OCTOBER 31, 2013

SEMIANNUAL REPORT AND SHAREHOLDER LETTER

Franklin Biotechnology Discovery Fund

Franklin Natural Resources Fund

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SECTOR

Franklin Strategic Series

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Franklin Templeton's distinct multi-manager structure combines the specialized expertise of three world-class investment management groups—Franklin, Templeton and Mutual Series.

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MUTUAL FUNDS | RETIREMENT PLANS | 529 COLLEGE SAVINGS PLANS | SEPARATELY MANAGED ACCOUNTS

Not part of the semiannual report

Contents

Shareholder Letter 1

Semiannual Report

Economic and Market Overview 3

Franklin Biotechnology Discovery Fund 4

Franklin Natural Resources Fund 11

Financial Highlights and Statements of Investments 22

Financial Statements 36

Notes to Financial Statements 40

Shareholder Information 53

Shareholder Letter

Dear Shareholder:

During the six-month period ended October 31, 2013, the U.S. economy showed signs of improvement, supported by encouraging personal income, consumer and business spending, manufacturing, housing, employment and export trends. Political gridlock in Washington, federal spending cuts and concerns about possible changes to quantitative easing policy affected the financial markets. Overall, however, investor confidence improved. In this environment, stocks, as measured by the Standard & Poor's® 500 Index, generated strong gains.[1]

We remain encouraged as the U.S. showed signs of continued economic growth during the six-month period. With this economic environment, we believe companies generally could continue to deliver healthy earnings and cash flow, which have historically been favorable for financial markets. Keep in mind in all economic environments we remain committed to our long-term perspective and disciplined investment approach. First and foremost for us, this means conducting diligent, fundamental analysis of securities with a continual emphasis on investment risk management.

Franklin Strategic Series' semiannual report goes into greater detail about prevailing conditions during the period under review. In addition, you will find Fund performance data, financial information and discussions from the portfolio managers. Please remember all securities markets fluctuate, as do mutual fund share prices.

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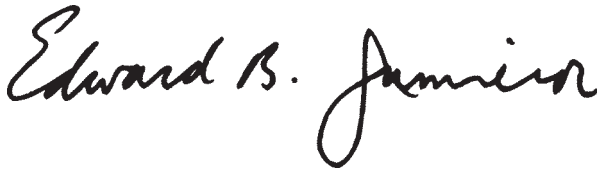
If you would like more frequent updates, **franklintempleton.com** provides daily prices, monthly performance figures, portfolio holdings and other information. You can also access your account, buy and sell shares, and find helpful financial planning tools. We hope you will take advantage of these online services.

We believe active management serves investors well. We also see the important role financial advisors serve in markets like these and encourage investors to continue to seek their counsel. While headwinds remain and the global recovery will continue to be uneven, we are confident investors with a well-diversified portfolio and a patient, long-term outlook should be well positioned for the years ahead.

We thank you for investing with Franklin Templeton, welcome your questions and comments, and look forward to serving your future investment needs.

Sincerely,



Edward B. Jamieson
President and Chief Executive Officer – Investment Management
Franklin Strategic Series

This letter reflects our analysis and opinions as of October 31, 2013. 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.

Semiannual Report

Economic and Market Overview

The U.S. economy grew moderately during the six-month period ended October 31, 2013, supported by business investment, consumer spending, inventory gains, exports, and state and local government spending. Solid new and existing home sales accompanied historically low mortgage rates, rising but affordable housing prices, low inventories and multi-year lows in new foreclosures. Manufacturing, a mainstay of economic productivity, expanded for most of the period, and the unemployment rate declined to 7.3% in October from 7.5% in April.[1]

Federal Reserve Board (Fed) Chairman Ben Bernanke indicated in May that the Fed might reduce monthly purchases of mortgage-backed securities and Treasuries, assuming ongoing U.S. recovery. However, in September, he announced that any tapering of Fed purchases would be postponed until U.S. economic growth strengthened. Because of partisan disagreement about a new health care law, Congress did not authorize some routine federal funding, resulting in a temporary shutdown of non-essential U.S. government services beginning on October 1. On October 17, the partial shutdown ended after Congress agreed to fund the government until January 15, 2014, and raise the debt limit through February 7. Near period-end, the Fed left its monetary policy unchanged as it awaited more evidence of a sustainable economic expansion. The Fed noted that although the government's fiscal policy may have restrained growth, the economy maintained its underlying strength.

Rising corporate profits and generally favorable economic data bolstered investor confidence, helping markets overcome brief periods of sell-offs in reaction to Fed statements and to Washington's fiscal negotiations. U.S. stocks generated strong six-month returns as the Standard & Poor's 500 Index and Dow Jones Industrial Average reached all-time highs during the period.

The foregoing information reflects our analysis and opinions as of October 31, 2013. 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.

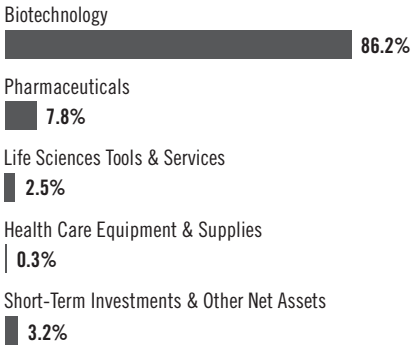
1. Source: Bureau of Labor Statistics.

Franklin Biotechnology Discovery Fund

Your Fund's Goal and Main Investments: Franklin Biotechnology Discovery Fund seeks capital appreciation by investing at least 80% of its net assets in securities of biotechnology companies and discovery research firms located in the U.S. and other countries.

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. Please visit ***franklintempleton.com*** *or call* ***(800) 342-5236*** *for most recent month-end performance.*

Portfolio Breakdown
Franklin Biotechnology Discovery Fund
Based on Total Net Assets as of 10/31/13



We are pleased to bring you Franklin Biotechnology Discovery Fund's semiannual report for the six-month period ended October 31, 2013.

Performance Overview

Franklin Biotechnology Discovery Fund – Class A delivered a +19.99% cumulative total return for the six months under review. In comparison, the NASDAQ Biotechnology Index, which tracks U.S. and international-based biotechnology stocks, generated a +19.21% total return.[1] Also for comparison, the Standard & Poor's 500 Index, which is a broad measure of the U.S. stock market, generated a total return of +11.15%.[1] Finally, domestic and international-based stocks, as measured by the NASDAQ Composite Index, produced a total return of +18.55%.[1] You can find the Fund's long-term performance data in the Performance Summary beginning on page 7.

Investment Strategy

The Fund is managed using a bottom-up approach to individual stock selection, with a focus on fundamental analysis and primary research. We look for biotechnology, biopharmaceutical and platform technology companies that possess products with favorable competitive profiles, large market opportunities and strong intellectual property, supported by thoughtful clinical and market development strategies. Our assessment of these products is based on extensive primary research and due diligence and includes, but is not limited to, a thorough review of medical literature, consultation of community and academic physicians, and attendance at scientific meetings and symposia.

Additionally, we favor companies with excellent management, strong financial characteristics and attractive valuations.

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The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 25.

Manager's Discussion

During the six months under review, certain stocks in the pharmaceuticals industry drove the Fund's absolute performance. A small group of biotechnology and pharmaceuticals holdings each rose more than 50%, and some other holdings had double-digit gains. However, the biotechnology industry remained subject to volatility surrounding trial drug results, and a few positions declined notably following adverse results. Please keep in mind volatility is not uncommon in the biotechnology sector, and the Fund seeks to take advantage of short-term volatility by initiating or adding to securities we believe to be undervalued.

Gilead Sciences was a key contributor to Fund performance. The biopharmaceutical company develops therapeutics to treat life-threatening diseases, including HIV, liver disease and respiratory illnesses. Higher antiviral drug sales helped third-quarter earnings exceed consensus estimates, and near period-end the European Commission approved one of the company's HIV medicines, Tybost. Gilead also offered a large product pipeline, including a hepatitis C drug in the latter stage of the U.S. Food and Drug Administration (FDA) approval process and several trial drugs in Phase II or Phase III.

Celgene, which specializes in treatments for cancer and immunological diseases, received approvals from regulatory agencies for treatments targeting bone marrow disorders and pancreatic cancer. Impressive sales for the company's myeloma drugs helped revenue growth during the period. Celgene's drug sales increased in part from the company expanding availability to new regions. Sales also increased for a number of medicines, including the company's blood cancer drug Revlimid and Abraxane, whose application expanded from lung and breast cancer to include pancreatic cancer.

Biotechnology sector holding Celldex Therapeutics was a leading performer during the period. Focused on developing immunotherapy treatments for cancer and other serious illnesses, Celldex received favorable reactions from several analysts following promising results for an antibody drug that seeks to target a protein found in breast cancer and melanoma tumors. The company boasts a deep drug portfolio at the development stage and has agreements with specialty research institutes and pharmaceuticals firms.

Questcor Pharmaceuticals was another biotechnology holding benefiting performance. The company's earnings and sales continued to climb after tripling last year, and near period-end Questcor substantially raised its dividend, its second dividend increase in 2013. The company also sought new applications for Acthar Gel, a drug currently used to treat many conditions including multiple sclerosis and infantile spasms.

In contrast, certain Fund holdings weighed on performance. ARIAD Pharmaceuticals' share price fell notably as sales of the company's leukemia

Top 10 Holdings

Franklin Biotechnology Discovery Fund
10/31/13

Company *Sector/Industry*	% of Total Net Assets
Gilead Sciences Inc. *Biotechnology*	10.6%
Amgen Inc. *Biotechnology*	10.2%
Celgene Corp. *Biotechnology*	9.8%
Biogen Idec Inc. *Biotechnology*	6.0%
Medivation Inc. *Biotechnology*	4.4%
Alexion Pharmaceuticals Inc. *Biotechnology*	4.1%
Regeneron Pharmaceuticals Inc. *Biotechnology*	4.0%
Vertex Pharmaceuticals Inc. *Biotechnology*	3.2%
Incyte Corp. *Biotechnology*	3.1%
BioMarin Pharmaceutical Inc. *Biotechnology*	2.8%

drug Iclusig were suspended resulting from increased risk of blood clots. Iclusig represented ARIAD's only approved drug. ARIAD said it was working with the FDA to seek a solution and possibly mitigate the risks, and potentially bring the drug back once safety is established. In addition, patients who were taking the drug and responding well to treatment were allowed to continue its use through a supervised program.

Clinical biopharmaceutical company Amarin met with a regulatory agency delay in its effort to expand application of its Vascepa medicine to include patients with high triglycerides. Although the company's fish-pill treatment is approved for patients with severely high triglycerides, an FDA panel requested Amarin complete a study on heart benefits before the FDA decides on the wider use of Vascepa. If the drug is approved for expanded use, it could notably increase the potential patient base.

Early in the period, pharmaceutical products developer Allergan announced it was encountering challenges with the development of a vision-loss treatment and a hair-loss medication. In addition, the FDA released guidelines that could make it easier for generic drug companies to get approval for generic versions of the company's patented eye treatment Restasis. Amid these developments, Allergan's share price declined. We exited our position during the period.

Thank you for your continued participation in Franklin Biotechnology Discovery Fund. We look forward to serving your future investment needs.

Evan McCulloch, CFA
Lead Portfolio Manager

Jerel A. Banks, M.D., Ph.D.

Portfolio Management Team
Franklin Biotechnology Discovery Fund

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The foregoing information reflects our analysis, opinions and portfolio holdings as of October 31, 2013, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Performance Summary as of 10/31/13

Franklin Biotechnology Discovery Fund

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. 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.

Price Information

Class A (Symbol: FBDIX)	Change	10/31/13	4/30/13
Net Asset Value (NAV)	+$21.18	$127.13	$105.95
Class R6 (Symbol: FRBRX)	**Change**	**10/31/13**	**5/1/13**
Net Asset Value (NAV)	+$23.98	$128.54	$104.56
Advisor Class (Symbol: FTDZX)	**Change**	**10/31/13**	**4/30/13**
Net Asset Value (NAV)	+$21.56	$128.42	$106.86

Performance[1]

Cumulative total return excludes sales charges. Aggregate and average annual total returns and value of $10,000 investment include maximum sales charges. ***Class A:*** *5.75% maximum initial sales charge;* ***Class R6/Advisor Class:*** *no sales charges.*

Class A	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return[2]	+19.99%	+54.59%	+177.37%	+224.88%
Average Annual Total Return[3]	+13.10%	+45.70%	+21.19%	+11.84%
Value of $10,000 Investment[4]	$11,310	$14,570	$26,143	$30,620
Avg. Ann. Total Return (9/30/13)[5]		+45.72%	+19.68%	+12.60%
Total Annual Operating Expenses[6]	1.22%			
Class R6				**Inception (5/1/13)**
Cumulative Total Return[2]				+22.93%
Aggregate Total Return[7]				+22.93%
Value of $10,000 Investment[4]				$12,293
Aggregate Total Return (9/30/13)[5, 7]				+30.72%
Total Annual Operating Expenses[6]	0.72%			
Advisor Class[8]	**6-Month**	**1-Year**	**5-Year**	**10-Year**
Cumulative Total Return[2]	+20.18%	+55.07%	+180.73%	+228.82%
Average Annual Total Return[3]	+20.18%	+55.07%	+22.93%	+13.40%
Value of $10,000 Investment[4]	$12,018	$15,507	$28,073	$32,882
Avg. Ann. Total Return (9/30/13)[5]		+55.07%	+21.40%	+13.40%
Total Annual Operating Expenses[6]	0.93%			

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****.*

Performance Summary *(continued)*

Endnotes

All investments involve risks, including possible loss of principal. The Fund is a nondiversified fund that concentrates in a single sector, which involves risks such as patent considerations, product liability, government regulatory requirements and regulatory approval for new drugs and medical products. Biotechnology companies often are small and/or relatively new. Smaller companies can be particularly sensitive to changes in economic conditions and have less certain growth prospects than larger, more established companies and can be volatile, especially over the short term. The Fund may also invest in foreign companies, which involve special risks, including currency fluctuations and political uncertainty. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class R6: Shares are available to certain eligible investors as described in the prospectus.

Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

1. The Fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year end. Fund investment results reflect the fee waiver, to the extent applicable; without this reduction, 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. Six-month return has not been annualized.

4. These figures represent the value of a hypothetical $10,000 investment in the Fund over the periods indicated.

5. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.

6. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

7. Aggregate total return represents the change in value of an investment for the period indicated. Since Class R6 shares have existed for less than one year, average annual total return is not available.

8. Effective 9/1/09, the Fund began offering Advisor Class shares, which do not have sales charges or a Rule 12b-1 plan. Performance quotations for this class reflect the following methods of calculation: (a) For periods prior to 9/1/09, a restated figure is used based upon the Fund's Class A performance, excluding the effect of Class A's maximum initial sales charge, but reflecting the effect of the Class A Rule 12b-1 fees; and (b) for periods after 9/1/09, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 9/1/09 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +160.93% and +25.90%.

Your Fund's Expenses

Franklin Biotechnology Discovery Fund

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- 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 following table 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 first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

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:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Expenses Paid During Period."
   If Expenses Paid During Period were $7.50, then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses paid this period are $64.50.

Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

Your Fund's Expenses *(continued)*

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

Class A	Beginning Account Value 5/1/13	Ending Account Value 10/31/13	Expenses Paid During Period* 5/1/13–10/31/13
Actual	$1,000	$1,199.90	$6.10
Hypothetical (5% return before expenses)	$1,000	$1,019.66	$5.60
Class R6			
Actual	$1,000	$1,229.30	$3.54
Hypothetical (5% return before expenses)	$1,000	$1,022.03	$3.21
Advisor Class			
Actual	$1,000	$1,201.80	$4.44
Hypothetical (5% return before expenses)	$1,000	$1,021.17	$4.08

*Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 1.10%; R6: 0.63%; and Advisor: 0.80%), multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

Franklin Natural Resources Fund

Your Fund's Goal and Main Investments: Franklin Natural Resources Fund seeks high total return (total return consists of capital appreciation and current dividend and interest income) by investing at least 80% of its net assets in equity and debt securities of companies that own, produce, refine, process, transport or market natural resources, as well as those that provide related services for natural resources companies.

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. Please visit ***franklintempleton.com*** *or call* ***(800) 342-5236*** *for most recent month-end performance.*

We are pleased to bring you Franklin Natural Resources Fund's semiannual report for the period ended October 31, 2013.

Performance Overview

Franklin Natural Resources Fund – Class A had a cumulative total return of +11.41% for the six months under review. In comparison, the Standard & Poor's (S&P®) North American Natural Resources Index, which tracks companies involved in extractive industries (mining), energy, timber and forestry services, and the production of pulp and paper, produced a total return of +11.34%.[1] Also in comparison, the S&P 500 Index, which is a broad measure of the U.S. stock market, generated a total return of +11.15%.[1] Please note index performance information is provided for reference and we do not attempt to track any index but rather undertake investments on the basis of fundamental research. The Fund's strategy, which focuses on companies with higher growth potential for the long term, differs from the natural resources index's large weighting in income-oriented companies with limited growth opportunities. This difference may occasionally lead to wide performance discrepancies, especially in periods when investors focus on short-term safety and yield. You can find the Fund's long-term performance data in the Performance Summary beginning on page 17.

Investment Strategy

We use a fundamental, research-driven approach to identify industries in the natural resources sector that we believe offer the strongest underlying attributes including, but not limited to, favorable supply and demand characteristics, barriers to entry, and pricing power. Within those industries, we seek to identify individual companies that have identifiable growth drivers and that present, in

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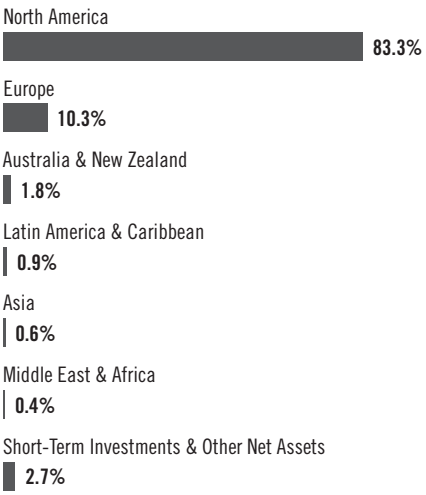
The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Statement of Investments (SOI). The SOI begins on page 32.

Geographic Breakdown
Franklin Natural Resources Fund
Based on Total Net Assets as of 10/31/13



our opinion, the best trade-off between growth potential, business and financial risk, and valuation. The Fund's holdings are typically concentrated in the energy sector but also can include investments in the metals and mining, chemicals, paper and forest products, and other related sectors.

Sector Overview

Although world economic conditions generally improved during the six-month review period, weakness in some emerging market country economies, a U.S. federal government shutdown in the third quarter and tension in the Middle East weighed on investor sentiment and many commodities. Globally, inflation remained subdued, and the annual inflation rate declined in August and September. Overall, global commodity price performance was generally anemic, and in June the Reuters/Jeffries CRB Index of 19 key materials reached its lowest level in nearly a year. However, declines for metal and agricultural prices were countered by gains for energy prices and energy stocks, particularly for companies involved in oilfield services and exploration and production (E&P).

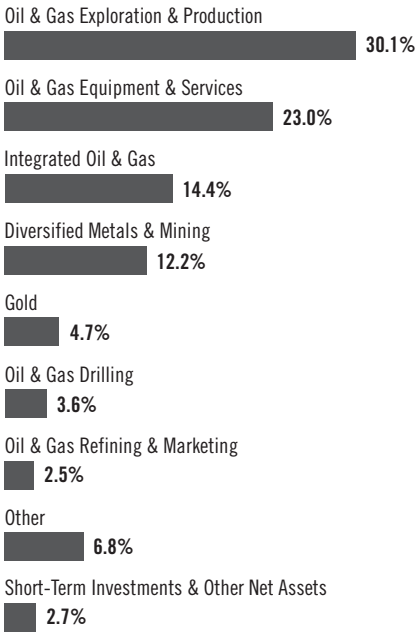
World oil usage reached a record level in September following economic improvement in Europe and the U.S. and steady consumption growth in developing economies. In addition, oil prices were bolstered by unrest in the Middle East, including ongoing nuclear negotiations with Iran, which raised questions related to the stability of oil supply. Although crude oil prices rose for the six-month review period and reached a two-year high in early September, concerns remained over China's economic growth, demand for oil and growing U.S. crude oil inventories. Amid these concerns, crude oil prices retreated during the last two months of the period and touched a four-month low. Natural gas prices declined during the period as robust production growth primarily from the Marcellus Shale offset production declines elsewhere and kept the market well supplied. U.S. energy production has grown notably during the past few years, driven by the application of new extraction methods and technology that resulted in gains in drilling efficiency, or the ability to produce more oil and gas with fewer rigs. The U.S. crude oil import level declined to a 17-year low in the second quarter, and in the third quarter robust U.S. oil production reached its highest level in 25 years.

Prices for metals tended to decline as mining projects initiated in recent years came online and created higher supply amid lackluster demand growth. By period-end, the spot gold price had fallen more than 20% year-to-date and was on pace for its first annual decline since 2000.[2] A combination of low

2. Source: Bloomberg, L.P.

inflation, gold sales from Russia's central bank and rebounding global economic growth and investor sentiment weighed on precious metals. Industrial metals also tended to trail the performance of other commodities, despite encouraging economic reports in the third quarter from the U.S., Japan and China. However, concerns remained about growth in emerging market economies, including slowing construction activity in China and the accompanying demand for base metals. In addition, several large mining projects were scheduled to begin production over the next few years, which could loosen the supply and demand balance. As a result, prices for many base metals remained near four-year lows in October. However, continuing economic improvement across global economies may heighten demand and, along with greater capital discipline from producers, may boost prices for many commodities, including metals.

Portfolio Breakdown
Franklin Natural Resources Fund
Based on Total Net Assets as of 10/31/13



Manager's Discussion

Although U.S. stocks provided widespread gains and drove indexes to new nominal highs during the review period, commodity-linked markets were challenged as rising crude oil prices and gains for oil production company stocks were partially offset by the impact of declining precious metals and natural gas spot prices on related stocks.

The Fund benefited from stock selection and its allocations in the energy sector during the six months under review. Investor focus seemed to shift from defensive, income-oriented investments, such as the integrated oil and gas and storage and transportation companies, to companies possessing what we believed to be better opportunities for long-term growth. This shift benefited oilfield services and E&P companies, two of the Fund's largest industry weightings, as those stocks generated average returns of approximately 20%, more than double that of their more conservative peers.[3]

Our overweighting in oilfield services contributed to the Fund's performance relative to the S&P North American Natural Resources Index as the industry benefited from robust global spending levels, which drove revenue growth and helped absorb excess capacity. This trend was further aided by greater capital discipline from equipment and service providers as companies sought to maximize returns from their existing asset base. The industry could receive an additional boost from spending increases in North America over the next several years as producers seek to accelerate development of the region's resources. Our analysis showed the North American market stood to benefit the most from these trends, which favored firms with a greater portion of revenues

3. Oilfield services comprises oil and gas equipment and services in the SOI.

related to onshore development activity, such as Halliburton. Halliburton's share price also benefited from the company's aggressive share buyback program and dividend increase.

Offshore equipment and service providers also performed well during the period, including Fund position RigNet, which provides communication services to the offshore and onshore E&P markets. The company reported record earnings in the third quarter as increased bandwidth use as well as growth in the number of sites and revenue per site drove results. Similarly, subsea equipment manufacturer Dril-Quip and offshore transportation providers PHI[4] and Hornbeck Offshore Services[4] also were among the Fund's top performing oilfield services firms as the companies benefited from increased offshore drilling and development activity. Although we reduced some industry positions following price gains, the Fund continued to hold a meaningful industry weighting.

Certain oilfield services industry positions declined, however, including Cameron International, FMC Technologies and Superior Energy Services. Cameron and FMC struggled to meet delivery schedules for subsea equipment following several quarters of robust orders and backlog growth, which negatively impacted profit margins and earnings. Although these issues were expected to persist in the near term, the companies reported another strong quarter of contract awards, which helped provide optimism for future results. Superior Energy continued to struggle with an oversupplied U.S. onshore market, although the company was well positioned, in our view, to benefit from potential activity increases in 2014 and also reported solid results from its offshore and international operations.

Many U.S. oil and gas E&P stocks benefited from multi-year high oil prices and rapid production growth. E&P companies also reported increased drilling efficiency, including reductions in drilling time and cost per well. Triangle Petroleum was one of the Fund's E&P positions posting strong quarterly results with notable production growth and a quadrupling in revenues year-over-year. Whiting Petroleum and SM Energy also contributed to the Fund's performance as those companies also delivered strong production growth. A few exploration holdings experienced challenges, however, and overall E&P holdings dampened relative performance. For example, Cobalt International Energy's stock price declined as the company reported an unsuccessful well in the deepwater Gulf of Mexico. Lower natural gas prices also weighed on EnCana, which pledged to sell non-core assets in an effort to refocus the company's operations.

4. This holding is not an index component.

The integrated oil and gas industry did not match the performance of previous periods, and stock selection and our underweighting benefited relative performance. An off-index holding in France-based Total was a large contributor to performance as the company reported encouraging third-quarter results near period-end, as did U.K.-based BP.

Overall, the Fund's positions in the metals and mining industry proved detrimental for relative performance as certain positions declined in value. For example, Turquoise Hill Resources' share price languished as the company sought to reach an agreement with the Mongolian government for one of the world's largest copper projects. PanAust and MMG[4] also weighed on absolute and relative Fund performance as investors seemed less interested in small- and mid-cap mining companies despite what we viewed as the companies' generally better opportunities for growth.

Gold prices fell during the period, weighing on Fund holdings such as Newcrest Mining.[4] The fundamental backdrop was generally unfavorable for gold and gold equities amid signs of improving economic conditions and the potential for the Federal Reserve Board to begin tapering its asset purchase program. In addition, Middle East tensions eased, which further diminished gold's appeal as a safe-haven investment.

In the fertilizers and agricultural chemicals industry, the Fund's off-benchmark position in Potash Corp. of Saskatchewan also hampered returns as the company's shares declined following dissolution of the BPC potash consortium and expectations that potash prices could suffer as a result. Although a great deal of uncertainty still existed, we believed the issues could be short-lived and that potash-related equities reflected a dire outcome. We therefore added to the Fund's Potash position and established a position in another fertilizer firm, Mosaic, amid industry weakness.

We continued to focus on companies we expected to benefit from exploration, resource development and production growth as well as robust industry spending, and earnings and cash flow growth. We believe many stocks in the natural resources sector remain attractive and although many energy stocks posted strong returns during the period, we believed in many cases that investor recognition was long overdue. E&P companies continued to benefit from drilling efficiencies that have the potential to translate into stronger profitability and cash flow growth. Elsewhere, oilfield services providers could continue to benefit as their customers move from reservoir assessment to production. The valuations of several mining-related stocks appeared to reflect commodity prices at or below the mid-point of what we believed was their long-term intrinsic value, a level at which we typically begin to find the shares more attractive.

Top 10 Holdings
Franklin Natural Resources Fund
10/31/13

Company *Sector/Industry, Country*	% of Total Net Assets
Schlumberger Ltd. *Oil & Gas Equipment & Services, U.S.*	4.5%
Anadarko Petroleum Corp. *Oil & Gas Exploration & Production, U.S.*	3.7%
Occidental Petroleum Corp. *Integrated Oil & Gas, U.S.*	3.2%
Exxon Mobil Corp. *Integrated Oil & Gas, U.S.*	3.1%
Chevron Corp. *Integrated Oil & Gas, U.S.*	2.4%
Freeport-McMoRan Copper & Gold Inc., B *Diversified Metals & Mining, U.S.*	2.4%
Southwestern Energy Co. *Oil & Gas Exploration & Production, U.S.*	2.3%
Noble Energy Inc. *Oil & Gas Exploration & Production, U.S.*	2.1%
National Oilwell Varco Inc. *Oil & Gas Exploration & Production, U.S.*	2.1%
BHP Billiton PLC, ADR *Diversified Metals & Mining, U.K.*	2.1%

In addition, many mining companies were aggressively cutting costs, reducing capital expenditures and deferring major projects, which could lead to reduced supply, more robust pricing and better profitability longer term. Overall, investors' shortened investment horizons created what we believed to be compelling opportunities to invest in quality companies at inexpensive valuations, and we continued to seek out those types of investments.

Thank you for your continued participation in Franklin Natural Resources Fund. We look forward to serving your future investment needs.

Frederick G. Fromm, CFA
Lead Portfolio Manager

Matthew Adams, CFA
Stephen M. Land, CFA

Portfolio Management Team
Franklin Natural Resources Fund

The foregoing information reflects our analysis, opinions and portfolio holdings as of October 31, 2013, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Performance Summary as of 10/31/13

Franklin Natural Resources Fund

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. 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.

Price Information

Class A (Symbol: FRNRX)	Change	10/31/13	4/30/13
Net Asset Value (NAV)	+$3.77	$36.80	$33.03
Class C (Symbol: FNCRX)	**Change**	**10/31/13**	**4/30/13**
Net Asset Value (NAV)	+$3.53	$35.55	$32.02
Class R6 (Symbol: n/a)	**Change**	**10/31/13**	**9/20/13**
Net Asset Value (NAV)	+$1.12	$39.40	$38.28
Advisor Class (Symbol: FNRAX)	**Change**	**10/31/13**	**4/30/13**
Net Asset Value (NAV)	+$4.08	$39.39	$35.31

Performance Summary *(continued)*

Performance[1]

Cumulative total return excludes sales charges. Aggregate and average annual total returns and value of $10,000 investment include maximum sales charges. ***Class A:*** *5.75% maximum initial sales charge;* ***Class C:*** *1% contingent deferred sales charge in first year only;* ***Class R6/Advisor Class:*** *no sales charges.*

Class A	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return[2]	+11.41%	+11.75%	+76.32%	+218.30%
Average Annual Total Return[3]	+4.99%	+5.32%	+10.69%	+11.61%
Value of $10,000 Investment[4]	$10,499	$10,532	$16,617	$29,996
Avg. Ann. Total Return (9/30/13)[5]		-1.23%	+2.68%	+11.41%
Total Annual Operating Expenses[6]	1.08%			
Class C	**6-Month**	**1-Year**	**5-Year**	**Inception (9/1/05)**
Cumulative Total Return[2]	+11.02%	+10.99%	+70.22%	+47.81%
Average Annual Total Return[3]	+10.02%	+9.99%	+11.22%	+4.90%
Value of $10,000 Investment[4]	$11,002	$10,999	$17,022	$14,781
Avg. Ann. Total Return (9/30/13)[5]		+3.08%	+3.17%	+4.45%
Total Annual Operating Expenses[6]	1.77%			
Class R6				**Inception (9/20/13)**
Cumulative Total Return[2]				+2.93%
Aggregate Total Return[7]				+2.93%
Value of $10,000 Investment[4]				$10,293
Aggregate Total Return (9/30/13)[5, 7]				-1.12%
Total Annual Operating Expenses[6]	0.48%			
Advisor Class	**6-Month**	**1-Year**	**5-Year**	**10-Year**
Cumulative Total Return[2]	+11.55%	+12.09%	+78.88%	+227.98%
Average Annual Total Return[3]	+11.55%	+12.09%	+12.33%	+12.61%
Value of $10,000 Investment[4]	$11,155	$11,209	$17,888	$32,798
Avg. Ann. Total Return (9/30/13)[5]		+5.11%	+4.20%	+12.42%
Total Annual Operating Expenses[6]	0.78%			

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****.*

Performance Summary *(continued)*

Endnotes

All investments involve risks, including possible loss of principal. Investing in a fund concentrating in the natural resources sector involves special risks, including increased susceptibility to adverse economic and regulatory developments affecting the sector. Smaller companies can be particularly sensitive to changes in economic conditions and have less certain growth prospects than larger, more established companies and can be volatile, especially over the short term. The Fund may also invest in foreign companies, which involve special risks, including currency fluctuations and political uncertainty. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class C: These shares have higher annual fees and expenses than Class A shares.

Class R6: Shares are available to certain eligible investors as described in the prospectus.

Advisor Class: Shares are available to certain eligible investors as described in the prospectus.

1. The Fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year end. Fund investment results reflect the fee waiver, to the extent applicable; without this reduction, 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. Six-month return has not been annualized.

4. These figures represent the value of a hypothetical $10,000 investment in the Fund over the periods indicated.

5. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.

6. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

7. Aggregate total return represents the change in value of an investment for the period indicated. Since Class R6 shares have existed for less than one year, average annual total return is not available.

Your Fund's Expenses

Franklin Natural Resources Fund

As a Fund shareholder, you can incur two types of costs:

- Transaction costs, including sales charges (loads) on Fund purchases; and
- 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 following table 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 first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

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:*

1. Divide your account value by $1,000.
   If an account had an $8,600 value, then $8,600 ÷ $1,000 = 8.6.
2. Multiply the result by the number under the heading "Expenses Paid During Period."
   If Expenses Paid During Period were $7.50, then 8.6 x $7.50 = $64.50.

In this illustration, the estimated expenses paid this period are $64.50.

Hypothetical Example for Comparison with Other Funds

Information in the second line (Hypothetical) for each class in the table can help you compare ongoing costs of investing in the Fund with those of other mutual funds. This information may not be used to estimate the actual ending account balance or expenses you paid during the period. The hypothetical "Ending Account Value" is based on the actual expense ratio for each class and an assumed 5% annual rate of return before expenses, which does not represent the Fund's actual return. The figure under the heading "Expenses Paid During Period" shows the hypothetical expenses your account would have incurred under this scenario. You can compare this figure with the 5% hypothetical examples that appear in shareholder reports of other funds.

Your Fund's Expenses *(continued)*

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transaction costs, such as sales charges. Therefore, the second line for each class is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transaction costs were included, your total costs would have been higher. Please refer to the Fund prospectus for additional information on operating expenses.

Class A	Beginning Account Value 5/1/13	Ending Account Value 10/31/13	Expenses Paid During Period* 5/1/13–10/31/13
Actual	$1,000	$1,114.10	$5.75
Hypothetical (5% return before expenses)	$1,000	$1,019.76	$5.50
Class C			
Actual	$1,000	$1,110.20	$9.63
Hypothetical (5% return before expenses)	$1,000	$1,016.08	$9.20
Class R6			
Actual (9/20/13-10/31/13)	$1,000	$1,029.30	$0.62
Hypothetical (5% return before expenses)	$1,000	$1,022.53	$2.70
Advisor Class			
Actual	$1,000	$1,115.50	$4.32
Hypothetical (5% return before expenses)	$1,000	$1,021.12	$4.13

*Expenses are calculated using the most recent six-month expense ratio, annualized for each class (A: 1.08%; C: 1.81%; R6: 0.53%; and Advisor: 0.81%), multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period for Class R6 Hypothetical expenses and Actual and Hypothetical expenses for Classes A, C and Advisor. The multiplier is 42/365 for Actual Class R6 expenses to reflect the number of days since inception.

Franklin Strategic Series

Financial Highlights

Franklin Biotechnology Discovery Fund

Class A	Six Months Ended October 31, 2013 (unaudited)	Year Ended April 30, 2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$105.95	$ 76.22	$77.78	$65.08	$49.73	$54.72
Income from investment operations[a]:						
Net investment income (loss)[b]	(0.54)	(0.76)	(0.75)	(0.80)	(0.51)	(0.21)
Net realized and unrealized gains (losses)	21.72	30.56	9.02	13.50	15.86	(4.78)
Total from investment operations	21.18	29.80	8.27	12.70	15.35	(4.99)
Less distributions from:						
Net investment income	—	(0.07)	(0.52)	—	—	—
Net realized gains	—	—	(9.31)	—	—	—
Total distributions	—	(0.07)	(9.83)	—	—	—
Redemption fees[c]	—	—	—	—	—	—[d]
Net asset value, end of period	$127.13	$105.95	$76.22	$77.78	$65.08	$49.73
Total return[e]	19.99%	39.12%	13.18%	19.51%	30.87%	(9.12)%
Ratios to average net assets[f]						
Expenses	1.10%	1.20%	1.26%	1.31%	1.32%[g]	1.32%[g]
Net investment income (loss)	(0.88)%	(0.88)%	(1.03)%	(1.24)%	(0.87)%	(0.38)%
Supplemental data						
Net assets, end of period (000's)	$986,350	$653,718	$434,678	$402,112	$346,127	$274,324
Portfolio turnover rate	23.71%	33.64%	46.54%	235.14%	41.58%	45.57%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Effective September 1, 2008, the redemption fee was eliminated.

[d]Amount rounds to less than $0.01 per share.

[e]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of expense reduction rounds to less than 0.01%.

Franklin Strategic Series

Financial Highlights *(continued)*

Franklin Biotechnology Discovery Fund

Class R6	Six Months Ended October 31, 2013[a] (unaudited)
Per share operating performance (for a share outstanding throughout the period)	
Net asset value, beginning of period	$104.56
Income from investment operations[b]:	
Net investment income (loss)[c]	(0.29)
Net realized and unrealized gains (losses)	24.27
Total from investment operations	23.98
Net asset value, end of period	$128.54
Total return[d]	22.93%
Ratios to average net assets[e]	
Expenses	0.63%
Net investment income (loss)	(0.41)%
Supplemental data	
Net assets, end of period (000's)	$43,213
Portfolio turnover rate	23.71%

[a]For the period May 1, 2013 (effective date) to October 31, 2013.

[b]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[c]Based on average daily shares outstanding.

[d]Total return is not annualized for periods less than one year.

[e]Ratios are annualized for periods less than one year.

Franklin Strategic Series

Financial Highlights *(continued)*

Franklin Biotechnology Discovery Fund

Advisor Class	Six Months Ended October 31, 2013 (unaudited)	Year Ended April 30, 2013	2012	2011	2010[a]
Per share operating performance (for a share outstanding throughout the period)					
Net asset value, beginning of period	$106.86	$ 76.65	$78.15	$65.20	$57.01
Income from investment operations[b]:					
Net investment income (loss)[c]	(0.36)	(0.52)	(0.53)	(0.62)	(0.40)
Net realized and unrealized gains (losses)	21.92	30.80	9.05	13.57	8.59
Total from investment operations	21.56	30.28	8.52	12.95	8.19
Less distributions from:					
Net investment income	—	(0.07)	(0.71)	—	—
Net realized gains	—	—	(9.31)	—	—
Total distributions	—	(0.07)	(10.02)	—	—
Net asset value, end of period	$128.42	$106.86	$76.65	$78.15	$65.20
Total return[d]	20.18%	39.51%	13.51%	19.86%	14.37%
Ratios to average net assets[e]					
Expenses	0.80%	0.91%	0.97%	1.02%[f]	1.05%[f]
Net investment income (loss)	(0.58)%	(0.59)%	(0.74)%	(0.95)%	(0.60)%
Supplemental data					
Net assets, end of period (000's)	$56,512	$25,744	$9,330	$5,009	$1,596
Portfolio turnover rate	23.71%	33.64%	46.54%	235.14%	41.58%

[a]For the period September 1, 2009 (effective date) to April 30, 2010.

[b]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[c]Based on average daily shares outstanding.

[d]Total return is not annualized for periods less than one year.

[e]Ratios are annualized for periods less than one year.

[f]Benefit of expense reduction rounds to less than 0.01%.

Franklin Strategic Series

Statement of Investments, October 31, 2013 (unaudited)

Franklin Biotechnology Discovery Fund	Country	Shares/Warrants	Value
Common Stocks and Other Equity Interests 96.2%			
Biotechnology 85.6%			
[a] Acadia Pharmaceuticals Inc.	United States	548,600	$ 12,469,678
[a] Acceleron Pharma Inc.	United States	262,700	5,921,258
[a] ADMA Biologics Inc.	United States	133,400	1,107,220
[a,b] Agios Pharmaceuticals Inc.	United States	208,400	4,826,544
[a] Alexion Pharmaceuticals Inc.	United States	362,000	44,507,900
[a] Alnylam Pharmaceuticals Inc.	United States	321,500	18,521,615
[a,b] Amarin Corp. PLC, ADR	United Kingdom	1,047,100	1,727,715
Amgen Inc.	United States	951,000	110,316,000
[a,b] Anthera Pharmaceuticals Inc.	United States	292,062	922,916
[a,c] AP Pharma Inc.	United States	16,588,800	7,630,848
[a,c,d] AP Pharma Inc., wts., 144A, 7/01/16	United States	5,571,885	1,560,128
[a] ARIAD Pharmaceuticals Inc.	United States	3,000,927	6,602,039
[a,b] Arrowhead Research Corp.	United States	384,600	2,692,200
[a] BIND Therapeutics Inc.	United States	123,900	1,621,851
[a] Biogen Idec Inc.	United States	264,861	64,676,408
[a] BioMarin Pharmaceutical Inc.	United States	486,756	30,578,012
[a] Biospecifics Technologies Corp.	United States	110,850	2,072,895
[a,b] Bluebird Bio Inc.	United States	143,928	3,058,470
[a] Celgene Corp.	United States	715,800	106,289,142
[a] Celldex Therapeutics Inc.	United States	950,240	21,769,998
[a,b] ChemoCentryx Inc.	United States	360,808	1,786,000
[a] Clovis Oncology Inc.	United States	173,500	8,867,585
[a] Curis Inc.	United States	525,100	2,095,149
[a] Dyax Corp.	United States	239,700	1,970,334
[a] Dynavax Technologies Corp.	United States	1,509,700	1,856,931
[a] Enanta Pharmaceuticals Inc.	United States	228,034	4,551,559
[a,b] Epizyme Inc.	United States	123,200	4,721,024
[a] Fiveprime Therapeutics Inc.	United States	159,000	1,941,390
[a] Gentium SpA, ADR	Italy	97,533	4,117,843
[a] Gilead Sciences Inc.	United States	1,616,600	114,762,434
[a,b] Halozyme Therapeutics Inc.	United States	1,158,800	13,500,020
[a,b] Heat Biologics Inc.	United States	240,400	2,175,620
[a] Hyperion Therapeutics Inc.	United States	118,900	2,381,567
[a] Incyte Corp.	United States	855,300	33,356,700
[a] Infinity Pharmaceuticals Inc.	United States	153,800	2,083,990
[a] Insmed Inc.	United States	329,000	4,684,960
[a] InterMune Inc.	United States	648,900	9,143,001
[a,b] Intrexon Corp.	United States	97,300	2,062,760
[a] Isis Pharmaceuticals Inc.	United States	405,600	13,494,312
[a] KaloBios Pharmaceuticals Inc.	United States	234,800	941,548
[a] Keryx Biopharmaceuticals Inc.	United States	1,094,500	11,328,075
[a] Lexicon Pharmaceuticals Inc.	United States	867,700	2,082,480
[a] Lpath Inc., A	United States	326,500	1,655,355
[a,b] MacroGenics Inc.	United States	129,900	3,499,506
[a,b,c] Mast Therapeutics Inc.	United States	5,453,500	2,672,215
[a,c] Mast Therapeutics Inc., wts., 6/14/18	United States	4,544,600	374,930
[a] Medivation Inc.	United States	790,754	47,334,534
[a,b] MEI Pharma Inc.	United States	214,365	1,719,207

Franklin Strategic Series

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

Franklin Biotechnology Discovery Fund	Country	Shares/Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Biotechnology (continued)			
[a] Mirati Therapeutics Inc.	Canada	209,500	$ 3,530,075
[a] Neurocrine Biosciences Inc.	United States	765,800	7,229,152
[a,b] NewLink Genetics Corp.	United States	271,200	4,542,600
[a,b] Northwest Biotherapeutics Inc.	United States	895,522	2,901,491
[a] Northwest Biotherapeutics Inc., wts., 8/08/14	United States	223,880	—
[a,e] Northwest Biotherapeutics Inc., wts., 2/20/19	United States	223,880	170,991
[a] Novavax Inc.	United States	1,236,200	3,832,220
[a] NPS Pharmaceuticals Inc.	United States	220,800	6,354,624
[a,b] OncoMed Pharmaceuticals Inc.	United States	91,700	1,275,547
Oncothyreon Inc.	United States	84,100	148,857
[a] Ophthotech Corp.	United States	4,400	147,488
[a] Orexigen Therapeutics Inc.	United States	820,200	4,002,576
[a,d] OvaScience Inc., 144A	United States	166,654	1,611,544
[a] Portola Pharmaceuticals Inc.	United States	233,600	5,174,240
[a] Progenics Pharmaceuticals Inc.	United States	267,701	974,432
[a,b] Prosensa Holding NV	Netherlands	100,300	380,137
[a,b] PTC Therapeutics Inc.	United States	157,600	2,835,224
[a] Puma Biotechnology Inc.	United States	204,944	7,851,405
[a] Receptos Inc.	United States	239,700	6,126,732
[a] Regeneron Pharmaceuticals Inc.	United States	151,109	43,458,948
[a,b] Sarepta Therapeutics Inc.	United States	230,900	8,991,246
[a] Sophiris Bio Inc.	Canada	212,600	986,464
[a] Stemline Therapeutics Inc.	United States	210,200	5,849,866
[a] Targacept Inc.	United States	529,086	2,513,158
[a] Tekmira Pharmaceuticals Corp.	Canada	585,100	5,236,645
[a] Tesaro Inc.	United States	212,000	8,162,000
[a] Threshold Pharmaceuticals Inc.	United States	616,100	2,673,874
[a] Threshold Pharmaceuticals Inc., wts., 3/16/16	United States	190,476	143,238
[a] United Therapeutics Corp.	United States	90,200	7,984,504
[a] Verastem Inc.	United States	98,200	982,000
[a] Vertex Pharmaceuticals Inc.	United States	479,600	34,214,664
			930,319,808
Health Care Equipment & Supplies 0.3%			
[a] Cerus Corp.	United States	512,400	3,233,244
Life Sciences Tools & Services 2.5%			
[a] Illumina Inc.	United States	237,400	22,199,274
[a] Quintiles Transnational Holdings Inc.	United States	113,900	4,782,661
			26,981,935
Pharmaceuticals 7.8%			
[a,c,f] Celsus Therapeutics PLC	United Kingdom	2,898,174	1,486,764
[a] Jazz Pharmaceuticals PLC	United States	66,734	6,055,443
[a] Nektar Therapeutics	United States	795,600	7,566,156
[a] Nuvo Research Inc.	Canada	112,036	191,230
[a,d] Nuvo Research Inc., 144A	Canada	52,941	90,363
Questcor Pharmaceuticals Inc.	United States	137,500	8,438,375
[a,b] Repros Therapeutics Inc.	United States	557,425	10,039,224

Franklin Strategic Series

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

Franklin Biotechnology Discovery Fund	Country	Shares/Warrants	Value
Common Stocks and Other Equity Interests (continued)			
Pharmaceuticals (continued)			
[a] Sagent Pharmaceuticals Inc.	United States	583,800	$ 12,662,622
[a] SciClone Pharmaceuticals Inc.	United States	1,576,460	7,456,656
Shire PLC, ADR	United Kingdom	179,400	23,878,140
[a] TherapeuticsMD Inc.	United States	1,443,200	6,090,304
[a,b] Transcept Pharmaceuticals Inc.	United States	163,881	603,082
			84,558,359
Total Common Stocks and Other Equity Interests (Cost $762,434,436)			1,045,093,346
Preferred Stocks (Cost $5,065,937) 0.6%			
Biotechnology 0.6%			
[a,f] FibroGen Inc., pfd., E	United States	1,128,271	6,566,537
Total Investments before Short Term Investments (Cost $767,500,373)			1,051,659,883
Short Term Investments 7.6%			
Money Market Funds (Cost $38,426,526) 3.6%			
[a,g] Institutional Fiduciary Trust Money Market Portfolio	United States	38,426,526	38,426,526
[h] **Investments from Cash Collateral Received for Loaned Securities (Cost $43,629,175) 4.0%**			
Money Market Funds 4.0%			
[i] BNY Mellon Overnight Government Fund, 0.047%	United States	43,629,175	43,629,175
Total Investments (Cost $849,556,074) 104.4%			1,133,715,584
Other Assets, less Liabilities (4.4)%			(47,640,050)
Net Assets 100.0%			$1,086,075,534

See Abbreviations on page 52.

[a]Non-income producing.

[b]A portion or all of the security is on loan at October 31, 2013. See Note 1(c).

[c]See Note 9 regarding holdings of 5% voting securities.

[d]Security 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 a 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 October 31, 2013, the aggregate value of these securities was $3,262,035, representing 0.30% of net assets.

[e]Security has been deemed illiquid because it may not be able to be sold within seven days. At October 31, 2013, the value of this security was $170,991, representing 0.02% of net assets.

[f]See Note 8 regarding restricted securities.

[g]See Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

[h]See Note 1(c) regarding securities on loan.

[i]The rate shown is the annualized seven-day yield at period end.

Franklin Strategic Series

Financial Highlights

Franklin Natural Resources Fund

Class A	Six Months Ended October 31, 2013 (unaudited)	Year Ended April 30, 2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$33.03	$35.81	$44.75	$33.15	$22.55	$45.78
Income from investment operations[a]:						
Net investment income[b]	0.09	0.08	0.04	0.03	0.01	0.05
Net realized and unrealized gains (losses)	3.68	(2.86)	(8.72)	12.21	11.02	(21.78)
Total from investment operations	3.77	(2.78)	(8.68)	12.24	11.03	(21.73)
Less distributions from:						
Net investment income	—	—	(0.26)	(0.64)	(0.43)	—
Net realized gains	—	—	—	—	—	(1.50)
Total distributions	—	—	(0.26)	(0.64)	(0.43)	(1.50)
Redemption fees[c]	—	—	—	—	—	—[d]
Net asset value, end of period	$36.80	$33.03	$35.81	$44.75	$33.15	$22.55
Total return[e]	11.41%	(7.76)%	(19.36)%	37.31%	49.04%	(46.81)%
Ratios to average net assets[f]						
Expenses	1.08%[g]	1.08%	1.03%	1.00%	1.04%[g]	1.09%[g]
Net investment income	0.53%	0.26%	0.11%	0.07%	0.02%	0.18%
Supplemental data						
Net assets, end of period (000's)	$630,882	$628,722	$827,693	$1,153,098	$673,662	$393,713
Portfolio turnover rate	11.02%	20.40%	26.75%	23.60%	31.18%	46.97%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Effective September 1, 2008, the redemption fee was eliminated.

[d]Amount rounds to less than $0.01 per share.

[e]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of expense reduction rounds to less than 0.01%.

Franklin Strategic Series

Financial Highlights *(continued)*

Franklin Natural Resources Fund

Class C	Six Months Ended October 31, 2013 (unaudited)	Year Ended April 30, 2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$32.02	$34.96	$43.87	$32.57	$22.15	$45.35
Income from investment operations[a]:						
Net investment income (loss)[b]	(0.03)	(0.14)	(0.22)	(0.23)	(0.20)	(0.16)
Net realized and unrealized gains (losses)	3.56	(2.80)	(8.53)	11.98	10.81	(21.54)
Total from investment operations	3.53	(2.94)	(8.75)	11.75	10.61	(21.70)
Less distributions from:						
Net investment income	—	—	(0.16)	(0.45)	(0.19)	—
Net realized gains	—	—	—	—	—	(1.50)
Total distributions	—	—	(0.16)	(0.45)	(0.19)	(1.50)
Redemption fees[c]	—	—	—	—	—	—[d]
Net asset value, end of period	$35.55	$32.02	$34.96	$43.87	$32.57	$22.15
Total return[e]	11.02%	(8.41)%	(19.91)%	36.30%	48.00%	(47.19)%
Ratios to average net assets[f]						
Expenses	1.81%[g]	1.77%	1.73%	1.70%	1.74%[g]	1.82%[g]
Net investment income (loss)	(0.20)%	(0.43)%	(0.59)%	(0.63)%	(0.68)%	(0.55)%
Supplemental data						
Net assets, end of period (000's)	$126,868	$130,424	$176,036	$241,746	$123,939	$61,360
Portfolio turnover rate	11.02%	20.40%	26.75%	23.60%	31.18%	46.97%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Effective September 1, 2008, the redemption fee was eliminated.

[d]Amount rounds to less than $0.01 per share.

[e]Total return does not reflect sales commissions or contingent deferred sales charges, if applicable, and is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of expense reduction rounds to less than 0.01%.

Franklin Strategic Series

Financial Highlights *(continued)*

Franklin Natural Resources Fund

Class R6	Period Ended October 31, 2013[a] (unaudited)
Per share operating performance (for a share outstanding throughout the period)	
Net asset value, beginning of period	$38.28
Income from investment operations[b]:	
Net investment income[c]	(—)[d]
Net realized and unrealized gains (losses)	1.12
Total from investment operations	1.12
Net asset value, end of period	$39.40
Total return[e]	2.93%
Ratios to average net assets[f]	
Expenses	0.53%[g]
Net investment income	1.08%
Supplemental data	
Net assets, end of period (000's)	$262
Portfolio turnover rate	11.02%

[a]For the period September 20, 2013 (effective date) to October 31, 2013.

[b]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[c]Based on average daily shares outstanding.

[d]Amount rounds to less than $0.01 per share.

[e]Total return is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of expense reduction rounds to less than 0.01%.

Franklin Strategic Series

Financial Highlights *(continued)*

Franklin Natural Resources Fund

Advisor Class	Six Months Ended October 31, 2013 (unaudited)	Year Ended April 30, 2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$35.31	$38.17	$47.58	$35.19	$23.94	$48.27
Income from investment operations[a]:						
Net investment income[b]	0.15	0.21	0.16	0.14	0.10	0.14
Net realized and unrealized gains (losses)	3.93	(3.07)	(9.27)	12.98	11.71	(22.97)
Total from investment operations	4.08	(2.86)	(9.11)	13.12	11.81	(22.83)
Less distributions from:						
Net investment income	—	—	(0.30)	(0.73)	(0.56)	—
Net realized gains	—	—	—	—	—	(1.50)
Total distributions	—	—	(0.30)	(0.73)	(0.56)	(1.50)
Redemption fees[c]	—	—	—	—	—	—[d]
Net asset value, end of period	$39.39	$35.31	$38.17	$47.58	$35.19	$23.94
Total return[e]	11.55%	(7.49)%	(19.10)%	37.70%	49.48%	(46.66)%
Ratios to average net assets[f]						
Expenses	0.81%[g]	0.78%	0.73%	0.70%	0.74%[g]	0.82%[g]
Net investment income	0.80%	0.56%	0.41%	0.37%	0.32%	0.45%
Supplemental data						
Net assets, end of period (000's)	$109,250	$117,087	$235,810	$243,180	$106,773	$52,402
Portfolio turnover rate	11.02%	20.40%	26.75%	23.60%	31.18%	46.97%

[a]The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations for the period due to the timing of sales and repurchases of the Fund shares in relation to income earned and/or fluctuating market value of the investments of the Fund.

[b]Based on average daily shares outstanding.

[c]Effective September 1, 2008, the redemption fee was eliminated.

[d]Amount rounds to less than $0.01 per share.

[e]Total return is not annualized for periods less than one year.

[f]Ratios are annualized for periods less than one year.

[g]Benefit of expense reduction rounds to less than 0.01%.

Franklin Strategic Series

Statement of Investments, October 31, 2013 (unaudited)

Franklin Natural Resources Fund	Country	Shares	Value
Common Stocks 95.2%			
Agricultural Products 0.4%			
Bunge Ltd.	United States	44,000	$ 3,613,720
Coal & Consumable Fuels 1.9%			
[a] Alpha Natural Resources Inc.	United States	645,000	4,515,000
[a,b] Energy Coal Resources, 144A	United States	199,375	—
Peabody Energy Corp.	United States	607,250	11,829,230
			16,344,230
Commodity Chemicals 0.7%			
LyondellBasell Industries NV, A	United States	79,000	5,893,400
Diversified Metals & Mining 11.8%			
BHP Billiton PLC, ADR	United Kingdom	289,000	17,813,960
Freeport-McMoRan Copper & Gold Inc., B	United States	556,000	20,438,560
Glencore Xstrata PLC	Switzerland	2,177,700	11,872,471
[a] Imperial Metals Corp.	Canada	388,000	4,907,436
[a] Inova Resources Ltd.	Australia	4,106,290	854,330
[a] MMG Ltd.	China	12,788,000	2,853,525
[a,c] Molycorp Inc.	United States	927,850	4,704,200
[a] Nautilus Minerals Inc.	Canada	746,000	268,255
PanAust Ltd.	Australia	2,384,687	4,555,501
Rio Tinto PLC, ADR	United Kingdom	224,000	11,356,800
[a] Sandfire Resources NL	Australia	880,667	5,438,489
Teck Resources Ltd., B	Canada	499,000	13,343,260
[a] Turquoise Hill Resources Ltd.	Canada	451,100	2,174,302
Walter Energy Inc.	United States	121,250	1,926,663
			102,507,752
Fertilizers & Agricultural Chemicals 1.6%			
The Mosaic Co.	United States	171,000	7,840,350
Potash Corp. of Saskatchewan Inc.	Canada	184,000	5,722,400
			13,562,750
Gold 4.7%			
AngloGold Ashanti Ltd., ADR	South Africa	251,000	3,790,100
[a] B2Gold Corp.	Canada	1,106,600	2,737,717
Barrick Gold Corp.	Canada	294,000	5,700,660
[a] G-Resources Group Ltd.	Hong Kong	86,108,260	2,576,711
Goldcorp Inc.	Canada	319,000	8,112,170
Newcrest Mining Ltd.	Australia	300,000	2,922,213
[a] Osisko Mining Corp.	Canada	776,000	3,787,544
[a,d] Osisko Mining Corp., 144A	Canada	281,000	1,371,520
Randgold Resources Ltd., ADR	United Kingdom	84,500	6,244,550
[a] Romarco Minerals Inc.	Canada	4,177,000	1,502,014
[a] Silver Lake Resources Ltd.	Australia	947,600	690,032
[a] St. Barbara Ltd.	Australia	2,328,861	1,057,154
			40,492,385
Independent Power Producers & Energy Traders 0.1%			
[a] Alterra Power Corp.	Canada	2,609,800	738,257

Franklin Strategic Series

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

Franklin Natural Resources Fund	Country	Shares	Value
Common Stocks (continued)			
Integrated Oil & Gas 14.4%			
BP PLC, ADR	United Kingdom	186,000	$ 8,649,000
Chevron Corp.	United States	174,000	20,873,040
Exxon Mobil Corp.	United States	302,000	27,065,240
Hess Corp.	United States	100,000	8,120,000
Occidental Petroleum Corp.	United States	288,000	27,671,040
Petroleo Brasileiro SA, ADR	Brazil	439,000	7,651,770
Royal Dutch Shell PLC, A, ADR	United Kingdom	130,000	8,665,800
Total SA, B, ADR	France	266,700	16,316,706
			125,012,596
Oil & Gas Drilling 3.6%			
Ensco PLC, A	United States	188,519	10,868,120
Noble Corp.	United States	140,000	5,278,000
[a] Pioneer Energy Services Corp.	United States	779,937	6,551,471
[a] Rowan Cos. PLC	United States	237,000	8,550,960
			31,248,551
Oil & Gas Equipment & Services 23.0%			
Baker Hughes Inc.	United States	226,100	13,134,149
[a] C&J Energy Services Inc.	United States	204,000	4,700,160
[a] Cameron International Corp.	United States	249,000	13,660,140
[a] Dresser-Rand Group Inc.	United States	103,000	6,259,310
[a] Dril-Quip Inc.	United States	52,900	6,211,518
[a] FMC Technologies Inc.	United States	206,000	10,413,300
[a] Forum Energy Technologies Inc.	United States	153,700	4,497,262
Halliburton Co.	United States	335,335	17,782,815
[a] Hornbeck Offshore Services Inc.	United States	108,000	5,969,160
[a] Key Energy Services Inc.	United States	1,405,000	10,987,100
National Oilwell Varco Inc.	United States	220,000	17,859,600
Oceaneering International Inc.	United States	94,000	8,072,720
[a] Oil States International Inc.	United States	56,000	6,083,280
[a] PHI Inc., non-voting	United States	115,000	4,579,300
[a] RigNet Inc.	United States	146,800	5,411,048
Schlumberger Ltd.	United States	419,804	39,344,031
[a] Superior Energy Services Inc.	United States	333,000	8,934,390
Tidewater Inc.	United States	98,500	5,931,670
[a] Weatherford International Ltd.	United States	608,000	9,995,520
			199,826,473
Oil & Gas Exploration & Production 28.4%			
Anadarko Petroleum Corp.	United States	339,000	32,303,310
[a] Antero Resources Corp.	United States	65,000	3,671,850
Apache Corp.	United States	96,000	8,524,800
Cabot Oil & Gas Corp., A	United States	300,000	10,596,000
Canadian Natural Resources Ltd.	Canada	375,300	11,908,402
Cimarex Energy Co.	United States	67,000	7,058,450
[a] Cobalt International Energy Inc.	United States	503,000	11,674,630
[a] Concho Resources Inc.	United States	48,600	5,375,646
Devon Energy Corp.	United States	235,000	14,856,700

Franklin Strategic Series

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

Franklin Natural Resources Fund	Country	Shares	Value
Common Stocks (continued)			
Oil & Gas Exploration & Production (continued)			
[a] Diamondback Energy Inc.	United States	30,700	$ 1,585,655
EnCana Corp.	Canada	702,000	12,579,840
[a] Gran Tierra Energy Inc.	Canada	870,000	6,603,300
[a] Kosmos Energy Ltd.	United States	412,370	4,395,864
Marathon Oil Corp.	United States	414,000	14,597,640
[a] Matador Resources Co.	United States	289,700	5,333,377
[a] MEG Energy Corp.	Canada	194,600	6,226,976
Noble Energy Inc.	United States	242,200	18,148,046
[a] PDC Energy Inc.	United States	61,600	4,177,096
QEP Resources Inc.	United States	146,000	4,826,760
[a] Rex Energy Corp.	United States	270,000	5,805,000
SM Energy Co.	United States	101,000	8,949,610
[a] Southwestern Energy Co.	United States	533,000	19,838,260
[a] Synergy Resources Corp.	United States	434,500	4,501,420
[a] Triangle Petroleum Corp.	United States	539,086	5,698,139
Tullow Oil PLC	United Kingdom	540,100	8,160,869
[a] Whiting Petroleum Corp.	United States	138,289	9,250,151
			246,647,791
Oil & Gas Refining & Marketing 2.5%			
HollyFrontier Corp.	United States	98,000	4,513,880
Marathon Petroleum Corp.	United States	31,000	2,221,460
Phillips 66	United States	151,500	9,761,145
Valero Energy Corp.	United States	118,000	4,858,060
			21,354,545
Precious Metals & Minerals 0.8%			
[a] MAG Silver Corp.	Canada	137,100	749,360
[a] North American Palladium Ltd.	Canada	1,044,900	919,512
[a] Tahoe Resources Inc.	Canada	47,000	902,277
[a,d] Tahoe Resources Inc., 144A	Canada	233,000	4,472,992
			7,044,141
Specialty Chemicals 0.6%			
Celanese Corp., A	United States	96,300	5,393,763
Steel 0.7%			
Cliffs Natural Resources Inc.	United States	238,000	6,111,840
Total Common Stocks (Cost $625,734,679)			825,792,194
Convertible Preferred Stocks 1.7%			
Oil & Gas Exploration & Production 1.7%			
[d] Sanchez Energy Corp., 4.875%, cvt. pfd., 144A	United States	140,000	9,955,148
[d] Sanchez Energy Corp., 6.50%, cvt. pfd., B, 144A	United States	60,000	4,492,800
Total Convertible Preferred Stocks (Cost $10,000,000)			14,447,948

Franklin Strategic Series

Statement of Investments, October 31, 2013 (unaudited) *(continued)*

Franklin Natural Resources Fund	Country	Shares	Value
Preferred Stocks (Cost $2,376,164) 0.0%			
Coal & Consumable Fuels 0.0%			
[a,b] Energy Coal Resources, 144A, pfd.	United States	29,847	$ —
		Principal Amount	
Convertible Bonds (Cost $4,453,000) 0.4%			
Diversified Metals & Mining 0.4%			
Molycorp Inc., senior note, cvt., 6.00%, 9/01/17	United States	$ 4,453,000	3,400,979
Total Investments before Short Term Investments (Cost $642,563,843)			843,641,121
		Shares	
Short Term Investments 3.9%			
Money Market Funds (Cost $30,704,356) 3.5%			
[a,e] Institutional Fiduciary Trust Money Market Portfolio	United States	30,704,356	30,704,356
[f] **Investments from Cash Collateral Received for Loaned Securities (Cost $3,601,500) 0.4%**			
Money Market Funds 0.4%			
[g] BNY Mellon Overnight Government Fund, 0.047%	United States	3,601,500	3,601,500
Total Investments (Cost $676,869,699) 101.2%			877,946,977
Other Assets, less Liabilities (1.2)%			(10,685,612)
Net Assets 100.0%			$867,261,365

See Abbreviations on page 52.

[a]Non-income producing.

[b]See Note 8 regarding restricted securities.

[c]A portion or all of the security is on loan at October 31, 2013. See Note 1(c).

[d]Security 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 a 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 October 31, 2013, the aggregate value of these securities was $20,292,460, representing 2.32% of net assets.

[e]See Note 7 regarding investments in the Institutional Fiduciary Trust Money Market Portfolio.

[f]See Note 1(c) regarding securities on loan.

[g]The rate shown is the annualized seven-day yield at period end.

Franklin Strategic Series

Financial Statements

Statements of Assets and Liabilities

October 31, 2013 (unaudited)

	Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund
Assets:		
Investments in securities:		
Cost - Unaffiliated issuers	$ 803,122,523	$646,165,343
Cost - Non-controlled affiliated issuers (Note 9)	8,007,025	—
Cost - Sweep Money Fund (Note 7)	38,426,526	30,704,356
Total cost of investments	$ 849,556,074	$676,869,699
Value - Unaffiliated issuers	$1,081,564,173	$847,242,621
Value - Non-controlled affiliated issuers (Note 9)	13,724,885	—
Value - Sweep Money Fund (Note 7)	38,426,526	30,704,356
Total value of investments*	1,133,715,584	877,946,977
Receivables:		
Investment securities sold	11,350,174	—
Capital shares sold	6,189,526	1,666,499
Dividends and interest	47,400	441,387
Other assets	293,661	42,696
Total assets	1,151,596,345	880,097,559
Liabilities:		
Payables:		
Investment securities purchased	18,492,326	6,097,205
Capital shares redeemed	2,244,448	1,925,083
Management fees	435,784	350,763
Administrative fees	116,025	—
Distribution fees	253,241	257,017
Transfer agent fees	284,431	463,117
Payable upon return of securities loaned	43,629,175	3,601,500
Accrued expenses and other liabilities	65,381	141,509
Total liabilities	65,520,811	12,836,194
Net assets, at value	$1,086,075,534	$867,261,365
Net assets consist of:		
Paid-in capital	$ 728,697,850	$725,527,015
Distributions in excess of net investment income	(5,953,388)	(7,259,842)
Net unrealized appreciation (depreciation)	284,159,510	201,077,278
Accumulated net realized gain (loss)	79,171,562	(52,083,086)
Net assets, at value	$1,086,075,534	$867,261,365

*Includes securities loaned	$ 36,075,387	$ 3,478,020

Franklin Strategic Series

Financial Statements *(continued)*

Statements of Assets and Liabilities *(continued)*

October 31, 2013 (unaudited)

	Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund
Class A:		
Net assets, at value	$ 986,349,749	$630,881,773
Shares outstanding	7,758,362	17,144,569
Net asset value per share[a]	$127.13	$36.80
Maximum offering price per share (net asset value per share ÷ 94.25%)	$134.89	$39.05
Class C:		
Net assets, at value	—	$126,867,646
Shares outstanding	—	3,569,089
Net asset value and maximum offering price per share[a]	—	$35.55
Class R6		
Net assets, at value	$ 43,213,422	$ 261,594
Shares outstanding	336,199	6,639
Net asset value and maximum offering price per share	$128.54	$39.40
Advisor Class:		
Net assets, at value	$ 56,512,363	$109,250,352
Shares outstanding	440,070	2,773,768
Net asset value and maximum offering price per share	$128.42	$39.39

[a]Redemption price is equal to net asset value less contingent deferred sales charges, if applicable.

Franklin Strategic Series

Financial Statements *(continued)*

Statements of Operations

for the six months ended October 31, 2013 (unaudited)

	Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund
Investment income:		
Dividends	$ 621,457	$ 6,663,988
Interest	—	133,590
Income from securities loaned	359,841	145,898
Total investment income	981,298	6,943,476
Expenses:		
Management fees (Note 3a)	2,162,237	2,052,480
Administrative fees (Note 3b)	594,897	—
Distribution fees: (Note 3c)		
Class A	1,289,223	846,013
Class C	—	634,253
Transfer agent fees: (Note 3e)		
Class A	725,327	883,375
Class C	—	182,596
Class R6	48	3
Advisor Class	34,781	170,575
Custodian fees (Note 4)	2,688	6,480
Reports to shareholders	48,882	107,183
Registration and filing fees	26,335	35,660
Professional fees	27,166	24,928
Trustees' fees and expenses	3,297	6,891
Other	2,658	10,747
Total expenses	4,917,539	4,961,184
Expense reductions (Note 4)	—	(7)
Net expenses	4,917,539	4,961,177
Net investment income (loss)	(3,936,241)	1,982,299
Realized and unrealized gains (losses):		
Net realized gain (loss) from:		
Investments	83,535,494	3,870,556
Foreign currency transactions	—	17,979
Net realized gain (loss)	83,535,494	3,888,535
Net change in unrealized appreciation (depreciation) on:		
Investments	69,855,075	85,647,066
Translation of other assets and liabilities denominated in foreign currencies	—	(669)
Net change in unrealized appreciation (depreciation)	69,855,075	85,646,397
Net realized and unrealized gain (loss)	153,390,569	89,534,932
Net increase (decrease) in net assets resulting from operations	$149,454,328	$91,517,231

Franklin Strategic Series

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Franklin Biotechnology Discovery Fund		Franklin Natural Resources Fund	
	Six Months Ended October 31, 2013 (unaudited)	Year Ended April 30, 2013	Six Months Ended October 31, 2013 (unaudited)	Year Ended April 30, 2013
Increase (decrease) in net assets:				
Operations:				
Net investment income (loss)	$ (3,936,241)	$ (4,433,817)	$ 1,982,299	$ 2,011,892
Net realized gain (loss) from investments and foreign currency transactions	83,535,494	3,465,460	3,888,535	(16,017,210)
Net change in unrealized appreciation (depreciation) on investments and translation of other assets and liabilities denominated in foreign currencies	69,855,075	177,139,592	85,646,397	(76,683,143)
Net increase (decrease) in net assets resulting from operations	149,454,328	176,171,235	91,517,231	(90,688,461)
Distributions to shareholders from net investment income:				
Class A	—	(387,235)	—	—
Advisor Class	—	(12,343)	—	—
Total distributions to shareholders	—	(399,578)	—	—
Capital share transactions: (Note 2)				
Class A	194,466,117	48,927,671	(63,519,563)	(133,616,540)
Class C	—	—	(16,568,653)	(30,691,809)
Class R6	38,029,539	—	254,146	—
Advisor Class	24,662,644	10,756,033	(20,654,957)	(108,309,557)
Total capital share transactions	257,158,300	59,683,704	(100,489,027)	(272,617,906)
Net increase (decrease) in net assets	406,612,628	235,455,361	(8,971,796)	(363,306,367)
Net assets:				
Beginning of period	679,462,906	444,007,545	876,233,161	1,239,539,528
End of period	$1,086,075,534	$679,462,906	$ 867,261,365	$ 876,233,161
Distributions in excess of net investment income included in net assets, end of period	$ (5,953,388)	$ (2,017,147)	$ (7,259,842)	$ (9,242,141)

Franklin Strategic Series

Notes to Financial Statements (unaudited)

1. Organization and Significant Accounting Policies

Franklin Strategic Series (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of nine separate funds, two of which are included in this report (Funds). The financial statements of the remaining funds in the Trust are presented separately. The classes of shares offered within each of the Funds are indicated below. Effective May 1, 2013 and September 20, 2013, the Franklin Biotechnology Discovery Fund and Franklin Natural Resources Fund began offering a new class of shares, Class R6, respectively. Each class of shares differs by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees primarily due to differing arrangements for distribution and transfer agent fees.

Class A, Class R6 & Advisor Class	Class A, Class C, Class R6 & Advisor Class
Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund

The following summarizes the Funds' significant accounting policies.

a. Financial Instrument Valuation

The Funds' 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. Under procedures approved by the Trust's Board of Trustees (the Board), the Funds' administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Funds' valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Funds to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities 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 the NYSE, whichever is earlier. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at the close of the NYSE 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. Investments in open-end mutual funds and non-registered money market funds are valued at the closing net asset value.

Debt securities generally trade in the OTC market rather than on a securities exchange. The Funds' 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

1. Organization and Significant Accounting Policies *(continued)*

a. Financial Instrument Valuation *(continued)*

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.

The Funds have procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on 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. The VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before the daily close of business on the NYSE. Occasionally, events occur between the time at which trading in a foreign security is completed and the close of the NYSE 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 Funds' portfolio securities as determined at the foreign market close and the latest indications of value at the close of the NYSE. In order to minimize the potential for these differences, the VLOC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Funds. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

In addition, certain foreign markets may be open on days that the NYSE is closed, which could result in differences between the value of the Funds' 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 Funds for financial reporting purposes.

1. Organization and Significant Accounting Policies *(continued)*

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 Funds 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 Funds do 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 on the Statements 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. Securities Lending

The Funds participate in an agency based securities lending program. The fund receives cash collateral against the loaned securities in an amount equal to at least 102% of the market value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the market value of loaned securities, as determined at the close of fund business each day; any additional collateral required due to changes in security values is delivered to the fund on the next business day. The collateral is invested in a non-registered money fund as indicated on the Statements of Investments. The fund receives income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. 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. The securities lending agent has agreed to indemnify the fund in the event of default by a third party borrower.

d. Income Taxes

It is each fund's policy to qualify as a regulated investment company under the Internal Revenue Code. Each 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.

1. Organization and Significant Accounting Policies *(continued)*

d. Income Taxes *(continued)*

The Funds 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 Funds invest. When a capital gain tax is determined to apply the Funds record an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

Each fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of October 31, 2013, and for all open tax years, each fund has determined that no liability for unrecognized tax benefits is required in each fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

e. 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. Dividend income is recorded on the ex-dividend date except that certain dividends from foreign securities are recognized as soon as the Funds are notified of the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. 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. Fund specific expenses are charged directly to the fund that incurred the expense.

Realized and unrealized gains and losses and net investment income, not including 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.

f. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions

1. Organization and Significant Accounting Policies *(continued)*

f. Accounting Estimates *(continued)*

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.

g. 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 Funds, 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.

2. Shares of Beneficial Interest

At October 31, 2013, there were an unlimited number of shares authorized (without par value). Transactions in the Funds' shares were as follows:

	Franklin Biotechnology Discovery Fund		Franklin Natural Resources Fund	
	Shares	Amount	Shares	Amount
Class A Shares:				
Six Months ended October 31, 2013				
Shares sold	2,756,817	$ 335,104,828	1,549,456	$ 53,267,808
Shares redeemed	(1,168,473)	(140,638,711)	(3,439,331)	(116,787,371)
Net increase (decrease)	1,588,344	$ 194,466,117	(1,889,875)	$ (63,519,563)
Year ended April 30, 2013				
Shares sold	2,920,895	$ 258,879,692	3,751,622	$ 122,605,579
Shares issued in reinvestment of distributions	4,248	360,364	—	—
Shares redeemed	(2,457,896)	(210,312,385)	(7,827,491)	(256,222,119)
Net increase (decrease)	467,247	$ 48,927,671	(4,075,869)	$(133,616,540)
Class C Shares:				
Six Months ended October 31, 2013				
Shares sold			233,713	$ 7,755,366
Shares redeemed			(737,337)	(24,324,019)
Net increase (decrease)			(503,624)	$ (16,568,653)
Year ended April 30, 2013				
Shares sold			619,977	$ 19,772,196
Shares redeemed			(1,582,017)	(50,464,005)
Net increase (decrease)			(962,040)	$ (30,691,809)

2. Shares of Beneficial Interest *(continued)*

	Franklin Biotechnology Discovery Fund		Franklin Natural Resources Fund	
	Shares	Amount	Shares	Amount
Class R6 Shares[a,b]:				
Six Months ended October 31, 2013				
Shares sold[c,d]	339,833	$ 38,467,436	6,639	$ 254,146
Shares redeemed	(3,634)	(437,897)	—	—
Net increase (decrease)	336,199	$ 38,029,539	6,639	$ 254,146
Advisor Class Shares:				
Six Months ended October 31, 2013				
Shares sold	266,537	$ 33,143,908	390,347	$ 14,288,619
Shares redeemed[c,d]	(67,394)	(8,481,264)	(932,940)	(34,943,576)
Net increase (decrease)	199,143	$ 24,662,644	(542,593)	$ (20,654,957)
Year ended April 30, 2013				
Shares sold	149,576	$ 13,375,042	1,454,171	$ 50,960,731
Shares issued in reinvestment of distributions	111	9,479	—	—
Shares redeemed	(30,479)	(2,628,488)	(4,315,230)	(159,270,288)
Net increase (decrease)	119,208	$ 10,756,033	(2,861,059)	$(108,309,557)

[a]For the period May 1, 2013 (effective date) to October 31, 2013 for the Franklin Biotechnology Discovery Fund.

[b]For the period September 20, 2013 (effective date) to October 31, 2013 for the Franklin Natural Resources Fund.

[c]Effective May 1, 2013, a portion of Advisor Class shares were exchanged into Class R6 for the Franklin Biotechnology Discovery Fund.

[d]Effective September 20, 2013, a portion of Advisor Class shares were exchanged into Class R6 for the Franklin Natural Resources Fund.

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
Franklin Advisers, Inc. (Advisers)	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 Funds pay an investment management fee to Advisers based on the average daily net assets of each of the Funds as follows:

Annualized Fee Rate	Net Assets
0.625%	Up to and including $100 million
0.500%	Over $100 million, up to and including $250 million
0.450%	Over $250 million, up to and including $7.5 billion
0.440%	Over $7.5 billion, up to and including $10 billion
0.430%	Over $10 billion, up to and including $12.5 billion
0.420%	Over $12.5 billion, up to and including $15 billion
0.400%	In excess of $15 billion

3. Transactions with Affiliates *(continued)*

b. Administrative Fees

The Franklin Biotechnology Discovery Fund pays an administrative fee to FT Services based on fund's average daily net assets as follows:

Annualized Fee Rate	Net Assets
0.150%	Up to and including $200 million
0.135%	Over $200 million, up to and including $700 million
0.100%	Over $700 million, up to and including $1.2 billion
0.075%	In excess of $1.2 billion

Under an agreement with Advisers, FT Services provides administrative services to the Franklin Natural Resources Fund. The fee is paid by Advisers based on the fund's average daily net assets, and is not an additional expense of the fund.

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. Distribution fees are not charged on shares held by affiliates. Under the Funds' Class A reimbursement distribution plans, the Funds reimburse Distributors for costs incurred in connection with the servicing, sale and distribution of each fund's shares up to the maximum annual plan rate for each class. Under the Class A reimbursement distribution plans, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Franklin Natural Resources Fund's Class C compensation distribution plan, 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. 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:

	Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund
Reimbursement Plans:		
Class A	0.35%	0.35%
Compensation Plan:		
Class C	—	1.00%

The Board has set the current rate at 0.30% per year for Class A shares until further notice and approval by the Board.

3. Transactions with Affiliates *(continued)*

d. Sales Charges/Underwriting Agreements

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Funds. 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 have advised the Funds of the following commission transactions related to the sales and redemptions of the Funds' shares for the period:

	Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund
Sales charges retained net of commissions paid to unaffiliated broker/dealers	$691,722	$92,985
CDSC retained	$ 700	$ 9,543

e. Transfer Agent Fees

Each class of shares, except for Class R6, pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations and reimburses Investor Services for out of pocket expenses incurred, including shareholding 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 October 31, 2013, the Funds paid transfer agent fees as noted in the Statements of Operations of which the following amounts were retained by Investor Services:

	Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund
Transfer agent fees	$360,911	$544,161

f. Waiver and Expense Reimbursements

Investor Services has contractually agreed in advance to waive or limit its fees so that the Class R6 transfer agent fees for the Funds do not exceed 0.01% until August 31, 2014. There were no expenses waived during the period ended October 31, 2013.

4. Expense Offset Arrangement

The Funds have entered into an arrangement with their custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Funds' custodian expenses. During the period ended October 31, 2013, the custodian fees were reduced as noted in the Statement of Operations.

5. Income Taxes

For tax purposes, capital losses may be carried over to offset future capital gains. Capital loss carryforwards with no expiration, if any, must be fully utilized before those losses with expiration dates.

At April 30, 2013, the capital loss carryforwards were as follows:

	Franklin Natural Resources Fund
Capital loss carryforwards subject to expiration:	
2018	$20,161,920
Capital loss carryforwards not subject to expiration:	
Short term	4,287,147
Long term	12,272,356
Total capital loss carryforwards	$36,721,423

For tax purposes, the Funds may elect to defer any portion of a late-year ordinary loss to the first day of the following fiscal year. At April 30, 2013, the Franklin Biotechnology Discovery Fund deferred late-year ordinary losses of $2,017,147.

At October 31, 2013, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

	Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund
Cost of investments	$854,345,930	$704,256,441
Unrealized appreciation	$354,800,662	$267,168,530
Unrealized depreciation	(75,431,008)	(93,477,994)
Net unrealized appreciation (depreciation)	$279,369,654	$173,690,536

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of foreign currency transactions, passive foreign investment company shares, corporate actions and wash sales.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the period ended October 31, 2013, were as follows:

	Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund
Purchases	$462,401,150	$ 89,827,503
Sales	$204,714,662	$166,488,944

7. Investments in Institutional Fiduciary Trust Money Market Portfolio

The Funds invest in the Institutional Fiduciary Trust Money Market Portfolio (Sweep Money Fund), an open-end investment company managed by Advisers. Management fees paid by the Funds are reduced on assets invested in the Sweep Money Fund, in an amount not to exceed the management and administrative fees paid by the Sweep Money Fund.

8. Restricted Securities

The Funds invest in securities that are restricted under the Securities Act of 1933 (1933 Act) or which are subject to legal, contractual, or other agreed upon restrictions on resale. Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Funds may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At October 31, 2013, the Funds held investments in restricted securities, excluding certain securities exempt from registration under the 1933 Act deemed to be liquid, as follows:

Shares	Issuer	Acquisition Dates	Cost	Value
Franklin Biotechnology Discovery Fund				
2,898,174	Celsus Therapeutics PLC	9/19/13	$1,651,959	$1,486,764
1,128,271	FibroGen Inc., pfd., E	5/19/00	5,065,937	6,566,537
	Total Restricted Securities (Value is 0.74% of Net Assets)		$6,717,896	$8,053,301
Franklin Natural Resources Fund				
199,375	Energy Coal Resources, 144A	11/16/05 - 5/05/06	$ 741,939	$ —
29,847	Energy Coal Resources, 144A, pfd.	3/17/09	2,376,164	—
	Total Restricted Securities (Value is 0.00% of Net Assets)		$3,118,103	$ —

9. Holdings of 5% Voting Securities of Portfolio Companies

The 1940 Act defines "affiliated companies" to include investments in portfolio companies in which a fund owns 5% or more of the outstanding voting securities. Investments in "affiliated companies" for the Franklin Biotechnology Discovery Fund for the period ended October 31, 2013, were as shown below.

Name of Issuer	Number of Shares/ Warrants Held at Beginning of Period	Gross Additions	Gross Reductions	Number of Shares/ Warrants Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)
Franklin Biotechnology Discovery Fund							
Non-Controlled Affiliates							
AP Pharma Inc.	16,588,800	—	—	16,588,800	$ 7,630,848	$ —	$ —
[a] AP Pharma Inc., wts., 144A, 7/01/16	11,143,769	—	5,571,884	5,571,885	1,560,128	—	—
Celsus Therapeutics PLC	—	2,898,174	—	2,898,174	1,486,764	—	—
Mast Therapeutics Inc.	—	5,453,500	—	5,453,500	2,672,215	—	—
Mast Therapeutics Inc., wts., 6/14/18	—	4,544,600	—	4,544,600	374,930	—	—
Total Affiliated Securities (Value is 1.26% of Net Assets)					$13,724,885	$ —	$ —

[a]Gross reduction was the result of a corporate action.

10. Credit Facility

The Funds, 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 $1.5 billion (Global Credit Facility) which matures on January 17, 2014. 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 Funds shall, in addition to interest charged on any borrowings made by the Funds and other costs incurred by the Funds, pay their share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon their relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statements of Operations. During the period ended October 31, 2013, the Funds did not use the Global Credit Facility.

11. Fair Value Measurements

The Funds follow a fair value hierarchy that distinguishes between market data obtained from independent sources (observable inputs) and the Funds' own market assumptions (unobservable inputs). These inputs are used in determining the value of the Funds' 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 Funds' 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.

For movements between the levels within the fair value hierarchy, the Funds have adopted a policy of recognizing the transfers as of the date of the underlying event which caused the movement.

A summary of inputs used as of October 31, 2013, in valuing the Funds' assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin Biotechnology Discovery Fund				
Assets:				
Investments in Securities:				
Equity Investments:[a]				
Biotechnology	$ 926,458,977	$ 3,689,840[b]	$6,737,528	$ 936,886,345
Pharmaceuticals	83,071,595	—	1,486,764	84,558,359
Other Equity Investments[c]	30,215,179	—	—	30,215,179
Short Term Investments	38,426,526	43,629,175	—	82,055,701
Total Investments in Securities	$1,078,172,277	$47,319,015[b]	$8,224,292	$1,133,715,584
Franklin Natural Resources Fund				
Assets:				
Investments in Securities:				
Equity Investments:[a]				
Oil & Gas Exploration & Production	$ 246,647,791	$14,447,948	$ —	$ 261,095,739
Other Equity Investments[c]	579,144,403	—	—[b]	579,144,403
Convertible Bonds	—	3,400,979	—	3,400,979
Short Term Investments	30,704,356	3,601,500	—	34,305,856
Total Investments in Securities	$ 856,496,550	$21,450,427	$ —[b]	$ 877,946,977

[a]Includes common, preferred and convertible preferred stocks as well as other equity investments.

[b]Includes securities determined to have no value at October 31, 2013.

[c]For detailed categories, see the accompanying Statement of Investments.

12. New Accounting Pronouncements

In June 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-08, Investment Companies (Topic 946): Amendments to the Scope, Measurement, and Disclosure Requirements. The ASU modifies the criteria used in defining an investment company under U.S. Generally Accepted Accounting Principles and also sets forth certain measurement and disclosure requirements. Under the ASU, an entity that is registered under the 1940 Act automatically qualifies as an investment company. The ASU is effective for interim and annual reporting periods beginning after December 15, 2013. The Funds are currently reviewing the requirements and believe the adoption of this ASU will not have a material impact on their financial statements.

13. Subsequent Events

The Funds have evaluated subsequent events through the issuance of the financial statements and determined that no events have occurred that require disclosure.

Abbreviations

Selected Portfolio

ADR - American Depositary Receipt

Franklin Strategic Series

Shareholder Information

Proxy Voting Policies and Procedures

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust'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 Trust'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 Statement of Investments

The Trust files a complete 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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Franklin Templeton Funds

Literature Request. *To receive a summary prospectus and/or prospectus, please call us at (800) DIAL BEN/342-5236 or visit* ***franklintempleton.com*** *or* ***etf.franklintempleton.com*** *for Franklin Short Duration U.S. Government ETF. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The prospectus contains this and other information. Please carefully read a prospectus before investing.*

VALUE
Franklin All Cap Value Fund
Franklin Balance Sheet Investment Fund
Franklin Large Cap Value Fund
Franklin MicroCap Value Fund[1]
Franklin MidCap Value Fund
Franklin Small Cap Value Fund
Mutual Beacon Fund
Mutual Quest Fund
Mutual Recovery Fund[2]
Mutual Shares Fund

BLEND
Franklin Focused Core Equity Fund
Franklin Large Cap Equity Fund
Franklin Rising Dividends Fund

GROWTH
Franklin DynaTech Fund
Franklin Flex Cap Growth Fund
Franklin Growth Fund
Franklin Growth Opportunities Fund
Franklin Small Cap Growth Fund
Franklin Small-Mid Cap Growth Fund

SECTOR
Franklin Biotechnology Discovery Fund
Franklin Global Listed Infrastructure Fund
Franklin Global Real Estate Fund
Franklin Gold & Precious Metals Fund
Franklin Natural Resources Fund
Franklin Real Estate Securities Fund
Franklin Utilities Fund
Mutual Financial Services Fund

GLOBAL
Franklin World Perspectives Fund
Mutual Global Discovery Fund
Templeton Global Opportunities Trust
Templeton Global Smaller Companies Fund
Templeton Growth Fund
Templeton World Fund

INTERNATIONAL
Franklin India Growth Fund
Franklin International Growth Fund
Franklin International Small Cap Growth Fund[3]
Mutual European Fund
Mutual International Fund
Templeton Asian Growth Fund
Templeton BRIC Fund
Templeton China World Fund
Templeton Developing Markets Trust
Templeton Emerging Markets Small Cap Fund
Templeton Foreign Fund
Templeton Foreign Smaller Companies Fund[4]
Templeton Frontier Markets Fund[5]

HYBRID
Franklin Balanced Fund
Franklin Convertible Securities Fund
Franklin Equity Income Fund
Franklin Income Fund
Templeton Emerging Markets Balanced Fund
Templeton Global Balanced Fund

ALTERNATIVE
Franklin K2 Alternative Strategies Fund

ASSET ALLOCATION
Franklin LifeSmart™ Retirement Target Funds (2015-2050)[6]
Franklin Templeton Corefolio® Allocation Fund
Franklin Templeton Founding Funds Allocation Fund
Franklin Templeton Conservative Allocation Fund
Franklin Templeton Growth Allocation Fund
Franklin Templeton Moderate Allocation Fund
Franklin Templeton Global Allocation Fund
Franklin Templeton Multi-Asset Real Return Fund

FIXED INCOME
Franklin Adjustable U.S. Government Securities Fund[7]
Franklin Floating Rate Daily Access Fund
Franklin Global Government Bond Fund
Franklin High Income Fund
Franklin Limited Maturity U.S. Government Securities Fund[7]
Franklin Low Duration Total Return Fund
Franklin Real Return Fund
Franklin Short Duration U.S. Government ETF
Franklin Strategic Income Fund
Franklin Strategic Mortgage Portfolio
Franklin Templeton Hard Currency Fund
Franklin Total Return Fund
Franklin U.S. Government Securities Fund[7]
Templeton Constrained Bond Fund
Templeton Emerging Markets Bond Fund
Templeton Global Bond Fund
Templeton Global Total Return Fund
Templeton International Bond Fund

TAX-FREE INCOME[8]

National
Double Tax-Free Income Fund[9]
Federal Tax-Free Income Fund
High Yield Tax-Free Income Fund
Insured Tax-Free Income Fund[10, 11]

Limited-/Intermediate-Term
California Intermediate-Term Tax-Free Income Fund
Federal Intermediate-Term Tax-Free Income Fund
Federal Limited-Term Tax-Free Income Fund
New York Intermediate-Term Tax-Free Income Fund

State-Specific
Alabama
Arizona
California (4 funds)[11]
Colorado
Connecticut
Florida
Georgia
Kentucky
Louisiana
Maryland
Massachusetts
Michigan
Minnesota
Missouri
New Jersey
New York (2 funds)
North Carolina
Ohio
Oregon
Pennsylvania
Tennessee
Virginia

INSURANCE FUNDS
Franklin Templeton Variable Insurance Products Trust[12]

1. The fund is closed to new investors. Existing shareholders and select retirement plans may add to their accounts.
2. The fund is a continuously offered, closed-end fund. Shares may be purchased daily; there is no daily redemption. However, each quarter, pending board approval, the fund will authorize the repurchase of 5%–25% of the outstanding number of shares. Investors may tender all or a portion of their shares during the tender period.
3. Effective 6/3/13, the fund closed to new investors, with limited exceptions.
4. Effective 12/10/13, the fund closed to new investors, with limited exceptions.
5. Effective 6/28/13, the fund closed to new investors. Existing shareholders and select retirement plans may add to their accounts.
6. Effective 5/1/13, the Franklin Templeton Retirement Target Funds changed their names to Franklin LifeSmart Retirement Target Funds. The funds' investment goals and principal investment strategies remained unchanged. These funds' target dates are in five-year increments.
7. An investment in the fund is neither insured nor guaranteed by the U.S. government or by any other entity or institution.
8. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.
9. The fund is closed to all new investments (other than reinvestment of dividends and capital gains distributions).
10. The fund invests primarily in insured municipal securities.
11. Effective at the close of market on 3/1/13, Franklin Insured Tax-Free Income Fund and Franklin California Insured Tax-Free Income Fund closed to all new investments (other than reinvestment of dividends and capital gains distributions).
12. The funds of the Franklin Templeton Variable Insurance Products Trust are generally available only through insurance company variable contracts.

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Semiannual Report and Shareholder Letter

Franklin Strategic Series

Investment Manager
Franklin Advisers, Inc.

Distributor
Franklin Templeton Distributors, Inc.
(800) DIAL BEN®/342-5236
franklintempleton.com

Shareholder Services
(800) 632-2301

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

To ensure the highest quality of service, telephone calls to or from our service departments may be monitored, recorded and accessed. These calls can be identified by the presence of a regular beeping tone.

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