR	China	8,308	(245,003)
International Business Machines Corp.	United States	966	(120,045)
MongoDB Inc., A	United States	5,547	(459,846)
Okta Inc., A	United States	11,482	(730,829)
Perficient Inc.	United States	7,063	(178,765)
Square Inc., A	United States	7,887	(550,828)
Twilio Inc., A	United States	6,997	(661,147)
			(3,697,407)
Machinery (0.1)%			
AGCO Corp.	United States	6,943	(414,358)
Kennametal Inc.	United States	5,310	(222,064)
Navistar International Corp.	United States	133	(4,262)
			(640,684)
Marine (0.1)%			
Kirby Corp.	United States	7,455	(569,115)
Metals & Mining (0.1)%			
AK Steel Holding Corp.	United States	6,168	(18,997)
Cleveland-Cliffs Inc.	United States	64,440	(598,003)
Endeavour Mining Corp.	Ivory Coast	5,010	(62,444)
First Majestic Silver Corp.	Canada	30,479	(146,299)
			(825,743)
Mortgage Real Estate Investment Trusts (REITs) (0.0)%†			
Redwood Trust Inc.	United States	9,295	(155,134)
Oil, Gas & Consumable Fuels (0.8)%			
Chesapeake Energy Corp.	United States	138,749	(405,147)
Diamondback Energy Inc.	United States	70,283	(7,757,837)
Golar LNG Ltd.	Bermuda	6,110	(162,770)
Green Plains Inc.	United States	41,307	(671,239)
Teekay Corp.	Bermuda	16,187	(71,385)
			(9,068,378)
Paper & Forest Products (0.0)%†			
Domtar Corp.	United States	5,307	(231,279)
Louisiana-Pacific Corp.	United States	10,026	(229,194)
			(460,473)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares	Value
×Securities Sold Short (continued)			
Personal Products (0.0)%†			
Herbalife Nutrition Ltd.	United States	5,896	\$ (337,546)
Pharmaceuticals (0.6)%†			
Canopy Growth Corp.	Canada	13,749	(467,217)
Endocyte Inc.	United States	17,037	(402,584)
Innoviva Inc.	United States	25,308	(462,124)
The Medicines Co.	United States	8,237	(182,285)
Pacira Pharmaceuticals Inc.	United States	4,478	(216,422)
Takeda Pharmaceutical Co. Ltd.	Japan	104,715	(3,925,140)
Tilray Inc.	Canada	9,900	(1,014,255)
			<u>(6,670,027)</u>
Professional Services (0.0)%†			
FTI Consulting Inc.	United States	901	(63,295)
Road & Rail (0.0)%†			
Genesee & Wyoming Inc., A	United States	5,426	(451,877)
Schneider National Inc., B	United States	2,087	(46,603)
			<u>(498,480)</u>
Semiconductors & Semiconductor Equipment (0.2)%			
Advanced Micro Devices Inc.	United States	25,701	(547,431)
Cree Inc.	United States	5,731	(252,966)
Inphi Corp.	United States	4,574	(182,457)
Microchip Technology Inc.	United States	10,304	(772,800)
ON Semiconductor Corp.	United States	17,877	(342,881)
Synaptics Inc.	United States	1,202	(46,229)
			<u>(2,144,764)</u>
Software (0.5)%			
Alteryx Inc., A	United States	10,266	(617,808)
Atlassian Corp. PLC, A	Australia	6,375	(547,868)
Avaya Holdings Corp.	United States	11,042	(171,924)
Docusign Inc., A	United States	3,005	(125,489)
Envestnet Inc.	United States	2,895	(158,183)
Everbridge Inc.	United States	6,908	(378,351)
Five9 Inc.	United States	8,516	(365,166)
HubSpot Inc.	United States	3,637	(505,652)
MINDBODY Inc., A	United States	4,872	(135,247)
Nice Ltd., ADR	Israel	2,086	(242,268)
Nutanix Inc., A	United States	4,530	(202,536)
PROS Holdings Inc.	United States	4,459	(143,446)
Rapid7 Inc.	United States	10,558	(335,744)
ServiceNow Inc.	United States	3,612	(669,195)
Splunk Inc.	United States	2,537	(283,459)
VMware Inc., A	United States	8,516	(1,425,067)
			<u>(6,307,403)</u>
Technology Hardware, Storage & Peripherals (0.0)%†			
Electronics for Imaging Inc.	United States	6,282	(173,886)
Textiles, Apparel & Luxury Goods (0.0)%†			
Under Armour Inc., C	United States	6,918	(154,479)
Trading Companies & Distributors (0.0)%†			
Fastenal Co.	United States	2,519	(149,276)

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

	Country	Shares	Value
× Securities Sold Short (continued)			
Wireless Telecommunication Services (0.2)%			
Boingo Wireless Inc.	United States	6,196	\$ (155,148)
NII Holdings Inc.	United States	92,053	(498,006)
Sprint Corp.	United States	182,253	(1,144,549)
			<u>(1,797,703)</u>
Total Common Stocks (Proceeds \$76,433,126)			<u>(72,049,772)</u>
Exchange Traded Funds (15.9)%			
Consumer Discretionary Select Sector SPDR Fund	United States	7,828	(845,346)
ETFMG Prime Cyber Security ETF	United States	83,614	(3,056,928)
Health Care Select Sector SPDR Fund	United States	301,657	(28,919,856)
Invesco QQQ Trust Series 1	United States	28,265	(4,787,243)
iShares Core S&P Small-Cap ETF	United States	47,335	(3,753,666)
iShares Edge MSCI USA Momentum Factor ETF	United States	37,701	(4,101,492)
iShares MSCI Taiwan ETF	Taiwan	38,734	(1,289,842)
iShares NASDAQ Biotechnology ETF	United States	185,081	(20,192,337)
iShares North American Tech ETF	United States	31,741	(5,939,693)
iShares North American Tech-Multimedia Networking ETF	United States	123,735	(6,338,944)
iShares North American Tech-Software ETF	United States	20,399	(3,787,074)
iShares PHLX Semiconductor ETF	United States	28,109	(4,729,339)
iShares Russell 2000 Growth ETF	United States	24,363	(4,647,486)
iShares Russell Mid-Cap Growth ETF	United States	13,049	(1,634,126)
iShares S&P Small-Cap 600 Growth ETF	United States	11,110	(2,044,906)
iShares STOXX Europe 600 UCITS ETF	Germany	21,428	(857,790)
iShares U.S. Technology ETF	United States	15,705	(2,732,513)
SPDR S&P 500 ETF Trust	United States	298,344	(82,238,524)
SPDR S&P MidCap 400 ETF Trust	United States	6,532	(2,238,778)
Vanguard Small-Cap Growth ETF	United States	27,392	(4,633,905)
Total Exchange Traded Funds (Proceeds \$186,947,889)			<u>(188,769,788)</u>
		Principal	
		Amount*	
Corporate Bonds and Notes (0.7)%			
Chemicals (0.2)%			
^d CVR Partners LP / CVR Nitrogen Finance Corp., senior note, 144A, 9.25%, 6/15/23	United States	2,132,000	(2,247,234)
Olin Corp., senior bond, 5.125%, 9/15/27	United States	575,000	(542,829)
			<u>(2,790,063)</u>
Electric Utilities (0.0)%[†]			
Talen Energy Supply LLC, senior note, 6.50%, 6/01/25	United States	178,000	(130,162)
Food Products (0.1)%			
^d TreeHouse Foods Inc., senior note, 144A, 6.00%, 2/15/24	United States	1,252,000	(1,242,610)
Internet Software & Services (0.3)%			
^d GTT Communications Inc., senior note, 144A, 7.875%, 12/31/24	United States	3,059,000	(2,821,928)
Media (0.1)%			
^d MDC Partners Inc., senior note, 144A, 6.50%, 5/01/24	United States	1,662,000	(1,421,010)
Total Corporate Bonds and Notes (Proceeds \$8,615,151)			<u>(8,405,773)</u>
U.S. Government and Agency Securities			
(Proceeds \$1,124,971) (0.1)%			
U.S. Treasury Note, 3.125%, 11/15/28	United States	1,128,000	(1,139,545)
Total Securities Sold Short (Proceeds \$273,121,137)			<u>\$ (270,364,878)</u>

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.

^aNon-income producing.

^bA 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 open written option contracts. At November 30, 2018, the aggregate value of these securities and/or cash pledged amounted to \$223,615,771, representing 18.8% of net assets.

^cA portion or all of the security is held in connection with written option contracts open at period end.

^dSecurity 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 November 30, 2018, the net value of these securities was \$146,890,454, representing 12.4% of net assets.

^eA portion or all of the security is on loan at November 30, 2018. See Note 1(g).

^fFair valued using significant unobservable inputs. See Note 11 regarding fair value measurements.

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

^hSecurity 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 November 30, 2018, the aggregate value of these securities was \$16,525,644, representing 1.4% of net assets.

ⁱThe coupon rate shown represents the rate at period end.

^jSee Note 1(e) regarding loan participation notes.

^kIncome may be received in additional securities and/or cash.

^lSee Note 7 regarding defaulted securities.

^mSee Note 1(i) regarding senior floating rate interests.

ⁿSee Note 8 regarding unfunded loan commitments.

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

^pAdjustable 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.

^qSee Note 1(g) regarding securities on loan.

^rSee Note 3(f) regarding investments in affiliated management investment companies.

^sThe rate shown is the annualized seven-day yield at period end.

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

^uSee Note 1(c) regarding joint repurchase agreement.

^vThe security was issued on a discount basis with no stated coupon rate.

^wSee Note 1(d) regarding written options.

^xSee Note 1(f) regarding securities sold short.

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

At November 30, 2018, 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	58	\$ 2,851,788	12/17/18	\$ (111,762)
Aluminum	Short	58	2,851,788	12/17/18	130,363
Aluminum	Long	1	49,106	3/18/19	(3)
Aluminum	Short	45	2,209,781	3/18/19	13,713
Brent Crude Oil	Short	8	475,680	12/28/18	16,698
Cocoa	Short	11	227,070	3/14/19	12,336
Coffee	Short	9	362,981	3/19/19	44,562
Copper	Long	19	2,957,825	12/17/18	10,657
Copper	Short	19	2,957,825	12/17/18	(49,780)
Copper	Long	13	2,013,863	3/18/19	(4,138)
Copper	Short	13	2,013,863	3/18/19	(2,150)
Corn	Short	43	812,162	3/14/19	9,133
Cotton No.2	Short	22	868,010	3/07/19	(2,092)
Gasoline RBOB	Short	10	588,798	12/31/18	27,110
Gold 100 Oz	Short	6	735,600	2/26/19	4,616
Hard Red Winter Wheat	Short	25	625,312	3/14/19	33,157
Natural Gas	Long	23	1,060,760	12/27/18	243,799
Silver	Short	48	3,412,080	3/27/19	69,518
Soybean	Short	18	816,750	3/14/19	(19,449)
Soybean Meal	Short	17	532,440	3/14/19	1,164
Sugar	Short	9	129,427	2/28/19	(216)
Wheat	Short	36	928,350	3/14/19	(5,334)
Zinc	Long	40	2,595,000	12/17/18	101,328
Zinc	Short	40	2,595,000	12/17/18	(6,405)
Zinc	Long	1	63,375	3/18/19	(590)
Zinc	Short	30	1,901,250	3/18/19	(53,470)
					462,765
Equity Contracts					
CAC 40 10 Euro Index	Long	28	1,581,778	12/21/18	(26,302)
CAC 40 10 Euro Index ^a	Short	10	564,921	12/21/18	(877)
CME E-Mini Russell 2000 Index ^a	Long	10	767,300	12/21/18	19,465
CME E-Mini Russell 2000 Index	Short	76	5,831,480	12/21/18	667,946
DAX Index	Long	6	1,910,088	12/21/18	(135,832)
DAX Index ^a	Short	21	6,685,309	12/21/18	308,815
DJ EURO STOXX 50 Index	Long	56	2,005,276	12/21/18	(112,639)
DJ EURO STOXX 50 Index ^a	Short	444	15,898,970	12/21/18	645,573
DJIA Mini E-CBOT Index ^a	Long	6	766,170	12/21/18	19,688
FTSE 100 Index	Long	70	6,216,137	12/21/18	(266,548)
FTSE 100 Index ^a	Short	176	15,629,145	12/21/18	564,000
FTSE/JSE Top 40 Index	Short	19	615,458	12/20/18	77,016
FTSE/MIB Index	Short	2	217,070	12/21/18	3,908
Hang Seng Index	Long	22	3,730,074	12/28/18	13,890
Hang Seng Index ^a	Short	18	3,051,879	12/28/18	(19,589)
JPX-Nikkei 400 Index	Long	23	298,859	12/13/18	(7,418)
MSCI Emerging Market Index	Long	103	5,147,940	12/21/18	(108,138)
MSCI Taiwan Index	Short	6	218,100	12/27/18	(2,144)
NASDAQ 100 E-Mini Index ^a	Long	12	1,667,880	12/21/18	40,602
NASDAQ 100 E-Mini Index	Short	1	138,990	12/21/18	13,403
Nikkei 225 Index ^a	Long	9	1,673,677	12/13/18	8,876
S&P 500 E-Mini Index ^a	Long	4	551,660	12/21/18	10,715
S&P 500 E-Mini Index	Short	399	55,028,085	12/21/18	2,968,486
SGX MSCI Singapore Index	Long	23	584,347	12/28/18	4,863
SPI 200 Index	Long	14	1,451,490	12/20/18	(120,598)

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

Futures Contracts (continued)

Description	Type	Number of Contracts	Notional Amount*	Expiration Date	Value/Unrealized Appreciation (Depreciation)
Equity Contracts (continued)					
STOXX 600 Banks Index	Long	577	\$ 4,673,823	12/21/18	\$ (436,064)
STOXX 600 Banks Index	Short	185	1,498,540	12/21/18	136,882
TOPIX Index	Long	13	1,910,232	12/13/18	(46,976)
TOPIX Index ^a	Short	7	1,028,586	12/13/18	(13,514)
Yen Denominated Nikkei 225 Index	Short	7	691,274	12/13/18	58,309
					4,265,798
Interest Rate Contracts					
3 Month EURIBOR ^a	Long	312	88,494,073	12/16/19	134,669
10 Yr. Japanese Government Bond	Short	7	9,322,028	12/13/18	(54,140)
90 Day Eurodollar ^a	Short	624	151,281,000	12/16/19	112,490
90 Day Sterling ^a	Short	164	25,824,180	12/18/19	7,216
90 Day Sterling ^a	Short	44	6,922,832	6/17/20	419
Australian 10 Yr. Bond	Long	20	1,898,957	12/17/18	7,398
Australian 10 Yr. Bond ^a	Short	26	2,468,644	12/17/18	(33,086)
Canadian 10 Yr. Bond	Long	10	1,003,199	3/20/19	5,477
Euro BUXL 30 Yr. Bond	Long	2	404,388	12/06/18	5,836
Euro BUXL 30 Yr. Bond	Short	3	606,582	12/06/18	(7,507)
Euro-BTP	Long	40	5,640,602	12/06/18	160,872
Euro-BTP	Short	2	282,030	12/06/18	(4,640)
Euro-BTP	Long	56	7,768,779	3/07/19	48,363
Euro-Bund	Short	7	1,280,162	12/06/18	(14,450)
Euro-SCHATZ	Short	146	18,513,013	12/06/18	(8,638)
Euro-SCHATZ	Short	140	17,735,563	3/07/19	(2,888)
Long Gilt	Short	9	1,406,458	3/27/19	(5,153)
U.S. Treasury 5 Yr. Note	Short	139	15,701,570	3/29/19	(17,410)
U.S. Treasury 10 Yr. Note	Short	12	1,433,437	3/20/19	(3,224)
U.S. Treasury Long Bond	Long	4	559,625	3/20/19	2,411
U.S. Treasury Long Bond ^a	Short	161	22,524,906	3/20/19	(85,098)
U.S. Treasury Ultra 10 Yr. Bond	Short	17	2,150,500	3/20/19	(192)
U.S. Treasury Ultra Bond	Long	3	457,219	3/20/19	1,867
U.S. Treasury Ultra Bond	Short	7	1,066,844	3/20/19	(1)
					250,591
Total Futures Contracts					\$4,979,154

*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(h).

At November 30, 2018, 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							
British Pound	JPHQ	Sell	178,070	227,062	12/03/18	\$ 111	\$ —
Euro	JPHQ	Sell	200,000	178,070	GBP 12/03/18	1,151	(695)
Euro	DBAB	Buy	40,000	45,756	12/03/18	—	(457)
Euro	DBAB	Sell	40,000	45,557	12/03/18	258	—
Euro	JPHQ	Buy	200,000	226,435	12/03/18	60	—
Malaysian Ringgit	MSCS	Buy	190,000	45,357	12/03/18	47	—
Malaysian Ringgit	MSCS	Sell	190,000	45,411	12/03/18	7	—
Mexican Peso	DBAB	Buy	895,000	44,274	12/03/18	—	(322)
Mexican Peso	DBAB	Sell	895,000	44,418	12/03/18	466	—
South African Rand	JPHQ	Buy	4,093,619	295,478	12/03/18	—	(206)
South African Rand	JPHQ	Sell	4,093,619	300,000	12/03/18	4,728	—

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

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)							
Brazilian Real	JPHQ	Buy	10,223,671	2,740,673	12/04/18	\$ —	\$ (97,394)
Brazilian Real	JPHQ	Sell	10,223,671	2,645,193	12/04/18	1,914	—
Euro	JPHQ	Sell	400,000	356,212	GBP 12/04/18	984	—
Euro	JPHQ	Sell	200,000	1,948,068	NOK 12/04/18	184	—
Mexican Peso	JPHQ	Buy	10,177,728	500,000	12/04/18	—	(268)
Indian Rupee	JPHQ	Buy	29,333,200	400,000	12/05/18	20,631	—
Indian Rupee	JPHQ	Sell	29,333,200	414,428	12/05/18	—	(6,203)
Indonesian Rupiah	JPHQ	Buy	4,537,950,000	300,000	12/05/18	17,053	—
Indonesian Rupiah	JPHQ	Sell	4,537,950,000	310,287	12/05/18	—	(6,766)
Philippine Peso	JPHQ	Buy	10,940,460	203,021	12/05/18	5,629	(8)
Philippine Peso	JPHQ	Sell	10,940,460	200,000	12/05/18	—	(8,642)
Hungarian Forint	MSCS	Sell	6,310,000	22,311	12/06/18	225	—
Canadian Dollar	BOFA	Buy	1,482,659	1,131,809	12/07/18	—	(15,652)
Canadian Dollar	UBSW	Buy	232,737	177,423	12/07/18	—	(2,217)
Colombian Peso	JPHQ	Buy	3,224,721,207	995,838	12/07/18	862	—
Colombian Peso	JPHQ	Sell	3,224,721,207	1,039,892	12/07/18	43,192	—
South Korean Won	JPHQ	Buy	1,508,400,764	1,346,185	12/07/18	—	(191)
South Korean Won	JPHQ	Sell	1,508,400,764	1,342,890	12/07/18	—	(3,104)
Brazilian Real	HSBC	Sell	145,000	38,618	12/10/18	1,141	—
Chilean Peso	DBAB	Buy	35,945,000	53,315	12/10/18	206	—
Chilean Peso	DBAB	Sell	35,945,000	52,899	12/10/18	—	(622)
Chinese Yuan	BOFA	Buy	415,000	59,988	12/10/18	—	(223)
Japanese Yen	DBAB	Sell	3,335,000	29,497	12/10/18	85	—
Peruvian Nuevo Sol	MSCS	Buy	195,000	57,793	12/10/18	—	(141)
Philippine Peso	MSCS	Buy	3,255,000	61,336	12/10/18	719	—
Russian Ruble	MSCS	Sell	2,495,000	37,626	12/10/18	438	—
Singapore Dollar	GSCO	Sell	55,000	40,044	12/10/18	—	(54)
Swedish Krona	GSCO	Sell	205,000	22,825	12/10/18	281	—
Thai Baht	HSBC	Sell	1,245,000	37,787	12/11/18	—	(87)
British Pound	BNYM	Sell	2,075,591	2,661,510	12/14/18	14,214	—
Euro	BNYM	Sell	16,131,408	18,279,588	12/14/18	3,900	(14,546)
Hong Kong Dollar	BNYM	Sell	15,506,000	1,982,155	12/14/18	—	(512)
Swiss Franc	BNYM	Sell	379,093	377,696	12/14/18	—	(2,426)
New Zealand Dollar	MSCS	Sell	70,000	47,338	12/17/18	—	(793)
Taiwan Dollar	JPHQ	Sell	65,156,579	2,134,602	12/18/18	15,927	—
British Pound	BNYM	Buy	231,185	294,895	12/19/18	67	—
British Pound	BNYM	Sell	738,596	972,481	12/19/18	30,128	—
Canadian Dollar	BNYM	Sell	1,938,000	1,478,644	12/19/18	19,158	—
Canadian Dollar	HSBC	Buy	65,000	49,167	12/19/18	—	(216)
Chinese Yuan	JPHQ	Sell	14,098,239	2,037,719	12/19/18	10,579	—
Colombian Peso	JPHQ	Buy	7,132,830,400	2,219,677	12/19/18	—	(16,688)
Euro	BNYM	Buy	2,836,938	3,251,450	12/19/18	—	(33,107)
Euro	BNYM	Sell	7,650,412	8,963,889	12/19/18	284,934	—
Euro	JPHQ	Buy	3,314,382	3,780,633	12/19/18	10,085	(30,742)
Euro	JPHQ	Sell	3,314,382	3,862,591	12/19/18	102,616	—
Indian Rupee	JPHQ	Buy	190,480,761	2,650,885	12/19/18	76,830	(779)
Indian Rupee	JPHQ	Sell	250,547,129	3,419,714	12/19/18	—	(167,138)
Japanese Yen	BNYM	Buy	80,220,000	714,655	12/19/18	—	(6,476)
Japanese Yen	BNYM	Sell	256,966,000	2,318,623	12/19/18	50,136	—
Mexican Peso	JPHQ	Buy	27,656,194	1,410,311	12/19/18	—	(55,528)
Mexican Peso	JPHQ	Sell	27,656,194	1,449,711	12/19/18	94,928	—
Russian Ruble	JPHQ	Buy	49,208,821	696,477	12/19/18	36,061	—
Russian Ruble	JPHQ	Sell	23,111,954	344,633	12/19/18	581	—
South African Rand	JPHQ	Buy	1,351,641	88,871	12/19/18	8,431	—
South African Rand	JPHQ	Sell	91,008,408	5,976,805	12/19/18	204	(574,892)
Swiss Franc	BNYM	Sell	1,111,861	1,155,979	12/19/18	40,398	—
Turkish Lira	JPHQ	Buy	3,760,556	559,774	12/19/18	153,459	—
Turkish Lira	JPHQ	Sell	3,760,556	574,530	12/19/18	—	(138,703)

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)							
British Pound	DBAB	Buy	4,175,000	5,500,599	12/20/18	\$ 1	\$(173,480)
British Pound	DBAB	Sell	4,477,000	5,794,426	12/20/18	81,989	(23)
Canadian Dollar	DBAB	Sell	8,381,000	6,460,772	12/20/18	148,937	—
Euro	DBAB	Buy	2,904,000	3,374,910	12/20/18	40	(80,171)
Euro	DBAB	Sell	4,676,000	5,447,284	12/20/18	142,089	(36)
Japanese Yen	DBAB	Buy	355,217,000	3,145,969	12/20/18	2,908	(12,686)
Japanese Yen	DBAB	Sell	406,929,000	3,631,677	12/20/18	39,558	(636)
Swiss Franc	DBAB	Buy	79,000	79,774	12/20/18	—	(501)
Swiss Franc	DBAB	Sell	5,321,000	5,333,879	12/20/18	9,867	(15,462)
Australian Dollar	JPHQ	Sell	6,252,486	4,520,129	12/21/18	—	(51,508)
Australian Dollar ^b	MSCO	Buy	9,154,000	6,570,264	12/21/18	122,984	(110)
Australian Dollar ^b	MSCO	Sell	16,786,000	11,968,125	12/21/18	—	(305,313)
British Pound	JPHQ	Buy	356,132	456,365	12/21/18	—	(1,926)
British Pound	JPHQ	Sell	718,981	932,999	12/21/18	15,549	—
British Pound ^b	MSCO	Buy	7,524,000	9,753,829	12/21/18	—	(152,889)
British Pound ^b	MSCO	Sell	11,998,000	15,646,851	12/21/18	337,040	(140)
Canadian Dollar	JPHQ	Buy	487,521	367,064	12/21/18	175	(70)
Canadian Dollar	JPHQ	Sell	4,125,270	3,122,412	12/21/18	15,523	—
Canadian Dollar ^b	MSCO	Buy	10,122,000	7,777,697	12/21/18	—	(154,454)
Canadian Dollar ^b	MSCO	Sell	14,300,000	10,908,697	12/21/18	138,854	—
Euro	JPHQ	Buy	1,523,787	1,733,152	12/21/18	3,719	(7,847)
Euro	JPHQ	Sell	400,000	455,159	12/21/18	1,475	(192)
Euro ^b	MSCO	Buy	9,845,000	11,386,963	12/21/18	3,782	(219,734)
Euro ^b	MSCO	Sell	17,018,000	19,750,424	12/21/18	441,730	(1,441)
Hong Kong Dollar	JPHQ	Sell	13,968,075	1,786,441	12/21/18	52	—
Japanese Yen	JPHQ	Sell	1,980,342	17,426	12/21/18	—	(60)
Japanese Yen ^b	MSCO	Buy	3,477,093,000	30,975,020	12/21/18	21,720	(294,288)
Japanese Yen ^b	MSCO	Sell	5,546,510,000	49,550,504	12/21/18	582,546	(7,278)
Mexican Peso	JPHQ	Buy	113,634,607	5,500,586	12/21/18	64,258	—
Mexican Peso ^b	MSCO	Buy	55,244,000	2,824,040	12/21/18	855	(119,520)
Mexican Peso ^b	MSCO	Sell	14,755,000	762,610	12/21/18	40,038	—
New Zealand Dollar	JPHQ	Sell	3,918,002	2,647,541	12/21/18	—	(46,622)
New Zealand Dollar ^b	MSCO	Buy	3,804,000	2,515,295	12/21/18	100,476	—
New Zealand Dollar ^b	MSCO	Sell	11,271,000	7,402,531	12/21/18	159	(347,983)
Norwegian Krone	JPHQ	Buy	14,997,589	1,769,036	12/21/18	—	(22,148)
Russian Ruble	JPHQ	Buy	1,283,468	18,832	12/21/18	269	—
Singapore Dollar	JPHQ	Sell	746,970	541,270	12/21/18	—	(3,420)
South African Rand	JPHQ	Sell	8,218,108	589,932	12/21/18	229	(1,754)
Swedish Krona	JPHQ	Buy	8,944,814	988,577	12/21/18	—	(3,644)
Swedish Krona	JPHQ	Sell	2,053,633	227,146	12/21/18	1,016	—
Swiss Franc	JPHQ	Sell	3,828,467	3,804,442	12/21/18	—	(37,800)
Swiss Franc ^b	MSCO	Buy	7,518,000	7,658,412	12/21/18	4,508	(117,870)
Swiss Franc ^b	MSCO	Sell	15,772,000	16,199,278	12/21/18	388,573	(18,038)
Turkish Lira	JPHQ	Buy	3,422,262	615,831	12/21/18	32,473	—
British Pound	MSCS	Sell	100,000	128,088	12/24/18	458	—
British Pound	BNYM	Sell	657,000	868,028	12/28/18	29,274	—
British Pound	MSCO	Buy	58,006	74,481	12/28/18	—	(428)
British Pound	MSCO	Sell	20,704	26,613	12/28/18	181	—
Canadian Dollar	MSCO	Buy	2,083,183	1,586,300	12/28/18	—	(17,037)
Canadian Dollar	MSCO	Sell	4,489,912	3,418,040	12/28/18	35,817	(27)
Colombian Peso	MSCS	Sell	780,000,000	240,444	12/28/18	—	(326)
Danish Krone	MSCO	Buy	1,810,254	279,619	12/28/18	—	(4,147)
Danish Krone	MSCO	Sell	1,810,254	277,085	12/28/18	1,613	—
Euro	BNYM	Buy	1,490,000	1,721,486	12/28/18	—	(29,517)
Euro	BNYM	Sell	4,241,000	5,011,166	12/28/18	195,300	—
Euro	MSCO	Buy	1,009,660	1,152,672	12/28/18	195	(6,348)
Euro	MSCO	Sell	81,743	93,266	12/28/18	443	—
Hungarian Forint	UBSW	Sell	534,910,000	1,863,733	12/28/18	—	(13,054)

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

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)							
Japanese Yen	MSCO	Buy	84,046,248	750,739	12/28/18	\$ —	\$ (8,043)
Japanese Yen	MSCO	Sell	30,469,837	271,330	12/28/18	2,075	—
Swedish Krona	MSCO	Buy	4,563,009	503,913	12/28/18	—	(1,065)
Swiss Franc	MSCO	Buy	139,838	140,756	12/28/18	—	(292)
Swiss Franc	MSCO	Sell	139,838	140,560	12/28/18	95	—
Taiwan Dollar	MSCS	Sell	1,400,000	45,396	12/28/18	—	(167)
Turkish Lira	MSCO	Buy	2,167,891	385,444	12/28/18	23,535	—
Turkish Lira	MSCO	Sell	876,132	150,455	12/28/18	—	(14,830)
British Pound	DBAB	Sell	481,000	615,242	12/31/18	1,065	—
Euro	DBAB	Sell	183,000	206,874	12/31/18	—	(994)
South African Rand	MSCS	Sell	30,985,000	2,212,977	12/31/18	—	(14,259)
Brazilian Real	JPHQ	Buy	10,223,671	2,641,025	1/03/19	—	(2,003)
Mexican Peso	DBAB	Sell	895,000	44,063	1/03/19	324	—
Indian Rupee	JPHQ	Sell	26,574,850	354,667	1/09/19	—	(24,875)
Brazilian Real	JPHQ	Sell	1,127,888	301,257	1/11/19	10,273	—
British Pound	JPHQ	Buy	48,316	62,164	1/16/19	—	(422)
British Pound	MSCO	Sell	1,915,644	2,492,451	1/16/19	44,494	—
South Korean Won	JPHQ	Sell	860,509,310	761,813	1/17/19	—	(7,323)
Japanese Yen	DBAB	Buy	306,230,488	2,703,020	1/22/19	8,755	—
Japanese Yen	MSCO	Sell	10,629,275	93,825	1/22/19	—	(301)
Swiss Franc	UBSW	Buy	123,815	125,450	1/23/19	—	(764)
Swiss Franc	UBSW	Sell	2,375,922	2,404,658	1/23/19	12,028	—
Brazilian Real	JPHQ	Sell	3,743,814	1,012,538	1/25/19	47,577	—
Chilean Peso	JPHQ	Sell	256,493,611	377,668	1/25/19	—	(4,430)
Peruvian Nuevo Sol	JPHQ	Sell	270,749	80,853	1/25/19	937	—
South Korean Won	JPHQ	Sell	1,508,400,764	1,349,437	2/07/19	31	—
New Zealand Dollar	DBAB	Sell	2,083,067	1,401,038	2/14/19	—	(32,706)
New Zealand Dollar	JPHQ	Buy	112,070	76,824	2/14/19	312	—
Australian Dollar	JPHQ	Buy	180,028	131,908	2/19/19	—	(141)
Australian Dollar	MSCO	Buy	146,605	107,613	2/19/19	—	(309)
Australian Dollar	MSCO	Sell	6,712,045	4,845,459	2/19/19	—	(67,263)
Euro	MSCO	Buy	116,654	133,807	2/19/19	—	(754)
Euro	MSCO	Sell	5,505,051	6,265,078	2/19/19	—	(13,873)
Swiss Franc	MSCO	Sell	3,000,000	3,046,830	2/25/19	16,889	—
Colombian Peso	JPHQ	Sell	3,224,721,207	992,527	2/28/19	—	(612)
Euro	JPHQ	Sell	2,388,113	2,721,625	3/20/19	—	(9,111)
Indian Rupee	JPHQ	Sell	50,915,148	722,098	3/20/19	472	—
British Pound	MSCO	Buy	120,000	157,119	3/29/19	—	(3,242)
British Pound	MSCO	Sell	211,000	279,574	3/29/19	9,007	—
Mexican Peso	MSCO	Buy	37,863,000	1,850,758	3/29/19	—	(25,281)
Mexican Peso	MSCO	Sell	37,863,000	1,914,496	3/29/19	89,019	—
Total Forward Exchange Contracts						\$4,326,569	\$(3,688,786)
Net unrealized appreciation (depreciation)						\$ 637,783	

*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(h).

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

At November 30, 2018, the Fund had the following credit default swap contracts outstanding. See Note 1(d).

Credit Default Swap Contracts

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								
Contracts to Buy Protection^c								
Single Name								
Government of Mexico	(1.00%)	Quarterly	6/20/23	1,744,000	\$ 27,314	\$ 3,310	\$ 24,004	
Government of Mexico	(1.00%)	Quarterly	12/20/23	866,000	17,690	14,756	2,934	
Government of South Africa	(1.00%)	Quarterly	12/20/21	2,644,000	65,094	181,272	(116,178)	
Government of South Africa	(1.00%)	Quarterly	6/20/22	1,495,000	47,826	77,628	(29,802)	
Government of South Korea	(1.00%)	Quarterly	12/20/21	1,947,567	(43,560)	(56,447)	12,887	
Government of South Korea	(1.00%)	Quarterly	12/20/22	164,487	(4,311)	(3,929)	(382)	
Government of Turkey	(1.00%)	Quarterly	9/20/20	1,976,000	78,154	157,717	(79,563)	
Government of Turkey	(1.00%)	Quarterly	12/20/20	1,723,000	77,849	104,521	(26,672)	
Government of Turkey	(1.00%)	Quarterly	12/20/21	429,000	29,789	26,235	3,554	
Government of Turkey	(1.00%)	Quarterly	6/20/23	294,000	31,831	42,891	(11,060)	
Contracts to Sell Protection^{c,d}								
Single Name								
Government of Russia	1.00%	Quarterly	9/20/20	2,800,131	(9,346)	(339,144)	329,798	BB+
Government of Russia	1.00%	Quarterly	6/20/21	413,000	(2,853)	(30,563)	27,710	BB+
Government of Russia	1.00%	Quarterly	12/20/21	374,000	(3,595)	(13,889)	10,294	BB+
Government of South Africa	1.00%	Quarterly	12/20/22	874,000	(34,225)	(17,002)	(17,223)	BB+
Government of Turkey	1.00%	Quarterly	12/20/22	826,000	(77,738)	(37,352)	(40,386)	B+
Traded Index								
CDX.NA.HY.31	5.00%	Quarterly	12/20/23	1,500,000	81,389	54,650	26,739	
Total Centrally Cleared Swap Contracts					\$281,308	\$ 164,654	\$ 116,654	
OTC Swap Contracts								
Contracts to Buy Protection^c								
Counterparty								
Single Name								
Enel SpA	(1.00%)	Quarterly	BOFA	6/20/23	550,000 EUR	3,270	(286)	3,556
Enel SpA	(1.00%)	Quarterly	MSCS	12/20/23	330,000 EUR	4,340	2,212	2,128
Traded Index								
CDX.EM.30	(1.00%)	Quarterly	MSCS	12/20/23	1,480,000	67,294	69,405	(2,111)
Total OTC Swap Contracts					\$ 74,904	\$ 71,331	\$ 3,573	
Total Credit Default Swap Contracts					\$356,212	\$ 235,985	\$ 120,227	

^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.

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

At November 30, 2018, 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 2.11%				
Pay Floating rate 3 Month USD-LIBOR	Quarterly	1/05/20	57,430,000	\$(218,730)
Receive Fixed rate 2.61%				
Pay Floating rate 3 Month USD-LIBOR	Quarterly	4/13/20	7,740,000	(33,307)
Receive Fixed rate 2.83%				
Pay Floating rate 3 Month USD-LIBOR	Quarterly	7/16/20	41,050,000	226,226
Receive Fixed rate 2.83%				
Pay Floating rate 3 Month USD-LIBOR	Quarterly	7/24/20	14,400,000	77,351
Receive Fixed rate 8.35%				
Pay Floating rate BRL-BRLCDI	Annually	1/04/21	18,658,675 BRL	45,407
Receive Fixed rate 2.10%				
Pay Floating rate 3 Month CABA	Semi-Annually	9/14/21	2,900,000 CAD	(28,767)
Receive Fixed rate 2.11%				
Pay Floating rate 3 Month CABA	Semi-Annually	9/15/21	7,000,000 CAD	(66,851)
Receive Fixed rate 2.12%				
Pay Floating rate 3 Month CABA	Semi-Annually	9/15/21	7,000,000 CAD	(66,009)
Receive Fixed rate 2.07%				
Pay Floating rate 3 Month CABA	Semi-Annually	9/20/21	5,360,000 CAD	(56,715)
Receive Fixed rate 2.12%				
Pay Floating rate 3 Month CABA	Semi-Annually	9/20/21	7,000,000 CAD	(65,564)
Receive Fixed rate 2.37%				
Pay Floating rate 3 Month CABA	Semi-Annually	4/09/22	9,077,000 CAD	(47,273)
Receive Floating rate 6 Month CZK-PRIBOR				
Pay Fixed rate 1.67%	Annually	3/21/23	18,133,702 CZK	25,229
Receive Floating rate 6 Month CZK-PRIBOR				
Pay Fixed rate 1.74%	Annually	3/21/23	9,453,969 CZK	11,712
Receive Floating rate 6 Month CZK-PRIBOR				
Pay Fixed rate 1.86%	Annually	3/21/23	39,226,029 CZK	39,073
Receive Floating rate 6 Month CZK-PRIBOR				
Pay Fixed rate 1.88%	Annually	9/19/23	32,090,072 CZK	35,295
Receive Floating rate MIBOR				
Pay Fixed rate 6.67%	Annually	6/20/23	68,165,992 INR	7,189
Receive Fixed rate 7.87%				
Pay Floating rate 1 Month MXN TIE	Monthly	9/13/23	18,187,067 MXN	(37,463)
Receive Fixed rate 7.89%				
Pay Floating rate 1 Month MXN TIE	Monthly	9/13/23	5,702,534 MXN	(11,502)
Receive Fixed rate 7.91%				
Pay Floating rate 1 Month MXN TIE	Monthly	9/13/23	14,910,921 MXN	(29,384)
Receive Fixed rate 7.95%				
Pay Floating rate 1 Month MXN TIE	Monthly	9/13/23	23,311,467 MXN	(44,293)
Receive Fixed rate 7.88%				
Pay Floating rate 1 Month MXN TIE	Monthly	12/13/23	14,655,455 MXN	(31,739)
Receive Fixed rate 8.07%				
Pay Floating rate 1 Month MXN TIE	Monthly	12/13/23	7,866,180 MXN	(13,846)
Receive Fixed rate 8.81%				
Pay Floating rate 1 Month MXN TIE	Monthly	12/13/23	60,005,254 MXN	(14,336)
Receive Floating rate 3 Month CABA				
Pay Fixed rate 2.37%	Semi-Annually	9/15/27	1,960,000 CAD	43,781
Receive Floating rate 3 Month CABA				
Pay Fixed rate 2.37%	Semi-Annually	9/15/27	2,800,000 CAD	63,878
Receive Floating rate 3 Month CABA				
Pay Fixed rate 2.36%	Semi-Annually	9/20/27	2,290,000 CAD	51,730
Receive Floating rate 3 Month CABA				
Pay Fixed rate 2.39%	Semi-Annually	9/20/27	2,800,000 CAD	58,806

Franklin K2 Alternative Strategies Fund (continued)

Interest Rate Swap Contracts (continued)

Description	Payment Frequency	Maturity Date	Notional Amount*	Value/Unrealized Appreciation (Depreciation)	
Centrally Cleared Swap Contracts (continued)					
Receive Floating rate 3 Month USD-LIBOR Pay Fixed rate 2.43%	Semi-Annually	1/05/28	10,697,000	\$451,955	
Receive Floating rate 3 Month CABA Receive Fixed rate 2.56%	Semi-Annually	4/09/28	3,069,000 CAD	33,703	
Receive Floating rate 3 Month USD-LIBOR Pay Fixed 2.93%	Semi-Annually	7/16/28	9,100,000	15,567	
Receive Floating rate 6 Month HUF-BURBOR Pay Fixed rate 3.43%	Annually	12/19/28	373,846,017 HUF	(84,611)	
Receive Floating rate 6 Month HUF-BURBOR Pay Fixed rate 3.43%	Annually	12/19/28	282,910,499 HUF	(63,574)	
Receive Floating rate 6 Month GBP-LIBOR Pay Fixed rate 1.41%	Semi-Annually	8/04/67	133,000 GBP	22,854	
Receive Floating rate 6 Month GBP-LIBOR Pay Fixed rate 1.60%	Semi-Annually	12/19/68	1,752,805 GBP	131,691	
Total Centrally Cleared Swap Contracts				427,483	
OTC Swap Contracts					
		<u>Counterparty</u>			
Receive Floating rate 3 Month KLIBOR Pay Fixed rate 4.14%	Quarterly	MSCS	5/18/23	2,611,289 MYR	(8,226)
Receive Floating rate 3 Month KLIBOR Pay Fixed rate 4.14%	Quarterly	BOFA	5/21/23	2,647,855 MYR	(8,310)
Receive Floating rate 3 Month KLIBOR Pay Fixed rate 4.02%	Quarterly	BOFA	6/08/23	5,870,335 MYR	(12,476)
Total OTC Swap Contracts				(29,012)	
Total Interest Rate Swap Contracts				\$398,471	

*In U.S. dollars unless otherwise indicated.

At November 30, 2018, the Fund had the following total return swap contracts outstanding. See Note 1(d).

Total Return Swap Contracts

Underlying Instrument	Financing Rate	Payment Frequency	Counterparty	Maturity Date	Notional Value*	Value/Unrealized Appreciation (Depreciation)
OTC Swap Contracts						
Equity Contracts - Long^a						
Air China Ltd.	1-Day HONIX + 0.95%	Monthly	MSCS	7/09/19	6,279,963 HKD	\$ 23,644
Alphabet Inc.	1-Month LIBOR + 0.50%	Monthly	MSCS	9/22/20	1,089,143	229,122
Altaba Inc.	1-Day FEDEF + 0.40%	Monthly	MSCS	12/20/18	4,633,590	1,029,903
AngloAmerican PLC	1-Month LIBOR + 0.50%	Monthly	MSCS	1/18/19	325,579 GBP	(49,989)
Anima Holding SpA	1-Month LIBOR + 0.40%	Monthly	MSCS	12/19/18	182,938 EUR	(562)
Barclays PLC	1-Month LIBOR + 0.40%	Monthly	MSCS	4/12/19	871,684 GBP	(51,717)
BNP Paribas SA	1-Month LIBOR + 0.40%	Monthly	MSCS	12/19/18	1,690,754 EUR	(51,244)
Caterpillar Inc.	1-Month LIBOR + 0.50%	Monthly	MSCS	9/22/20	2,896,540	(95,361)
Celesio AG	1-Day EONIA + 0.65%	Monthly	MSCS	11/04/19	3,160,765 EUR	(43,295)
Danone SA	1-Month LIBOR + 0.40%	Monthly	MSCS	12/19/18	3,292,732 EUR	4,465
Delta Air Lines Inc.	1-Month LIBOR + 0.50%	Monthly	MSCS	9/22/20	3,839,709	496,867
Dominion Energy Midstream Partners LP	1-Day FEDEF + 1.00%	Monthly	MSCS	12/20/18	1,032,419	15,165
EDP Renovaveis SA	1-Day EONIA + 0.65%	Monthly	MSCS	9/04/19	787,315 EUR	22,999
Express Scripts Holding Co.	1-Day FEDEF + 0.40%	Monthly	MSCS	12/20/18	3,568,304	197,815
Hikma Pharmaceuticals PLC	1-Month LIBOR + 0.40%	Monthly	MSCS	4/12/19	216,930 GBP	(1,535)
Iliad SA	1-Month LIBOR + 0.40%	Monthly	MSCS	12/19/18	2,277,066 EUR	627,617
Innogy SE	1-Day EONIA + 0.65%	Monthly	MSCS	9/04/19	4,098,502 EUR	353,815
ITV PLC	1-Month LIBOR + 0.40%	Monthly	MSCS	4/12/19	1,974,524 GBP	(34,915)

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED STATEMENT OF INVESTMENTS (UNAUDITED)

Franklin K2 Alternative Strategies Fund (continued)

Total Return Swap Contracts (continued)

Underlying Instrument	Financing Rate	Payment Frequency	Counterparty	Maturity Date	Notional Value*	Value/Unrealized Appreciation (Depreciation)
OTC Swap Contracts (continued)						
Equity Contracts - Long^a (continued)						
Knight-Swift Transportation Holdings Inc.	1-Month LIBOR + 0.50%	Monthly	MSCS	9/22/20	1,006,765	\$ (17,905)
L3 Technologies Inc.	1-Day FEDEF + 0.40%	Monthly	MSCS	12/20/18	2,314,732	(99,965)
LafargeHolcim Ltd.	1-Month LIBOR + 0.40%	Monthly	MSCS	7/26/19	3,219,584 CHF	(121,265)
Monster Beverage Corp.	1-Month LIBOR + 0.50%	Monthly	MSCS	9/22/20	624,033	31,970
Nestle SA	1-Month LIBOR + 0.40%	Monthly	MSCS	7/26/19	2,776,498 CHF	(1,456)
NVR Inc.	1-Month LIBOR + 0.50%	Monthly	MSCS	9/22/20	2,382,154	325,096
OneMarket Ltd.	1-Month LIBOR + 0.55%	Monthly	MSCS	2/20/20	—	12,479
Plastic Omnium SA	1-Month EURIBOR + 0.50%	Monthly	MSCS	1/10/19	377,251 EUR	(116,053)
Rio Tinto PLC	1-Month LIBOR + 0.50%	Monthly	MSCS	1/18/19	780,872 GBP	(41,486)
Rio Tinto PLC	1-Month LIBOR + 0.50%	Monthly	MSCS	9/22/20	2,744,510	22,139
RSA Insurance Group PLC	1-Month LIBOR + 0.40%	Monthly	MSCS	4/12/19	1,122,364 GBP	12,550
RWE AG	1-Day EONIA + 0.65%	Monthly	MSCS	10/30/19	2,033,529 EUR	(80,872)
Ryanair Holdings PLC	1-Month EURIBOR + 0.40%	Monthly	MSCS	12/19/18	756,806 EUR	(69,271)
SCOR SE	1-Month LIBOR + 0.45%	Monthly	DBAB	11/25/19	457,702 EUR	(618)
Shangri-La Asia Ltd.	1-Day HONIX + 0.95%	Monthly	MSCS	7/09/19	3,753,374 HKD	(8,800)
Shire PLC	1-Day FEDEF + 1.25%	Monthly	MSCS	2/20/20	5,440,867	148,273
Smiths Group PLC	1-Month LIBOR + 0.40%	Monthly	MSCS	4/12/19	832,749 GBP	51,097
Societe Generale SA	1-Month LIBOR + 0.40%	Monthly	MSCS	12/19/18	1,647,234 EUR	(41,867)
Sports Direct International PLC	1-Month LIBOR + 0.40%	Monthly	MSCS	4/12/19	545,741 GBP	6,664
Take-Two Interactive Software Inc.	1-Month LIBOR + 0.50%	Monthly	MSCS	9/22/20	1,957,736	28,826
Twenty-First Century Fox Inc.	1-Month LIBOR + 0.40%	Monthly	DBAB	8/20/19	1,670,584	(506)
Vivendi SA	1-Day EONIA + 0.65%	Monthly	MSCS	10/30/19	55,402 EUR	1,562
Vodafone Group PLC	1-Day SONIA + 0.65%	Monthly	MSCS	2/06/19	3,073,582 GBP	(144,488)
						<u>2,568,898</u>
Equity Contracts - Short^b						
Accor SA	1-Day EONIA - 0.40%	Monthly	MSCS	1/10/19	141,516 EUR	16,735
Air France-KLM	1-Day EONIA - 0.40%	Monthly	MSCS	1/10/19	804,442 EUR	(129,979)
Alibaba Group Holding Ltd	1-Day FEDEF - 0.35%	Monthly	MSCS	12/20/18	4,730,553	233,739
Cigna Corp.	1-Day FEDEF - 0.35%	Monthly	MSCS	12/20/18	1,889,880	(129,406)
Colruyt SA	1-Day EONIA - 0.40%	Monthly	MSCS	12/19/18	1,072,977 EUR	4,789
CVS Health Corp.	1-Day FEDEF - 0.35%	Monthly	MSCS	12/20/18	2,874	8,594
Diamondback Energy Inc.	1-Day FEDEF - 0.40%	Monthly	MSCS	2/06/19	22,363	3,046
Dominion Energy Inc.	1-Day FEDEF - 0.35%	Monthly	MSCS	12/20/18	1,011,635	(26,292)
Gemalto NV	1-Day EONIA - 0.40%	Monthly	MSCS	10/30/19	911,204 EUR	(445)
Glencore PLC	1-Day SONIA - 0.35%	Monthly	MSCS	1/18/19	144,887 GBP	15,503
Harris Corp.	1-Day FEDEF - 0.35%	Monthly	MSCS	12/20/18	2,360,569	103,562
iShares STOXX Europe 600 UCITS ETF	1-Day EONIA - 0.63%	Monthly	MSCS	1/10/19	16,928 EUR	1,230
Jardine Lloyd Thompson Group	1-Day SONIA - 0.35%	Monthly	MSCS	2/06/19	205,111 GBP	(1,073)
Kering SA	1-Day EONIA - 0.40%	Monthly	MSCS	1/10/19	249,397 EUR	5,856
MSPSGAS2	1-Day FEDEF - 0.35%	Monthly	MSCS	9/22/20	177,562	18,350
NASDAQ 100 Total Return Index	1-Day FEDEF - 0.15%	Monthly	MSCS	10/28/20	735,005	(13,478)
S&P 500 Total Return Index	1-Day FEDEF - 0.20%	Monthly	MSCS	11/08/19	2,005,711	(48,880)
Takeda Pharmaceutical Co. Ltd.	1-Day FEDEF - 0.40%	Monthly	MSCS	5/21/20	2,184,706	211,509
Technology Select Sector SPDR Index	1-Day FEDEF - 0.35%	Monthly	MSCS	9/22/20	2,125,193	19,546
Turk Hava Yollari AO	1-Day FEDEF - 0.75%	Monthly	MSCS	9/16/20	240,838	(24,886)
Unilever NV	1-Day EONIA - 0.35%	Monthly	MSCS	12/19/18	1,429,644 EUR	(29,547)
The Walt Disney Co.	1-Month LIBOR - 0.35%	Monthly	DBAB	8/20/19	355,897	5,178
						<u>243,651</u>
Total Total Return Swap Contracts						<u>\$2,812,549</u>

*In U.S. dollars unless otherwise indicated.

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

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

See Note 9 regarding other derivative information.

See Abbreviations on page 86.

Consolidated Financial Statements

Consolidated Statement of Assets and Liabilities

November 30, 2018 (unaudited)

Franklin K2 Alternative Strategies Fund

Assets:

*Investments in securities:	
Cost - Unaffiliated issuers	\$1,030,850,919
Cost - Non-controlled affiliates (Note 3f)	7,395,000
Cost - Unaffiliated repurchase agreements	20,033,224
Value - Unaffiliated issuers	\$1,106,334,617
Value - Non-controlled affiliates (Note 3f)	7,395,000
Value - Unaffiliated repurchase agreements	20,033,224
Cash	45,067,362
Receivables:	
Investment securities sold	12,471,809
Capital shares sold	6,942,713
Dividends and interest	4,331,026
Deposits with brokers for:	
Exchange traded options written	411,117
Securities sold short	250,684,317
OTC derivative contracts	11,950,000
Futures contracts	10,994,251
Centrally cleared swap contracts	4,934,055
Due from brokers	9,607,490
OTC swap contracts (upfront payments \$74,315)	71,617
Unrealized appreciation on OTC forward exchange contracts	4,326,569
Unrealized appreciation on OTC swap contracts	4,295,389
Other assets	16,786
Total assets	1,499,867,342

Liabilities:

Payables:	
Investment securities purchased	14,755,053
Capital shares redeemed	1,977,646
Management fees	1,709,779
Distribution fees	62,167
Transfer agent fees	206,921
Variation margin on futures contracts	231,569
Variation margin on centrally cleared swap contracts	28,414
Due to brokers	5,640,505
OTC swap contracts (upfront receipts \$291)	286
Options written, at value (premiums received \$487,226)	390,304
Securities sold short, at value (proceeds \$273,121,137)	270,364,878
Payable upon return of securities loaned	9,392,878
Unrealized depreciation on OTC forward exchange contracts	3,688,786
Unrealized depreciation on OTC swap contracts	1,508,279
Unrealized depreciation on unfunded loan commitments (Note 8)	7,718
Accrued expenses and other liabilities	280,492
Total liabilities	310,245,675
Net assets, at value	\$1,189,621,667

Net assets consist of:

Paid-in capital	\$1,124,286,547
Total distributable earnings (loss)	65,335,120
Net assets, at value	\$1,189,621,667

*Includes securities loaned \$ 9,130,930

Consolidated Statement of Assets and Liabilities (continued)
November 30, 2018 (unaudited)

Franklin K2 Alternative Strategies Fund

Class A:

Net assets, at value	\$107,204,594
Shares outstanding	9,493,715
Net asset value per share ^a	\$11.29
Maximum offering price per share (net asset value per share ÷ 94.50%)	\$11.95

Class C:

Net assets, at value	\$48,234,293
Shares outstanding	4,340,318
Net asset value and maximum offering price per share ^a	\$11.11

Class R:

Net assets, at value	\$708,741
Shares outstanding	62,653
Net asset value and maximum offering price per share	\$11.31

Class R6:

Net assets, at value	\$36,849,290
Shares outstanding	3,249,525
Net asset value and maximum offering price per share	\$11.34

Advisor Class:

Net assets, at value	\$996,624,749
Shares outstanding	87,996,590
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.

FRANKLIN ALTERNATIVE STRATEGIES FUNDS
CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Statement of Operations

for the six months ended November 30, 2018 (unaudited)

Franklin K2 Alternative Strategies Fund

Investment income:	
Dividends: (net of foreign taxes)*	
Unaffiliated issuers	\$ 4,085,394
Interest: (net of foreign taxes)~	
Unaffiliated issuers	11,490,089
Income from securities loaned (net of fees and rebates)	120,268
Total investment income	<u>15,695,751</u>
Expenses:	
Management fees (Note 3a)	11,183,029
Distribution fees: (Note 3c)	
Class A	140,921
Class C	261,633
Class R	1,565
Transfer agent fees: (Note 3e)	
Class A	61,130
Class C	28,375
Class R	339
Class R6	3,394
Advisor Class	530,523
Custodian fees (Note 4)	92,758
Reports to shareholders	66,330
Registration and filing fees	68,797
Professional fees	286,289
Trustees' fees and expenses	171,880
Dividends and interest on securities sold short	2,250,359
Other	55,587
Total expenses	15,202,909
Expense reductions (Note 4)	(140,000)
Expenses waived/paid by affiliates (Note 3f and 3g)	(951,935)
Net expenses	<u>14,110,974</u>
Net investment income	<u>1,584,777</u>
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments:	
Unaffiliated issuers	10,511,276
Written options	505,590
Foreign currency transactions	391,783
Forward exchange contracts	4,263,967
Futures contracts	(4,366,574)
Securities sold short	(5,587,018)
Swap contracts	2,080,987
Net realized gain (loss)	<u>7,800,011</u>
Net change in unrealized appreciation (depreciation) on:	
Investments:	
Unaffiliated issuers	(27,523,445)
Translation of other assets and liabilities denominated in foreign currencies	35,899
Forward exchange contracts	(980,806)
Written options	(36,572)
Futures contracts	5,557,210
Securities sold short	7,613,861
Swap contracts	(3,862,247)
Net change in unrealized appreciation (depreciation)	<u>(19,196,100)</u>
Net realized and unrealized gain (loss)	<u>(11,396,089)</u>
Net increase (decrease) in net assets resulting from operations	<u>\$ (9,811,312)</u>
*Foreign taxes withheld on dividends	\$ 44,905
~Foreign taxes withheld on interest	\$ 420

Consolidated Statements of Changes in Net Assets

Franklin K2 Alternative Strategies Fund

	Six Months Ended November 30, 2018 (unaudited)	Year Ended May 31, 2018
Increase (decrease) in net assets:		
Operations:		
Net investment income	\$ 1,584,777	\$ 2,548,305
Net realized gain (loss)	7,800,011	17,117,174
Net change in unrealized appreciation (depreciation)	(19,196,100)	20,905,020
Net increase (decrease) in net assets resulting from operations	(9,811,312)	40,570,499
Distributions to shareholders: (Note 1k)		
Class A	—	(1,546,194)
Class C	—	(285,639)
Class R	—	(5,635)
Class R6	—	(2,505,528)
Advisor Class	—	(11,772,288)
Total distributions to shareholders	—	(16,115,284)
Capital share transactions: (Note 2)		
Class A	(11,281,609)	(2,755,965)
Class C	(4,364,367)	(3,461,065)
Class R	64,767	38,619
Class R6	5,274,179	(238,755,438)
Advisor Class	108,598,757	206,066,759
Total capital share transactions	98,291,727	(38,867,090)
Net increase (decrease) in net assets	88,480,415	(14,411,875)
Net assets:		
Beginning of period	1,101,141,252	1,115,553,127
End of period (Note 1k)	\$1,189,621,667	\$1,101,141,252

Notes to Consolidated Financial Statements (unaudited)

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

Franklin K2 Alternative Strategies Fund (continued)

duration of any restrictions on 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. The VC monitors price movements for significant events 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 amounts owed by the seller to the Fund in the event of default

Franklin K2 Alternative Strategies Fund (continued)

1. Organization and Significant Accounting Policies (continued)

c. Joint Repurchase Agreement (continued)

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 period end, as indicated in the Consolidated Statement of Investments, had been entered into on November 30, 2018.

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 and equity price risk. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset at a specified price on a future date. Required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable 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.

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

Franklin K2 Alternative Strategies Fund (continued)

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 Note 9 regarding other derivative information.

e. Loan Participation Notes

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

Franklin K2 Alternative Strategies Fund (continued)

1. Organization and Significant Accounting Policies (continued)

f. 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.

g. 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 the 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 in 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.

h. 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 November 30, 2018, 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. The financial statements have been consolidated and include the accounts of the Fund and the K2 Subsidiary. 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 November 30, 2018, the net assets of the K2 Subsidiary were \$18,636,874, representing 1.6% of the Fund's consolidated net assets. The Fund's investment in the K2 Subsidiary is limited to 25% of consolidated assets.

i. 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.

Franklin K2 Alternative Strategies Fund (continued)

j. 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 November 30, 2018, 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.

k. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. Dividend income 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.

l. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

m. Guarantees and Indemnifications

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

*Effective during the current reporting period, it is no longer required to present certain line items as shown below on the Consolidated Statements of Changes in Net Assets. Such disclosure changes are included in the Consolidated Statements of Changes in Net Assets, therefore prior period amounts are presented below.

Franklin K2 Alternative Strategies Fund (continued)

1. Organization and Significant Accounting Policies (continued)

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 November 30, 2018, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Six Months Ended November 30, 2018		Year Ended May 31, 2018	
	Shares	Amount	Shares	Amount
Class A Shares:				
Shares sold ^a	1,439,884	\$ 16,459,379	3,176,630	\$ 35,979,221
Shares issued in reinvestment of distributions	—	—	129,508	1,467,319
Shares redeemed	(2,417,722)	(27,740,988)	(3,551,224)	(40,202,505)
Net increase (decrease)	(977,838)	\$ (11,281,609)	(245,086)	\$ (2,755,965)
Class C Shares:				
Shares sold	405,763	\$ 4,586,954	1,190,986	\$ 13,334,868
Shares issued in reinvestment of distributions	—	—	23,870	268,067
Shares redeemed ^a	(795,671)	(8,951,321)	(1,527,860)	(17,064,000)
Net increase (decrease)	(389,908)	\$ (4,364,367)	(313,004)	\$ (3,461,065)
Class R Shares:				
Shares sold	22,451	\$ 255,327	13,905	\$ 158,094
Shares issued in reinvestment of distributions	—	—	496	5,635
Shares redeemed	(16,564)	(190,560)	(11,085)	(125,110)
Net increase (decrease)	5,887	\$ 64,767	3,316	\$ 38,619
Class R6 Shares:				
Shares sold	640,599	\$ 7,319,844	532,029	\$ 6,021,672
Shares issued in reinvestment of distributions	—	—	220,254	2,497,684
Shares redeemed	(177,354)	(2,045,665)	(21,717,786)	(247,274,794)
Net increase (decrease)	463,245	\$ 5,274,179	(20,965,503)	\$(238,755,438)
Advisor Class Shares:				
Shares sold	19,396,830	\$ 223,048,226	32,825,857	\$ 372,819,294
Shares issued in reinvestment of distributions	—	—	757,060	8,585,060
Shares redeemed	(9,992,848)	(114,449,469)	(15,458,901)	(175,337,595)
Net increase (decrease)	9,403,982	\$ 108,598,757	18,124,016	\$ 206,066,759

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

Franklin K2 Alternative Strategies Fund (continued)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. 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
Loomis Sayles & Company, L.P.
P. Schoenfeld Asset Management L.P.
Portland Hill Capital LLP
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

Franklin K2 Alternative Strategies Fund (continued)

3. Transactions with Affiliates (continued)

c. Distribution Fees (continued)

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 period:

Sales charges retained net of commissions paid to unaffiliated brokers/dealers . . .	\$14,387
CDSC retained	\$ 4,347

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.

For the period ended November 30, 2018, the Fund paid transfer agent fees of \$623,761, of which \$188,453 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 period ended November 30, 2018, the Fund held investments in affiliated management investment companies as follows:

	Number of Shares Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Dividend Income	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
Non-Controlled Affiliates								
Institutional Fiduciary Trust Money								
Market Portfolio, 1.91%	10,700,000	43,662,000	(46,967,000)	7,395,000	\$7,395,000	\$71,381	\$ —	\$ —

Franklin K2 Alternative Strategies Fund (continued)

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 period ended November 30, 2018, the custodian fees were reduced as noted in the Consolidated Statement of Operations.

5. Income Taxes

For tax purposes, the Fund may elect to defer any portion of a late-year ordinary loss to the first day of the following fiscal year. At May 31, 2018, the Fund deferred late-year ordinary losses of \$4,481,585.

At November 30, 2018, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	\$830,695,221
Unrealized appreciation	\$105,823,793
Unrealized depreciation	(64,110,646)
Net unrealized appreciation (depreciation)	\$ 41,713,147

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

6. Investment Transactions

Purchases and sales of investments and securities sold short (excluding short term securities) for the period ended November 30, 2018, aggregated \$1,167,513,322 and \$1,187,819,634, respectively.

At November 30, 2018, in connection with securities lending transactions, the Fund loaned equity investments and corporate bonds and notes and received \$9,392,878 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.

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

Franklin K2 Alternative Strategies Fund (continued)

7. Credit Risk and Defaulted Securities (continued)

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 November 30, 2018, the aggregate long value of distressed company securities for which interest recognition has been discontinued was \$7,961,828, representing 0.7% 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 entered 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. Funded portions of credit agreements are presented in the Consolidated Statement of Investments.

At November 30, 2018, unfunded commitments were as follows:

Borrower	Unfunded Commitment
Altice USA Inc., Term Loan B	\$ 109,254
ARAMARK Services Inc., Term Loan B-3	40,000
Arby's, Term Loan B	50,000
Charter Communications Operating LLC, Term Loan B	115,000
Grifols Worldwide Operations USA Inc., Term Loan B	75,000
Grizzly Short Fund	95,000
Jeld-Wen Inc., Term Loan B	189,996
Meredith Corp., Term Loan B	190,584
Messer Industrial Builders LLC, Term Loan B	75,000
Summit Materials LLC	110,000
	\$1,049,834

9. Other Derivative Information

At November 30, 2018, the Fund's 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	Investments in securities, at value	\$ 679 ^a	Options written, at value	\$ 5,128
	Variation margin on futures contracts	487,018 ^b	Variation margin on futures contracts	236,427 ^b
	Variation margin on centrally cleared swap contracts	1,341,447 ^b	Variation margin on centrally cleared swap contracts	913,964 ^b
			Unrealized depreciation on OTC swap contracts	29,012

Franklin K2 Alternative Strategies Fund (continued)

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
Foreign exchange contracts	Investments in securities, at value	\$ 86,647 ^a	Options written, at value	\$ 53,608
	Unrealized appreciation on OTC forward exchange contracts	4,326,569	Unrealized depreciation on OTC forward exchange contracts	3,688,786
Credit contracts	Variation margin on centrally cleared swap contracts	437,920 ^b	Variation margin on centrally cleared swap contracts	321,266 ^b
	OTC swap contracts (upfront payments)	71,617	OTC swap contracts (upfront receipts)	286
	Unrealized appreciation on OTC swap contracts	5,684	Unrealized depreciation on OTC swap contracts	2,111
Equity contracts	Investments in securities, at value	1,544,105 ^a	Options written, at value	331,568
	Variation margin on futures contracts	5,562,437 ^b	Variation margin on futures contracts	1,296,639 ^b
	Unrealized appreciation on OTC swap contracts	4,289,705	Unrealized depreciation on OTC swap contracts	1,477,156
Commodity contracts	Variation margin on futures contracts	718,154 ^b	Variation margin on futures contracts	255,389 ^b
Totals		<u>\$18,871,982</u>		<u>\$8,611,340</u>

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

^bThis 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 period end is separately reported within the Consolidated Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment.

For the period ended November 30, 2018, the effect of derivative contracts in the Fund's 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 Period	Consolidated Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Period
	Net realized gain (loss) from:		Net change in unrealized appreciation (depreciation) on:	
Interest rate contracts	Investments	\$ (95,748) ^a	Investments	\$ 66,673 ^a
	Written options	26,341	Written options	(14,144)
	Futures contracts	568,518	Futures contracts	(564,034)
	Swap contracts	(783,587)	Swap contracts	124,485
Foreign exchange contracts	Investments	56,533 ^a	Investments	(22,123) ^a
	Written options	23,869	Written options	9,704
	Foreign exchange contracts	4,263,967	Forward exchange contracts	(980,806)
Credit contracts	Swap contracts	(260,371)	Swap contracts	182,359

Franklin K2 Alternative Strategies Fund (continued)

9. Other Derivative Information (continued)

Derivative Contracts Not Accounted for as Hedging Instruments	Consolidated Statement of Operations Location	Net Realized Gain (Loss) for the Period	Consolidated Statement of Operations Location	Net Change in Unrealized Appreciation (Depreciation) for the Period
Equity contracts	Investments	\$(3,656,652) ^a	Investments	\$ 843,101 ^a
	Written options	455,380	Written options	(32,132)
	Futures contracts	(2,274,999)	Futures contracts	4,689,872
	Swap contracts	3,153,188	Swap contracts	(4,169,091)
Commodity contracts	Futures contracts	(2,660,093)	Futures contracts	1,431,372
	Swap contracts	(28,243)		
Totals		\$(1,211,897)		\$ 1,565,236

^aPurchased 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 period ended November 30, 2018, the average month end notional amount of futures contracts, options and swap contracts represented \$613,199,134, 19,030,195 shares/units and \$369,343,675, respectively. The average month end contract value of forward exchange contracts was \$335,631,325.

At November 30, 2018, the Fund's 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	\$4,326,569	\$3,688,786
Options Purchased	86,647	—
Options Written	—	53,608
Swap Contracts	4,367,006	1,508,565
Total	\$8,780,222	\$5,250,959

^aAbsent 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.

At November 30, 2018, the Fund's OTC derivative assets, which may be offset against the Fund's OTC derivative liabilities and collateral received from the counterparty, are as follows:

	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	
Counterparty					
BNYM	\$667,509	\$ (86,584)	\$(533,102)	\$ —	\$ 47,823
BOFA	3,556	(3,556)	—	—	—
DBAB	463,106	(319,220)	—	—	143,886
GSCO	281	(54)	—	(227)	—
HSBC	1,141	(303)	—	—	838

Franklin K2 Alternative Strategies Fund (continued)

	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	
JPHQ	\$ 375,711	\$ (309,290)	\$ —	\$ —	\$ 66,421
JPHQ ^c	490,096	—	—	—	490,096
MSCO	223,363	(163,240)	—	—	60,123
MSCO ^d	2,183,265	(1,739,058)	—	—	444,207
MSCS	75,639	(26,023)	—	—	49,616
MSCS ^c	4,284,527	—	—	—	4,284,527
UBSW	12,028	(12,028)	—	—	—
Total	\$8,780,222	\$(2,659,356)	\$(533,102)	\$(227)	\$5,587,537

At November 30, 2018, the Fund's OTC derivative liabilities, which may be offset against the Fund's 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	\$ 86,584	\$ (86,584)	\$ —	\$ —	\$ —
BOFA	36,947	(3,556)	—	—	33,391
DBAB	319,220	(319,220)	—	—	—
GSCO	54	(54)	—	—	—
HSBC	303	(303)	—	—	—
JPHQ	309,290	(309,290)	—	—	—
JPHQ ^c	1,078,173	—	—	—	1,078,173
MSCO	163,240	(163,240)	—	—	—
MSCO ^d	1,739,058	(1,739,058)	—	—	—
MSCS	26,023	(26,023)	—	—	—
MSCS ^c	1,476,032	—	—	—	1,476,032
UBSW	16,035	(12,028)	—	—	4,007
Total	\$5,250,959	\$(2,659,356)	\$ —	\$ —	\$2,591,603

^aIn 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.

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

^cRepresents derivatives not subject to an ISDA master agreement.

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

See Note 1(d) regarding derivative financial instruments.

See Abbreviations on page 86.

Franklin K2 Alternative Strategies Fund (continued)

10. Credit Facility

The Fund, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matures on February 8, 2019. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Consolidated Statement of Operations. During the period ended November 30, 2018, 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)

11. Fair Value Measurements (continued)

A summary of inputs used as of November 30, 2018, 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				
Common Stocks and Other Equity Interests	\$540,627,825	\$ 831	\$ — ^b	\$ 540,628,656
Exchange Traded Funds	5,722,578	—	—	5,722,578
Convertible Preferred Stocks	—	83,400	—	83,400
Preferred Stocks	281,618	—	4	281,622
Convertible Bonds	—	76,460,133	—	76,460,133
Corporate Bonds and Notes	—	153,816,003	—	153,816,003
Corporate Bonds and Notes in Reorganization	—	7,961,828	—	7,961,828
Senior Floating Rate Interests	—	10,940,917	—	10,940,917
Foreign Government and Agency Securities	—	24,962,083	—	24,962,083
Asset-Backed Securities and Commercial Mortgage-Backed Securities	—	25,220,963	—	25,220,963
Options Purchased	1,544,784	86,647	—	1,631,431
Short Term Investments	266,020,003	20,033,224	—	286,053,227
Total Investments in Securities	\$814,196,808	\$319,566,029	\$ 4	\$1,133,762,841
Other Financial Instruments:				
Futures Contracts	\$ 6,767,609	\$ —	\$ —	\$ 6,767,609
Forward Exchange Contracts	—	4,326,569	—	4,326,569
Swap Contracts	—	6,074,756	—	6,074,756
Total Other Financial Instruments	\$ 6,767,609	\$ 10,401,325	\$ —	\$ 17,168,934
Liabilities:				
Other Financial Instruments:				
Options Written	\$ 336,696	\$ 53,608	\$ —	\$ 390,304
Securities Sold Short ^a	260,819,560	9,545,318	—	270,364,878
Futures Contracts	1,788,455	—	—	1,788,455
Forward Exchange Contracts	—	3,688,786	—	3,688,786
Swap Contracts	—	2,743,509	—	2,743,509
Unfunded Loan Commitments	—	7,718	—	7,718
Total Other Financial Instruments	\$262,944,711	\$ 16,038,939	\$ —	\$ 278,983,650

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

^bIncludes securities determined to have no value at November 30, 2018.

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 period.

Franklin K2 Alternative Strategies Fund (continued)

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.

Abbreviations

Counterparty		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
DBAB	Deutsche Bank, AG	BRL	Brazilian Real	ARM	Adjustable Rate Mortgage
GSCO	Goldman Sachs International	CAD	Canadian Dollar	BADLAR	Argentina Deposit Rates Badlar Private Banks ARS
HSBC	HSBC Bank USA, N.A.	CHF	Swiss Franc	BRLCDI	Brazil Cetip DI Interbank Deposit Rate
JPHQ	JP Morgan Chase Bank, N.A.	COP	Colombian Peso	BURBOR	Budapest Interbank Offered Rate
MSCO	Morgan Stanley & Co., LLC	CZK	Czech Koruna	CABA	Canadian Bank's Acceptance
MSCS	Morgan Stanley Capital Services LLC	EUR	Euro	CAC	Cotation Assistee en Continu
UBSW	UBS AG	GBP	British Pound	CBOT	Chicago Board of Trade
		HKD	Hong Kong Dollar	CME	Chicago Mercantile Exchange
		HUF	Hungarian Forint	DAX	Deutscher Aktienindex
		INR	Indian Rupee	DJIA	Dow Jones Industrial Average
		JPY	Japanese Yen	EONIA	Euro OverNight Index Average
		MXN	Mexican Peso	ETF	Exchange Traded Fund
		MYR	Malaysian Ringgit	EURIBOR	Euro Interbank Offered Rate
		NOK	Norwegian Krone	FEDEF	Federal Funds Effective Rate
		TWD	Taiwan Dollar	FHLMC	Federal Home Loan Mortgage Corp.
		USD	United States Dollar	FRN	Floating Rate Note
		ZAR	South African Rand	FTSE	Financial Times Stock Exchange
				HONIX	Hong Kong Overnight Index Rate
				IDR	International Depositary Receipt
				JSE	Johannesburg Stock Exchange Index
				KLIBOR	Kuala Lumpur Interbank Offered Rate
				LIBOR	London InterBank Offered Rate
				MIB	Milano Italia Borsa
				MIBOR	Mumbai Interbank Offered Rate
				MSCI	Morgan Stanley Capital International
				PIK	Payment In-Kind
				PRIBOR	Prague Interbank Offered Rate
				REIT	Real Estate Investment Trust
				SGX	Singapore Exchange
				SONIA	Sterling Overnight Index Average
				SPDR	S&P Depositary Receipt
				SPI	Swiss Performance Index
				TIIE	Interbank Equilibrium Interest Rate
				TOPIX	Tokyo Price Index

Index

CDX.EM	CDX Emerging Markets Index
CDX.NA.HY	CDX North America High Yield Index

Shareholder Information

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 consolidated statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year on Form N-Q. Shareholders may view the filed Form N-Q 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.

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**Semiannual Report and Shareholder Letter
Franklin K2 Alternative Strategies Fund**

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