MAY 1, 2013

The U.S. Securities and Exchange Commission (SEC) has not approved or disapproved these securities or passed upon the adequacy of this prospectus. Any representation to the contrary is a criminal offense.

	Class A	Class C	Class R	Class R6	Advisor Class
Franklin LifeSmart™ 2015 Retirement Target Fund (formerly, Franklin Templeton 2015 Retirement Target Fund)	FTRAX	FRTCX	Pending	Pending	Pending
Franklin LifeSmart™ 2025 Retirement Target Fund (formerly, Franklin Templeton 2025 Retirement Target Fund)	FTRTX	FTTCX	Pending	Pending	Pending
Franklin LifeSmart™ 2035 Retirement Target Fund (formerly, Franklin Templeton 2035 Retirement Target Fund)	FRTAX	Pending	Pending	Pending	Pending
Franklin LifeSmart™ 2045 Retirement Target Fund (formerly, Franklin Templeton 2045 Retirement Target Fund)	FTTAX	Pending	Pending	Pending	Pending

PROSPECTUS

Franklin Templeton Fund Allocator Series

FRANKLIN TEMPLETON INVESTMENTS

Franklin · Templeton · Mutual Series

SUPPLEMENT DATED OCTOBER 30, 2013
TO THE CURRENTLY EFFECTIVE PROSPECTUSES
OF

Franklin Templeton Fund Allocator Series

Franklin LifeSmart 2015 Retirement Target Fund (2015 Fund)
Franklin LifeSmart 2020 Retirement Target Fund (2020 Fund)
Franklin LifeSmart 2025 Retirement Target Fund (2025 Fund)
Franklin LifeSmart 2030 Retirement Target Fund (2030 Fund)
Franklin LifeSmart 2035 Retirement Target Fund (2035 Fund)
Franklin LifeSmart 2040 Retirement Target Fund (2040 Fund)
Franklin LifeSmart 2045 Retirement Target Fund (2045 Fund)
Franklin LifeSmart 2050 Retirement Target Fund (2050 Fund)
(together, the Target Funds)
Franklin Templeton Conservative Allocation Fund
Franklin Templeton Moderate Allocation Fund
Franklin Templeton Growth Allocation Fund
Franklin Templeton Multi-Asset Real Return Fund

The prospectus is amended as follows:

I. For the Target Funds, the Fund Summary "Principal Investment Strategies" section is amended to add the following:

Principal Investment Strategies

The board of trustees of the Franklin Templeton Fund Allocator Series approved changes to the target asset allocation glide path (glide path) and an increase in the ability to invest in underlying exchange-traded funds for the Fund to be implemented on or about January 1, 2014. The board of trustees approved changing the glide path of the Fund to include a new asset class of "alternative investments funds" and increase the percentage by which the investment manager, without shareholder approval, may vary the Fund's investment in underlying equity and fixed-income funds from 5% to 10%.

Effective on or about January 1, 2014, the Fund's principal investment strategies will be as follows:

Under normal market conditions, the investment manager allocates the Fund's assets among the broad asset classes of equity, fixed-income and alternative investments by investing primarily in a distinctly-weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, based on each underlying fund's predominant asset class. A portion of each Fund's assets may be invested in exchange traded funds (ETFs). These underlying funds and ETFs, in turn, invest in a variety of U.S. and foreign equity, fixed-income and alternative strategies securities and instruments.

The investment manager uses a predetermined glide path as a guide in allocating the Fund's assets among underlying funds in the broad asset classes. The target asset allocations in the glide path change over time, reducing their exposure to equity investments and becoming increasingly conservative until the stated target date. At approximately the target date, the Fund's final asset allocation mix will be 30% equity funds, 65% fixed-income funds and 5% alternative investments funds. On or about January 1, 2014, the allocation of the Fund is expected to be approximately: 36% equity funds, 59% fixed-income funds and 5% alternative investments funds (for 2015 Fund); 56% equity funds, 39% fixed-income funds and 5% alternative investments funds (for 2020 Fund); 66% equity funds, 29% fixed-income funds and 5%

alternative investments funds (for 2025 Fund); 72% equity funds, 23% fixed-income funds and 5% alternative investments funds (for 2030 Fund); 76% equity funds, 19% fixed-income funds and 5% alternative investments funds (for 2035 Fund); 78% equity funds, 17% fixed-income funds and 5% alternative investments funds (for 2040 Fund); 79% equity funds, 16% fixed-income funds and 5% alternative investments funds (for 2045 Fund); 79% equity funds, 16% fixed-income funds and 5% alternative investments funds (for 2050 Fund).

The underlying funds and the percentage allocations in the glide path may be changed from time to time by the Fund's investment manager without the approval of shareholders, and, under normal market conditions, the percentage allocations for equity and fixed-income funds may vary up to 10% from the stated allocations, and the allocations for the alternative investments funds may vary up to 5%. The glide path is further described and illustrated in the "Fund Details" section.

When selecting equity funds, the investment manager considers the underlying funds' foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value). When selecting fixed-income funds, the investment manager focuses primarily on maximizing income, appropriate to the Fund's risk profile. In evaluating the risk level of the underlying funds, including alternative investments funds, the investment manager analyzes such factors as: (a) relative and absolute performance, including correlations with other underlying funds as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next).

II. For the Target Funds, the Fund Summary "Principal Risks" section is amended to add the following:

Investing in ETFs

The Fund's investment in ETFs may subject the Fund to additional risks than if the Fund would have invested directly in the ETFs' underlying securities. These risks include the possibility that an ETF may experience a lack of liquidity that can result in greater volatility than its underlying securities; an ETF may trade at a premium or discount to its net asset value; or an ETF may not replicate exactly the performance of the benchmark index it seeks to track. In addition, investing in an ETF may also be more costly than if a Fund had owned the underlying securities directly. The Fund, and indirectly shareholders of the Fund, bear a proportionate share of the ETF's expenses, which include management and advisory fees and other expenses. In addition, the Fund pays brokerage commissions in connection with the purchase and sale of shares of ETFs.

III. For the Target Funds, the Fund Details "Principal Investment Policies and Practices" section is amended to add the following:

Principal Investment Policies and Practices

The board of trustees of the Trust approved changes to the target asset allocation glide path (glide path) of the Fund to be implemented on or about January 1, 2014. The addition of the alternative investments funds to the glide path is intended to clarify that these underlying funds are distinct from equity and fixed-income funds and their inclusion does not reflect a change to the overall allocation strategy.

Effective on or about January 1, 2014, the Fund's principal investment strategies will be as follows:

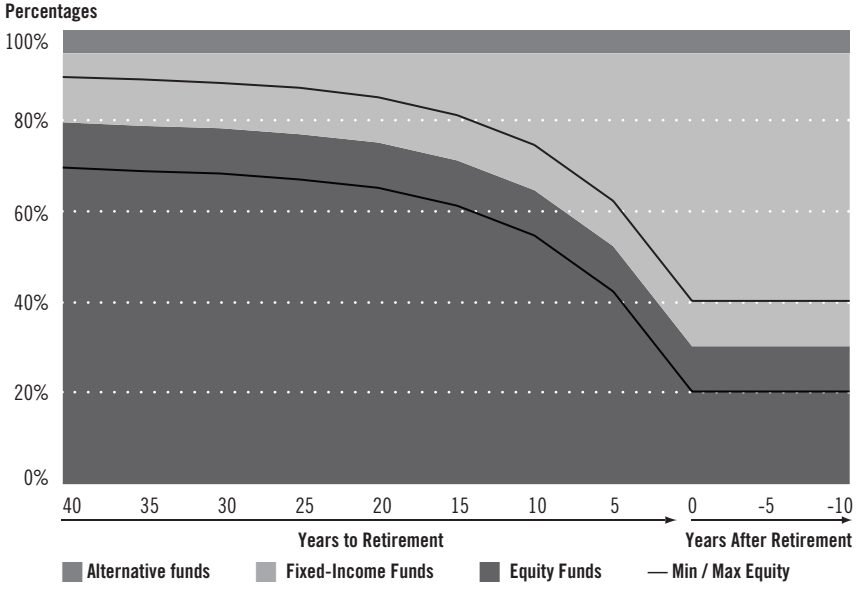
Under normal market conditions, the investment manager allocates each Fund's assets among the broad asset classes of equity and fixed-income investments by investing primarily in a distinctly-weighted combination of underlying funds, based on each underlying fund's predominant asset class. A portion of each Fund's assets may be invested in exchange traded funds (ETFs). In addition, a small portion of the Fund's assets may be invested in underlying funds that provide exposure to commodities and other "alternative" investment strategies. The underlying funds and ETFs invest in a variety of U.S. and foreign equity, fixed-income and

alternative investments. The investment policies of the various underlying funds are described in this Prospectus in the section called "Information about the Underlying Franklin Templeton Funds."

Over time, a Fund's allocation to underlying funds in the various asset classes will change according to a predetermined glide path shown in the following chart. Each Fund's asset allocation changes over time from being less conservative (by investing primarily in equity funds when the target date is the furthest away) to becoming increasingly conservative until the stated target date (by shifting its allocation from equity funds to fixed-income funds as the target date draws near). This reflects the need for reduced market risks and lower volatility as the target date approaches. The glide path and/or underlying funds may be changed from time to time by the Fund's investment manager without the approval of shareholders, and, under normal market conditions, the actual asset allocations for equity and fixed-income funds within the Fund may vary up to 10% from those in the stated glide path.

Retirement Target Funds

Glide Path Allocation



The table below provides further detail on the strategic and tactical asset allocation approach to each Target Fund's investments in equity funds, fixed-income funds and alternative investments funds, and illustrates the permissible range in which the tactical allocations may vary.

	Total Equity Funds Allocation		Total Fixed Income Funds Allocation		Total Alternative Investments Funds Allocation	
Years to Retirement	Target Allocation	Range	Target Allocation	Range	Target Allocation	Range
40	80%	70–90%	15%	5–25%	5%	0–10%
30	78%	68–88%	17%	7–27%	5%	0–10%
20	75%	65–85%	20%	10–30%	5%	0–10%
10	65%	55–75%	30%	20–40%	5%	0–10%
0	30%	20–40%	65%	55–75%	5%	0–10%

For example, for a Fund that is 30 years from its stated target date, its approximate allocation is 78% equity funds, 17% fixed-income funds and 5% alternative investments funds, so that investors with longer investment horizons can benefit from the long-term growth potential of the equity fund asset classes. As the Fund's stated target date approaches, its allocation to equity funds will decline, while its allocations to fixed-income funds increase. As a result, each Fund's asset mix will become more conservative each year; gradually approaching its final allocation of 30% equity funds, 65% fixed-income funds and 5% alternative investments funds on approximately January 1 of the target year. On or about January 1, 2014, the allocations of the Funds are expected to be approximately as follows: 36% equity funds, 59% fixed-income funds and 5% alternative investments funds (for 2015 Fund); 56% equity funds, 39% fixed-income funds and 5% alternative investments funds (for 2020 Fund); 66% equity funds, 29% fixed-income funds and 5% alternative investments funds (for 2025 Fund); 72% equity funds, 23% fixed-income funds and 5% alternative investments funds (for 2030 Fund); 76% equity funds, 19% fixed-income funds and 5% alternative investments funds (for 2035 Fund); 78% equity funds, 17% fixed-income funds and 5% alternative investments funds (for 2040 Fund); 79% equity funds, 16% fixed-income funds and 5% alternative investments funds (for 2045 Fund); 79% equity funds, 16% fixed-income funds and 5% alternative investments funds (for 2050 Fund).

Under the glide path above, when the 2015 Fund reaches its target date, the investment manager currently expects to recommend to the Fund's Board changing the Fund's name to "Franklin Templeton Retirement Allocation Fund" and the Fund will then maintain its asset allocation at the target date allocation of 30% equity funds, 65% fixed-income funds and 5% alternative investments funds. Subsequently, as other Funds reach their target dates, the investment manager anticipates recommending to that Fund's Board the reorganization of any such Funds with, and into, Franklin Templeton Retirement Allocation Fund. Shareholders will be provided with information regarding any such reorganizations at that time, including information pertaining to any tax consequences of the reorganization.

IV. For all Funds, effective on or about November 18, 2013, the Fund Details "Information about the Underlying Franklin Templeton Funds" section is amended to add the following:

Underlying Alternative Investments Funds

Franklin K2 Alternative Strategies Fund

The Fund's goal is to seek capital appreciation with lower volatility relative to the broad equity markets.

The Fund seeks to achieve its investment goal by allocating its assets across multiple non-traditional or "alternative" strategies, including, but not limited to, some or all of the following strategies: Long Short Equity, Relative Value, Event Driven and Global Macro. The Fund is structured as a multi-manager fund (meaning the Fund's assets are managed by multiple investment advisors) and the Fund's investment manager, K2/D&S Management Co., L.L.C. (K2 Advisors) has overall responsibility for the Fund's investments. The K2 Advisors allocates the Fund's assets among: (a) multiple sub-advisors who, as of the date of this prospectus, are unaffiliated with K2 Advisors and who will implement one or more non-traditional or alternative investment strategies (Sub-Advisors); and (b) investment funds, including private and registered investment vehicles and exchange traded funds.

The Fund may invest in a wide range of securities and other investments including, but not limited to: equity securities (which may include common stocks, preferred stocks and convertible securities) and debt securities (which may include bonds, notes, debentures, banker's acceptances and commercial paper).

The Fund may also use derivatives for both hedging and non-hedging (investment) purposes, although no Sub-Advisor is required to hedge any of the Fund's positions or to use derivatives. When used for hedging purposes, a derivative instrument could be used to protect against possible declines in a security's or other

investment's value. The Fund's derivative investments may include (i) futures contracts, including futures based on equity or fixed-income securities and indices, interest rate futures and currency futures and options thereon; (ii) swaps, including equity, currency, interest rate, total return and credit default swaps and options thereon; (iii) options, including call options and put options on indices, individual securities or currencies; and (iv) currency forward contracts. As a result of the Fund's use of derivatives, the Fund may have economic leverage which means the sum of the Fund's investment exposures through its use of derivatives may significantly exceed the amount of assets invested in the Fund, although these exposures may vary over time.

V. For all Funds, the Fund Details "Information about the Underlying Franklin Templeton Funds" section is amended to delete the "Underlying Commodities Funds" heading and move the description of the Franklin Pelagos Commodities Strategy Fund and Franklin Pelagos Managed Futures Strategy Fund under the heading "Underlying Alternative Investments Funds."

Please keep this supplement for future reference.

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SUPPLEMENT DATED OCTOBER 1, 2013 TO THE CURRENTLY EFFECTIVE PROSPECTUS OF EACH OF THE LISTED FUNDS

Franklin Custodian Funds
Franklin DynaTech Fund
Franklin Income Fund
Franklin U.S. Government Securities Fund
Franklin Utilities Fund
Franklin Growth Fund

Franklin Global Trust
Franklin Global Listed Infrastructure Fund
Franklin Global Real Estate Fund
Franklin International Small Cap Growth Fund
Franklin International Growth Fund

Franklin Gold and Precious Metals Fund

Franklin Investors Securities Trust
Franklin Adjustable U.S. Government Securities Fund
Franklin Balanced Fund
Franklin Equity Income Fund
Franklin Floating Rate Daily Access Fund
Franklin Limited Maturity U.S. Government Securities Fund
Franklin Low Duration Total Return Fund
Franklin Real Return Fund
Franklin Total Return Fund

Franklin Managed Trust
Franklin Rising Dividends Fund

Franklin Money Fund

Franklin Mutual Series Funds
Mutual Beacon Fund
Mutual European Fund
Mutual Financial Services Fund
Mutual Global Discovery Fund
Mutual International Fund
Mutual Quest Fund
Mutual Shares Fund

Franklin Real Estate Securities Trust
Franklin Real Estate Securities Fund

Franklin Strategic Series
Franklin Biotechnology Discovery Fund
Franklin Flex Cap Growth Fund
Franklin Focused Core Equity Fund
Franklin Global Government Bond Fund
Franklin Growth Opportunities Fund
Franklin Natural Resources Fund
Franklin Small Cap Growth Fund
Franklin Small-Mid Cap Growth Fund
Franklin Strategic Income Fund

Franklin Templeton Fund Allocator Series
Franklin Templeton Conservative Allocation Fund
Franklin Templeton Growth Allocation Fund
Franklin Templeton Moderate Allocation Fund
Franklin LifeSmart™ 2015 Retirement Target Fund
Franklin LifeSmart™ 2020 Retirement Target Fund
Franklin LifeSmart™ 2025 Retirement Target Fund
Franklin LifeSmart™ 2030 Retirement Target Fund
Franklin LifeSmart™ 2035 Retirement Target Fund
Franklin LifeSmart™ 2040 Retirement Target Fund
Franklin LifeSmart™ 2045 Retirement Target Fund
Franklin LifeSmart™ 2050 Retirement Target Fund

Franklin Templeton International Trust
Franklin India Growth Fund
Franklin World Perspectives Fund
Templeton Foreign Smaller Companies Fund

Franklin Value Investors Trust
Franklin Balance Sheet Investment Fund
Franklin Large Cap Value Fund
Franklin MicroCap Value Fund
Franklin MidCap Value Fund
Franklin Small Cap Value Fund

Institutional Fiduciary Trust
Money Market Portfolio

Templeton China World Fund

Templeton Developing Markets Trust

Templeton Funds
Templeton Foreign Fund
Templeton World Fund

Templeton Global Investment Trust
Templeton Asian Growth Fund
Templeton Frontier Markets Fund
Templeton Global Balanced Fund

Templeton Global Smaller Companies Fund

Templeton Growth Fund, Inc.

Templeton Income Trust
Templeton Constrained Bond Fund
Templeton Emerging Markets Bond Fund
Templeton Global Bond Fund
Templeton Global Total Return Fund

The prospectus is amended as follows:

Effective October 21, 2013, the "Fund Details – Your Account – Choosing a Share Class" section is revised as follows:

Qualified Investors – Class R6

Class R6 shares are available to the following investors:

- Employer Sponsored Retirement Plans where plan level or omnibus accounts are held on the books of Franklin Templeton Investor Services.
- Endowments; foundations; local, city and state governmental institutions; corporations; non-profit organizations that are organized as corporations; and insurance companies, (collectively "institutional investors") when purchasing directly from a Fund. The minimum initial investment for institutional investors is $1,000,000 per Fund.
- Other Franklin Templeton funds.

Please keep this supplement for future reference.

SUPPLEMENT DATED AUGUST 15, 2013 TO THE CURRENTLY EFFECTIVE PROSPECTUS OF EACH OF THE LISTED FUNDS

Franklin California Tax-Free Income Fund

Franklin California Tax-Free Trust

Franklin California Insured Tax-Free Income Fund

Franklin California Intermediate-Term Tax-Free Income Fund

Franklin California Tax-Exempt Money Fund

Franklin Custodian Funds

Franklin DynaTech Fund

Franklin Income Fund

Franklin U.S. Government Securities Fund

Franklin Utilities Fund

Franklin Growth Fund

Franklin Federal Tax-Free Income Fund

Franklin Global Trust

Franklin Global Real Estate Fund

Franklin International Small Cap Growth Fund

Franklin International Growth Fund

Franklin Large Cap Equity Fund

Franklin Templeton Emerging Market Debt Opportunities Fund

Franklin Gold and Precious Metals Fund

Franklin High Income Trust

Franklin High Income Fund

Franklin Investors Securities Trust

Franklin Adjustable U.S. Government Securities Fund

Franklin Balanced Fund

Franklin Convertible Securities Fund

Franklin Equity Income Fund

Franklin Floating Rate Daily Access Fund

Franklin Limited Maturity U.S. Government Securities Fund

Franklin Low Duration Total Return Fund

Franklin Real Return Fund

Franklin Total Return Fund

Franklin Managed Trust

Franklin Rising Dividends Fund

Franklin Money Fund

Franklin Municipal Securities Trust

Franklin California High Yield Municipal Fund

Franklin Tennessee Municipal Bond Fund

Franklin Mutual Recovery Fund

Franklin Mutual Series Funds

Mutual Beacon Fund

Mutual European Fund

Mutual Financial Services Fund

Mutual Global Discovery Fund

Mutual International Fund

Mutual Quest Fund

Mutual Shares Fund

Franklin New York Tax-Free Income Fund

Franklin New York Tax-Free Trust

Franklin New York Intermediate-Term Tax-Free Income Fund

Franklin Real Estate Securities Trust

Franklin Real Estate Securities Fund

Franklin Strategic Mortgage Portfolio

Franklin Strategic Series

Franklin Biotechnology Discovery Fund

Franklin Flex Cap Growth Fund

Franklin Focused Core Equity Fund

Franklin Growth Opportunities Fund

Franklin Natural Resources Fund

Franklin Small Cap Growth Fund

Franklin Small-Mid Cap Growth Fund

Franklin Strategic Income Fund

Franklin Tax-Free Trust

Franklin Alabama Tax-Free Income Fund

Franklin Arizona Tax-Free Income Fund

Franklin Colorado Tax-Free Income Fund

Franklin Connecticut Tax-Free Income Fund

Franklin Double Tax-Free Income Fund

Franklin Federal Intermediate-Term Tax-Free Income Fund

Franklin Federal Limited-Term Tax-Free Income Fund

Franklin Florida Tax-Free Income Fund

Franklin Georgia Tax-Free Income Fund

Franklin High Yield Tax-Free Income Fund

Franklin Insured Tax-Free Income Fund

Franklin Kentucky Tax-Free Income Fund

Franklin Louisiana Tax-Free Income Fund

Franklin Maryland Tax-Free Income Fund

Franklin Massachusetts Tax-Free Income Fund

Franklin Michigan Tax-Free Income Fund

Franklin Minnesota Tax-Free Income Fund

Franklin Missouri Tax-Free Income Fund

Franklin New Jersey Tax-Free Income Fund

Franklin North Carolina Tax-Free Income Fund

Franklin Ohio Tax-Free Income Fund

Franklin Oregon Tax-Free Income Fund

Franklin Pennsylvania Tax-Free Income Fund

Franklin Virginia Tax-Free Income Fund

Franklin Templeton Fund Allocator Series

Franklin Templeton Conservative Allocation Fund

Franklin Templeton Corefolio Allocation Fund

Franklin Templeton Founding Funds Allocation Fund

Franklin Templeton Growth Allocation Fund

Franklin Templeton Moderate Allocation Fund

Franklin LifeSmart™ 2015 Retirement Target Fund

Franklin LifeSmart™ 2020 Retirement Target Fund

Franklin LifeSmart™ 2025 Retirement Target Fund

Franklin LifeSmart™ 2030 Retirement Target Fund

Franklin LifeSmart™ 2035 Retirement Target Fund

Franklin LifeSmart™ 2040 Retirement Target Fund

Franklin LifeSmart™ 2045 Retirement Target Fund

Franklin LifeSmart™ 2050 Retirement Target Fund

Franklin Templeton Multi-Asset Real Return Fund

Franklin Templeton Global Trust

Franklin Templeton Hard Currency Fund

Franklin Templeton International Trust

Franklin India Growth Fund

Franklin Templeton Global Allocation Fund

Franklin World Perspectives Fund

Templeton Foreign Smaller Companies Fund

Franklin Templeton Money Fund Trust

Franklin Templeton Money Fund

Franklin Value Investors Trust

Franklin All Cap Value Fund

Franklin Balance Sheet Investment Fund

Franklin Large Cap Value Fund

Franklin MicroCap Value Fund

Franklin MidCap Value Fund

Franklin Small Cap Value Fund

Institutional Fiduciary Trust

Money Market Portfolio

Templeton China World Fund

Templeton Developing Markets Trust

Templeton Funds

Templeton Foreign Fund

Templeton World Fund

Templeton Global Investment Trust

Templeton Asian Growth Fund

Templeton BRIC Fund

Templeton Emerging Markets Balanced Fund

Templeton Emerging Markets Small Cap Fund

Templeton Frontier Markets Fund

Templeton Global Balanced Fund

Templeton Global Opportunities Trust

Templeton Global Smaller Companies Fund

Templeton Growth Fund, Inc.

Templeton Income Trust

Templeton Emerging Markets Bond Fund

Templeton Global Bond Fund

Templeton Global Total Return Fund

Templeton International Bond Fund

Templeton Institutional Funds

Emerging Markets Series

Foreign Equity Series

Foreign Smaller Companies Series

Global Equity Series

The Prospectus is amended as follows:

I. For the Global Equity Series, the portfolio manager line-up in the "Fund Summary – Portfolio Managers" section on page 27 is revised to add the following:

CINDY SWEETING, CFA *President of Investment Counsel and portfolio manager of the Fund since 2012.*

II. For the Franklin India Growth Fund, the second paragraph of the "Fund Details – Management" section is revised as follows:

Under an agreement with Advisers, Templeton Asset Management Ltd. (TAML), 7 Temasek Boulevard, Suntec Tower One, #38-3, Singapore 038987, Franklin Templeton Asset Management (India) Private Limited (FT India), Indiabulls Finance Center, Tower 2, 13th Floor, Senapati Bapat Marg, Elphinstone Road, Mumbai, India, are the Fund's sub-advisors. TAML and FT India provide Advisers with investment management advice (which may include research and analysis services). FT India provides advice on a non-discretionary basis due to Indian regulatory requirements. For purposes of the Fund's investment strategies, techniques and risks, the term "investment manager" includes any sub-advisor.

III. For the Franklin World Perspectives Fund, the second paragraph of the "Fund Details – Management" section is revised as follows:

Under separate agreements with Advisers, Franklin Templeton Investimentos (Brasil) Ltda. (FTI Brasil), Rua Brigadeiro Faria Lima 3311, 5th floor, Itaim Bibi, Sao Paulo – SP Brazil 04536-133; Franklin Templeton Investments Corp. (FTIC), 200 King Street West, Suite 1,500, Toronto (Ontario), Canada M5H 3T4; Franklin Templeton Investment Management Limited (FTIML), The Adelphi Building, 1-11 John Adams Street, London, WC2N 6HT; Franklin Templeton Asset Management (India) Private Limited (FT India), Indiabulls Finance Center, Tower 2, 13th Floor, Senapati Bapat Marg, Elphinstone Road (West) Mumbai 400013, India; Franklin Templeton Investment Trust Management Co., Ltd. (FT Korea), 3rd Floor, CCMM Building, 12 Youido-Dong, Youngdungpo-Gu, Seoul, South Korea 150-968, and Templeton Asset Management Ltd. (TAML), 7 Temasek Boulevard, Suntec Tower One, #38-3, Singapore 038987, are the Fund's Sub-Advisors. FTI Brazil, FTIC, FTIML, FT India, FT Korea and TAML provide Advisers with investment management advice and assistance. FT India provides advice on a non-discretionary basis due to Indian regulatory requirements. FTI Brazil, FTIC, FTIML, FT India, FT Korea and TAML are indirect subsidiaries of Franklin Resources, Inc. (Resources) and Advisers is a direct subsidiary of Resources. For purposes of the Fund's investment strategies, techniques and risks, the term "investment manager" includes any sub-advisor.

IV. For the Global Equity Series, the portfolio manager line-up in the "Fund Details – Management" section is revised to add the following:

CINDY L. SWEETING, CFA *President of Investment Counsel*

Ms. Sweeting has been a portfolio manager of the Fund since 2012, providing research and advice on the purchases and sales of individual securities, and portfolio risk assessment. She joined Franklin Templeton Investments in 1997.

V. The following has been added to the "Your Account – Distribution and Service (12b-1) Fees" as follows:

We calculate the amount of these fees over a 12-month period that may differ from the Fund's fiscal year. Therefore, the amount shown from time to time in the Fund's fee table (which is based upon the Fund's fiscal year) may differ from the amount set forth in the Rule 12b-1 plan due to timing differences, but will never exceed the amount set forth in the Rule 12b-1 plan over the 12-month measurement period.

Please retain this supplement with your prospectus for reference.

SUPPLEMENT DATED MAY 10, 2013 TO THE CURRENTLY EFFECTIVE PROSPECTUS OF EACH OF THE LISTED FUNDS

Franklin California Tax-Free Income Fund

Franklin California Tax-Free Trust

Franklin California Insured Tax-Free Income Fund

Franklin California Intermediate-Term Tax-Free Income Fund

Franklin California Tax-Exempt Money Fund

Franklin Custodian Funds

Franklin DynaTech Fund

Franklin Income Fund

Franklin U.S. Government Securities Fund

Franklin Utilities Fund

Franklin Growth Fund

Franklin Federal Tax-Free Income Fund

Franklin Global Trust

Franklin Global Real Estate Fund

Franklin International Small Cap Growth Fund

Franklin International Growth Fund

Franklin Large Cap Equity Fund

Franklin Templeton Emerging Market Debt Opportunities Fund

Franklin Gold and Precious Metals Fund

Franklin High Income Trust

Franklin High Income Fund

Franklin Investors Securities Trust

Franklin Adjustable U.S. Government Securities Fund

Franklin Balanced Fund

Franklin Convertible Securities Fund

Franklin Equity Income Fund

Franklin Floating Rate Daily Access Fund

Franklin Limited Maturity U.S. Government Securities Fund

Franklin Low Duration Total Return Fund

Franklin Real Return Fund

Franklin Total Return Fund

Franklin Managed Trust

Franklin Rising Dividends Fund

Franklin Money Fund

Franklin Municipal Securities Trust

Franklin California High Yield Municipal Fund

Franklin Tennessee Municipal Bond Fund

Franklin Mutual Recovery Fund

Franklin Mutual Series Funds

Mutual Beacon Fund

Mutual European Fund

Mutual Financial Services Fund

Mutual Global Discovery Fund

Mutual International Fund

Mutual Quest Fund

Mutual Shares Fund

Franklin New York Tax-Free Income Fund

Franklin New York Tax-Free Trust

Franklin New York Intermediate-Term Tax-Free Income Fund

Franklin Real Estate Securities Trust

Franklin Real Estate Securities Fund

Franklin Strategic Mortgage Portfolio

Franklin Strategic Series

Franklin Biotechnology Discovery Fund

Franklin Flex Cap Growth Fund

Franklin Focused Core Equity Fund

Franklin Growth Opportunities Fund

Franklin Natural Resources Fund

Franklin Small Cap Growth Fund

Franklin Small-Mid Cap Growth Fund

Franklin Strategic Income Fund

Franklin Tax-Exempt Money Fund

Franklin Tax-Free Trust

Franklin Alabama Tax-Free Income Fund

Franklin Arizona Tax-Free Income Fund

Franklin Colorado Tax-Free Income Fund

Franklin Connecticut Tax-Free Income Fund

Franklin Double Tax-Free Income Fund

Franklin Federal Intermediate-Term Tax-Free Income Fund

Franklin Federal Limited-Term Tax-Free Income Fund

Franklin Florida Tax-Free Income Fund

Franklin Georgia Tax-Free Income Fund

Franklin High Yield Tax-Free Income Fund

Franklin Insured Tax-Free Income Fund

Franklin Kentucky Tax-Free Income Fund

Franklin Louisiana Tax-Free Income Fund

Franklin Maryland Tax-Free Income Fund

Franklin Massachusetts Tax-Free Income Fund

Franklin Michigan Tax-Free Income Fund

Franklin Minnesota Tax-Free Income Fund

Franklin Missouri Tax-Free Income Fund

Franklin New Jersey Tax-Free Income Fund

Franklin North Carolina Tax-Free Income Fund

Franklin Ohio Tax-Free Income Fund

Franklin Oregon Tax-Free Income Fund

Franklin Pennsylvania Tax-Free Income Fund

Franklin Virginia Tax-Free Income Fund

Franklin Templeton Fund Allocator Series

Franklin Templeton Conservative Allocation Fund

Franklin Templeton Corefolio Allocation Fund

Franklin Templeton Founding Funds Allocation Fund

Franklin Templeton Growth Allocation Fund

Franklin Templeton Moderate Allocation Fund

Franklin LifeSmart™ 2015 Retirement Target Fund

Franklin LifeSmart™ 2025 Retirement Target Fund

Franklin LifeSmart™ 2035 Retirement Target Fund

Franklin LifeSmart™ 2045 Retirement Target Fund

Franklin Templeton Multi-Asset Real Return Fund

Franklin Templeton Global Trust

Franklin Templeton Hard Currency Fund

Franklin Templeton International Trust

Franklin India Growth Fund

Franklin Templeton Global Allocation Fund

Franklin World Perspectives Fund

Templeton Foreign Smaller Companies Fund

Franklin Templeton Money Fund Trust

Franklin Templeton Money Fund

Franklin Value Investors Trust

Franklin All Cap Value Fund

Franklin Balance Sheet Investment Fund

Franklin Large Cap Value Fund

Franklin MicroCap Value Fund

Franklin MidCap Value Fund

Franklin Small Cap Value Fund

Institutional Fiduciary Trust

Money Market Portfolio

Templeton China World Fund

Templeton Developing Markets Trust

Templeton Funds

Templeton Foreign Fund

Templeton World Fund

Templeton Global Investment Trust

Templeton Asian Growth Fund

Templeton BRIC Fund

Templeton Emerging Markets Balanced Fund

Templeton Emerging Markets Small Cap Fund

Templeton Frontier Markets Fund

Templeton Global Balanced Fund

Templeton Global Opportunities Trust

Templeton Global Smaller Companies Fund

Templeton Growth Fund, Inc.

Templeton Income Trust

Templeton Emerging Markets Bond Fund

Templeton Global Bond Fund

Templeton Global Total Return Fund

Templeton International Bond Fund

Templeton Institutional Funds

Emerging Markets Series

Foreign Equity Series

Foreign Smaller Companies Series

Global Equity Series

The Prospectus is amended as follows:

I. The "Fund Details – Buying Shares" section is amended to add the following paragraph after the "Minimum Investments" table:

In addition, the Fund is not registered in any provincial or territorial jurisdiction in Canada and shares of the Fund have not been qualified for sale in any Canadian jurisdiction. The shares offered by this prospectus may not be directly or indirectly offered or sold in any provincial or territorial jurisdiction in Canada or to or for the benefit of residents thereof. Prospective investors may be required to declare that they are not a Canadian resident and are not acquiring shares on behalf of any Canadian residents. If an investor becomes a Canadian resident after purchasing shares of the Fund, the investor will not be able to purchase any additional shares of the Fund.

II. For the Franklin U.S. Government Securities Fund, the "Fund Details – Principal Investment Policies and Practices" section beginning on page 80 is amended to add the following:

In addition, the Fund may invest in mortgage dollar rolls. In a mortgage dollar roll, the Fund sells mortgage-backed securities for delivery in the current month and simultaneously contracts to repurchase substantially similar (same type, coupon, and maturity) securities on a specified future date. During the period between the sale and repurchase, the Fund forgoes principal and interest paid on the mortgage-backed securities. The Fund earns money on a mortgage dollar roll from any difference between the sale price and the future purchase price, as well as the interest earned on the cash proceeds of the initial sale. The Fund will invest only in covered mortgage dollar rolls, meaning that the Fund establishes a segregated account with liquid securities equal in value to the securities it will repurchase.

Please keep this supplement for future reference.

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FRANKLIN LIFESMART™ 2015 RETIREMENT TARGET FUND

Investment Goal

The highest level of long-term total return consistent with its asset allocation.

Fees and Expenses of the Fund

These tables describe the fees and expenses that you may pay if you buy and hold shares of the Fund. You may qualify for sales charge discounts in Class A if you and your family invest, or agree to invest in the future, at least $50,000 in Franklin Templeton funds. More information about these and other discounts is available from your financial professional and under "Your Account" on page 117 in the Fund's Prospectus and under "Buying and Selling Shares" on page 76 of the Fund's Statement of Additional Information.

SHAREHOLDER FEES *(fees paid directly from your investment)*

	Class A	Class C	Class R	Class R6[1]	Advisor Class
Maximum Sales Charge (Load) Imposed on Purchases (as percentage of offering price)	5.75%	None	None	None	None
Maximum Deferred Sales Charge (Load) (as percentage of the lower of original purchase price or sale proceeds)	None	1.00%	None	None	None

1. The Fund began offering Class R6 shares on May 1, 2013.

ANNUAL FUND OPERATING EXPENSES
(expenses that you pay each year as a percentage of the value of your investment)

	Class A	Class C	Class R	Class R6	Advisor Class
Asset allocation fees	0.25%	0.25%	0.25%	0.25%	0.25%
Distribution and service (12b-1) fees	0.30%	1.00%	0.50%	None	None
Other expenses[1]	0.32%	0.32%	0.32%	0.20%	0.32%
Acquired fund fees and expenses[2, 3]	0.54%	0.54%	0.54%	0.54%	0.54%
Total annual Fund operating expenses[2]	1.41%	2.11%	1.61%	0.99%	1.11%
Fee waiver and/or expense reimbursement[4]	-0.52%	-0.52%	-0.52%	-0.45%	-0.52%
Total annual Fund operating expenses after fee waiver and/or expense reimbursement[2]	**0.89%**	**1.59%**	**1.09%**	**0.54%**	**0.59%**

1. Other expenses for Class A, Class C, Class R and Advisor Class have been restated to reflect current fiscal year fees and expenses (including the effect of the termination of the Special Service Agreement on April 30, 2013). Other expenses for Class R6 represent an estimate of expenses, including the effect of this Class' lower shareholder servicing fees.
2. Total annual Fund operating expenses differ from the ratio of expenses to average net assets shown in the Financial Highlights, which reflect the operating expenses of the Fund and do not include acquired fund fees and expenses.
3. Acquired fund fees and expenses have been restated to reflect current fees and expenses.
4. Management has contractually agreed to waive or assume certain fees and expenses so that expenses (excluding Rule 12b-1 fees and acquired fund fees and expenses) for each class of the Fund do not exceed (and could be less than) 0.05% (other than certain non-routine expenses), until April 30, 2014. The "Fee waiver and/or expense reimbursement" and "Total annual Fund operating expenses after fee waiver and/or expense reimbursement" information in the table above has been restated to reflect the current contractual fee waiver and/or expense reimbursement agreement. Pursuant to a previous contractual fee waiver and/or expense reimbursement agreement, the actual "Total annual Fund operating expenses after fee waiver and/or expense reimbursement" for the fiscal year ending December 31, 2012 were 0.45% for Class A shares, 1.15% for Class C shares, 0.65% for Class R shares and 0.15% for Advisor Class shares. Class R6 shares have not commenced operations as of the date of this prospectus. Management also has contractually agreed in advance to reduce its fees as a result of the Fund's investment in a Franklin Templeton money fund (acquired fund) for at least the next 12-month period. Contractual fee waiver and/or expense reimbursement agreements may not be terminated during the terms set forth above.

Example

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. The Example assumes that you invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of the period. The Example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. The Example reflects adjustments made to the Fund's operating expenses due to the fee waiver and/or expense reimbursement by management for the 1 Year numbers

only. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Class A	$661	$947	$1,255	$2,126
Class C	$262	$611	$1,086	$2,400
Class R	$111	$457	$827	$1,867
Class R6	$55	$270	$503	$1,172
Advisor Class	$60	$301	$561	$1,305
If you do not sell your shares:				
Class C	$162	$611	$1,086	$2,400

Portfolio Turnover

A mutual fund generally pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when mutual fund shares are held in a taxable account. During the most recent fiscal year, the Fund's portfolio turnover rate was 25.12% of the average value of its portfolio.

Principal Investment Strategies

The board of trustees of the Trust approved changes to the target asset allocation glide path (glide path) of the Fund to be implemented on or about July 1, 2013. On or about July 1, 2013, the Fund will transition its current short-term investments (money market) allocation to fixed-income funds. In addition, the Fund's glide path will reflect the transition of short-term investments (money market) to fixed-income funds.

Effective on or about July 1, 2013, the Fund's principal investment strategies will be as follows:

The Fund employs an asset allocation strategy designed for investors who are expecting to retire and who are likely to stop making new investments in the Fund around the specific target year (target date), as indicated in the Fund's name.

Under normal market conditions, the investment manager allocates the Fund's assets among the broad asset classes of equity and fixed-income investments by investing primarily in a distinctly-weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds,

based on each underlying fund's predominant asset class. These underlying funds, in turn, invest in a variety of U.S. and foreign equity and fixed-income securities, but may also have exposure to derivative instruments.

The investment manager uses a predetermined glide path as a guide in allocating the Fund's assets among underlying funds in the broad asset classes. The target asset allocations in the glide path change over time, reducing their exposure to equity investments and becoming increasingly conservative until the stated target date. At approximately the target date, the Fund's final asset allocation mix will be 32% equity funds and 68% fixed-income funds. On or about July 1, 2013, the allocation of the Fund is expected to be approximately 43% equity funds and 57% fixed-income funds.

Through June 30, 2013, the Fund's principal investment strategies will remain as follows:

The Fund employs an asset allocation strategy designed for investors who are expecting to retire and who are likely to stop making new investments in the Fund around the specific target year (target date), as indicated in the Fund's name.

Under normal market conditions, the investment manager allocates the Fund's assets among the broad asset classes of equity, fixed-income and short-term (money market) investments by investing primarily in a distinctly-weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, based on each underlying fund's predominant asset class. These underlying funds, in turn, invest in a variety of U.S. and foreign equity, fixed-income and money market securities.

The investment manager uses a predetermined glide path as a guide in allocating the Fund's assets among underlying funds in the broad asset classes. The target asset allocations in the glide path change over time, reducing their exposure to equity investments and becoming increasingly conservative until the stated target date. As of May 2013, the allocation of the Fund is approximately 43% equity funds, 43% fixed-income funds and 14% short-term (money market) funds.

The underlying funds and the percentage allocations in the glide path may be changed from time to time by the Fund's investment manager without the approval of shareholders, and, under normal market conditions, the percentage allocations may vary up to 5% from the stated allocations. The glide path is further described and illustrated in the "Fund Details" section.

When selecting equity funds, the investment manager considers the underlying funds' foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value). When selecting fixed-income funds, the investment manager focuses primarily on maximizing income, appropriate to the Fund's risk profile. In evaluating the risk level of the underlying funds, the investment manager analyzes such factors as: (a) relative and absolute performance, including correlations with other underlying funds as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next).

No more than 25% of the Fund's assets may be invested in any one underlying fund, except that the Fund may invest up to 50% of its total assets in Franklin Limited Maturity U.S. Government Securities Fund and Franklin U.S. Government Securities Fund.

While the Fund is designed for investors expecting to retire around the target date, investors should also consider other factors besides their age or retirement date, such as their risk tolerance, personal circumstances, and complete financial situation. It is possible to lose money by investing in the Fund, including at and after the target date. The Fund does not guarantee a level of income or principal at or after the target date.

Principal Risks

You could lose money by investing in the Fund. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by, any bank, and are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency of the U.S. government.

Asset Allocation The Fund's ability to achieve its investment goal depends upon the investment manager's skill in determining the Fund's broad asset allocation mix and selecting underlying funds. There is the possibility that the investment manager's evaluations and assumptions regarding asset classes and underlying funds will not successfully achieve the Fund's investment goal in view of actual market trends.

Investing in Underlying Funds Because the Fund's investments are concentrated in the underlying funds, and the Fund's performance is directly related to the performance of the underlying funds held by it, the ability of the Fund to achieve its investment goal is directly related to the ability of the underlying funds to meet their investment goal. In addition, shareholders of the Fund will indirectly bear the fees and expenses of the underlying funds. The risks described below are the principal risks of the

Fund and the underlying funds. For purposes of the discussion below, "Fund" means the Fund and/or one or more of the underlying funds in which the Fund invests.

Market The market values of securities owned by the Fund will go up or down, sometimes rapidly or unpredictably. A security's market value may be reduced by market activity or other results of supply and demand unrelated to the issuer. This is a basic risk associated with all securities. When there are more sellers than buyers, prices tend to fall. Likewise, when there are more buyers than sellers, prices tend to rise.

Stock prices tend to go up and down more dramatically than those of debt securities. A slower-growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by the Fund.

Foreign Securities Investing in foreign securities typically involves more risks than investing in U.S. securities, and includes risks associated with: political and economic developments - the political, economic and social structures of some foreign countries may be less stable and more volatile than those in the U.S.; trading practices - government supervision and regulation of foreign securities and currency markets, trading systems and brokers may be less than in the U.S.; availability of information - foreign issuers may not be subject to the same disclosure, accounting and financial reporting standards and practices as U.S. issuers; limited markets - the securities of certain foreign issuers may be less liquid (harder to sell) and more volatile; and currency exchange rate fluctuations and policies. The risks of foreign investments may be greater in developing or emerging market countries.

Growth Style Investing Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. Prices of these companies' securities may be more volatile than other securities, particularly over the short term.

Value Style Investing A value stock may not increase in price as anticipated by the investment manager if other investors fail to recognize the company's value and bid up the price, the markets favor faster-growing companies, or the factors that the investment manager believes will increase the price of the security do not occur.

Smaller and Midsize Companies Securities issued by smaller and midsize companies may be more volatile in price than those of larger companies, involve substantial risks and should be considered speculative. Such

risks may include greater sensitivity to economic conditions, less certain growth prospects, lack of depth of management and funds for growth and development and limited or less developed product lines and markets. In addition, smaller and midsize companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans.

Interest Rate When interest rates rise, debt security prices generally fall. The opposite is also generally true: debt security prices rise when interest rates fall. In general, securities with longer maturities are more sensitive to these interest rate changes.

Income Because the Fund can only distribute what it earns, the Fund's distributions to shareholders may decline when prevailing interest rates fall or when the Fund experiences defaults on debt securities it holds.

Credit An issuer of debt securities may fail to make interest payments and repay principal when due, in whole or in part. Changes in an issuer's financial strength or in a security's credit rating may affect a security's value. While securities issued by Ginnie Mae are backed by the full faith and credit of the U.S. government, not all securities of the various U.S. government agencies are, including those of Fannie Mae and Freddie Mac. Also guarantees of principal and interest do not apply to market prices, yields or the Fund's share price. While the U.S. government has provided financial support to Fannie Mae and Freddie Mac, no assurance can be given that the U.S. government will always do so, since the U.S. government is not so obligated by law. Accordingly, securities issued by Fannie Mae and Freddie Mac may involve a risk of non-payment of principal and interest. Any downgrade of the credit rating of the securities issued by the U.S. government may result in a downgrade of securities issued by its agencies or instrumentalities, including government-sponsored entities.

Focus To the extent that the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, the Fund may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments.

Mortgage-Backed Securities Mortgage-backed securities differ from conventional debt securities because principal is paid back periodically over the life of the security rather than at maturity. The Fund may receive

unscheduled payments of principal due to voluntary prepayments, refinancings or foreclosures on the underlying mortgage loans. Because of prepayments, mortgage-backed securities may be less effective than some other types of debt securities as a means of "locking in" long-term interest rates and may have less potential for capital appreciation during periods of falling interest rates. A reduction in the anticipated rate of principal prepayments, especially during periods of rising interest rates, may increase or extend the effective maturity of mortgage-backed securities, making them more sensitive to interest rate changes, subject to greater price volatility, and more susceptible than some other debt securities to a decline in market value when interest rates rise.

Derivative Instruments The performance of derivative instruments (including currency-related derivatives) depends largely on the performance of an underlying currency, security or index, and such instruments often have risks similar to their underlying instrument, in addition to other risks. Derivatives involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that significantly exceeds the Fund's initial investment. Other risks include illiquidity, mispricing or improper valuation of the derivative instrument, and imperfect correlation between the value of the derivative and the underlying instrument so that the Fund may not realize the intended benefits. When used for hedging, the change in value of the derivative may also not correlate specifically with the currency, security or other risk being hedged. With over-the-counter derivatives, there is the risk that the other party to the transaction will fail to perform.

Prepayment Prepayment risk occurs when a debt security can be repaid in whole or in part prior to the security's maturity and the Fund must reinvest the proceeds it receives, during periods of declining interest rates, in securities that pay a lower rate of interest.

Management The Fund is subject to management risk because it is an actively managed investment portfolio. The Fund's investment manager applies investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these decisions will produce the desired results.

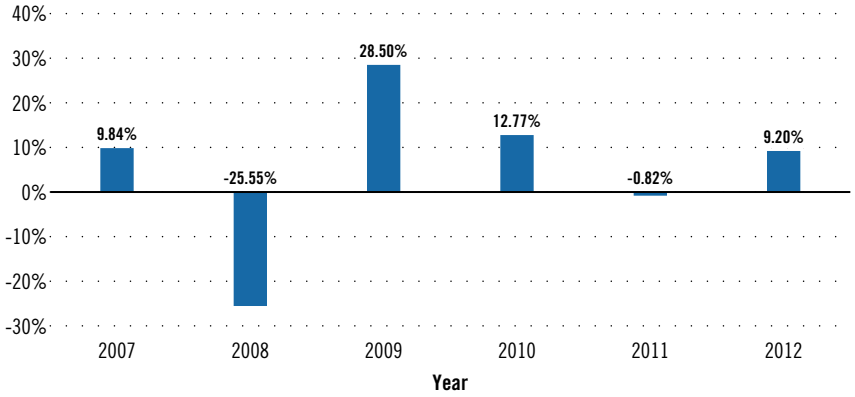
Performance

The following bar chart and table provide some indication of the risks of investing in the Fund. The bar chart shows changes in the Fund's performance from year to year for Class A shares. The table shows how the Fund's average annual returns for 1 year, 5 years, 10 years or since inception, as applicable, compared with those of a broad measure of market performance. The Fund's past performance (before and after taxes) is not necessarily an indication of how the Fund will perform in the future. You can obtain updated performance information at franklintempleton.com or by calling (800) DIAL BEN/342-5236.

The secondary indices in the table below show how the Fund's performance compares to groups of securities that align with portion of the Fund's portfolio.

Sales charges are not reflected in the bar chart, and if those charges were included, returns would be less than those shown.

CLASS A ANNUAL TOTAL RETURNS



Best Quarter:	Q2'09	12.99%
Worst Quarter:	Q4'08	-13.01%

As of March 31, 2013, the Fund's year-to-date return was 3.37%.

AVERAGE ANNUAL TOTAL RETURNS

(figures reflect sales charges) *For the periods ended December 31, 2012*

	1 Year	5 Years	Since Inception 8/1/2006
Franklin LifeSmart 2015 Retirement Target Fund - Class A			
Return Before Taxes	2.89%	1.95%	4.34%
Return After Taxes on Distributions	2.29%	1.30%	3.64%
Return After Taxes on Distributions and Sale of Fund Shares	2.04%	1.36%	3.41%
Franklin LifeSmart 2015 Retirement Target Fund - Class C	7.44%	2.45%	4.57%
Franklin LifeSmart 2015 Retirement Target Fund - Class R	8.96%	2.95%	5.09%
Franklin LifeSmart 2015 Retirement Target Fund - Advisor Class	9.59%	3.47%	5.63%
S&P 500® Index (index reflects no deduction for fees, expenses or taxes)	16.00%	1.66%	3.97%
MSCI EAFE Index (index reflects no deduction for fees, expenses or taxes)	17.90%	-3.21%	1.17%
Barclays U.S. Aggregate Index (index reflects no deduction for fees, expenses or taxes)	4.21%	5.95%	6.31%

Performance information for Class R6 shares is not shown because it had not commenced operations as of the date of this prospectus.

The after-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. After-tax returns are shown only for Class A and after-tax returns for other classes will vary.

Investment Manager

Franklin Advisers, Inc. (Advisers)

Portfolio Managers

T. ANTHONY COFFEY, CFA

Vice President of Advisers and portfolio manager of the Fund since inception (2006).

THOMAS A. NELSON, CFA

Portfolio Manager of Advisers and portfolio manager of the Fund since 2011.

Purchase and Sale of Fund Shares

You may purchase or redeem shares of the Fund on any business day online through our website at franklintempleton.com, by mail (Franklin Templeton Investor Services, P.O. Box 997151, Sacramento, CA 95899-7151), or by telephone at (800) 632-2301. The minimum initial purchase for most accounts is $1,000 (or $50 under an automatic investment plan).

Taxes

The Fund's distributions are generally taxable to you as ordinary income, capital gains, or some combination of both, unless you are investing through a tax-deferred arrangement, such as a 401(k) plan or an individual retirement account, in which case your distributions would generally be taxed when withdrawn from the tax-deferred account.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your financial advisor or visit your financial intermediary's website for more information.

FRANKLIN LIFESMART™ 2025 RETIREMENT TARGET FUND

Investment Goal

The highest level of long-term total return consistent with its asset allocation.

Fees and Expenses of the Fund

These tables describe the fees and expenses that you may pay if you buy and hold shares of the Fund. You may qualify for sales charge discounts in Class A if you and your family invest, or agree to invest in the future, at least $50,000 in Franklin Templeton funds. More information about these and other discounts is available from your financial professional and under "Your Account" on page 117 in the Fund's Prospectus and under "Buying and Selling Shares" on page 76 of the Fund's Statement of Additional Information.

SHAREHOLDER FEES *(fees paid directly from your investment)*

	Class A	Class C	Class R	Class R6[1]	Advisor Class
Maximum Sales Charge (Load) Imposed on Purchases (as percentage of offering price)	5.75%	None	None	None	None
Maximum Deferred Sales Charge (Load) (as percentage of the lower of original purchase price or sale proceeds)	None	1.00%	None	None	None

1. The Fund began offering Class R6 shares on May 1, 2013.

ANNUAL FUND OPERATING EXPENSES

(expenses that you pay each year as a percentage of the value of your investment)

	Class A	Class C	Class R	Class R6	Advisor Class
Asset allocation fees	0.25%	0.25%	0.25%	0.25%	0.25%
Distribution and service (12b-1) fees	0.30%	1.00%	0.50%	None	None
Other expenses[1]	0.35%	0.35%	0.35%	0.18%	0.35%
Acquired fund fees and expenses[2, 3]	0.58%	0.58%	0.58%	0.58%	0.58%
Total annual Fund operating expenses	1.48%	2.18%	1.68%	1.01%	1.18%
Fee waiver and/or expense reimbursement[4]	-0.55%	-0.55%	-0.55%	-0.43%	-0.55%
Total annual Fund operating expenses after fee waiver and/or expense reimbursement[2]	**0.93%**	**1.63%**	**1.13%**	**0.58%**	**0.63%**

1. Other expenses for Class A, Class C, Class R and Advisor Class have been restated to reflect current fiscal year fees and expenses (including the effect of the termination of the Special Service Agreement on April 30, 2013). Other expenses for Class R6 represent an estimate of expenses, including the effect of this Class' lower shareholder servicing fees.
2. Total annual Fund operating expenses differ from the ratio of expenses to average net assets shown in the Financial Highlights, which reflect the operating expenses of the Fund and do not include acquired fund fees and expenses.
3. Acquired fund fees and expenses have been restated to reflect current fees and expenses.
4. Management has contractually agreed to waive or assume certain fees and expenses so that expenses (excluding Rule 12b-1 fees and acquired fund fees and expenses) for each class of the Fund do not exceed (and could be less than) 0.05% (other than certain non-routine expenses), until April 30, 2014. The "Fee waiver and/or expense reimbursement" and "Total annual Fund operating expenses after fee waiver and/or expense reimbursement" information in the table above has been restated to reflect the current contractual fee waiver and/or expense reimbursement agreement. Pursuant to a previous contractual fee waiver and/or expense reimbursement agreement, the actual "Total annual Fund operating expenses after fee waiver and/or expense reimbursement" for the fiscal year ending December 31, 2012 were 0.45% for Class A shares, 1.15% for Class C shares, 0.65% for Class R shares and 0.15% for Advisor Class shares. Class R6 shares have not commenced operations as of the date of this prospectus. Management also has contractually agreed in advance to reduce its fees as a result of the Fund's investment in a Franklin Templeton money fund (acquired fund) for at least the next 12-month period. Contractual fee waiver and/or expense reimbursement agreements may not be terminated during the terms set forth above.

Example

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. The Example assumes that you invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of the period. The Example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. The Example reflects adjustments made to the Fund's operating expenses due to the fee waiver and/or expense reimbursement by management for the 1 Year numbers

only. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Class A	$664	$965	$1,287	$2,197
Class C	$266	$629	$1,119	$2,470
Class R	$115	$476	$861	$1,941
Class R6	$59	$279	$516	$1,197
Advisor Class	$64	$320	$596	$1,383
If you do not sell your shares:				
Class C	$166	$629	$1,119	$2,470

Portfolio Turnover

A mutual fund generally pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when mutual fund shares are held in a taxable account. During the most recent fiscal year, the Fund's portfolio turnover rate was 25.67% of the average value of its portfolio.

Principal Investment Strategies

The board of trustees of the Trust approved changes to the target asset allocation glide path (glide path) of the Fund to be implemented on or about July 1, 2013. On or about July 1, 2013, the Fund will transition its current short-term investments (money market) allocation to fixed-income funds. In addition, the Fund's glide path will reflect the transition of short-term investments (money market) to fixed-income funds.

Effective on or about July 1, 2013, the Fund's principal investment strategies will be as follows:

The Fund employs an asset allocation strategy designed for investors who are expecting to retire and who are likely to stop making new investments in the Fund around the specific target year (target date), as indicated in the Fund's name.

Under normal market conditions, the investment manager allocates the Fund's assets among the broad asset classes of equity and fixed-income investments by investing primarily in a distinctly-weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds,

based on each underlying fund's predominant asset class. These underlying funds, in turn, invest in a variety of U.S. and foreign equity and fixed-income securities, but may also have exposure to derivative instruments.

The investment manager uses a predetermined glide path as a guide in allocating the Fund's assets among underlying funds in the broad asset classes. The target asset allocations in the glide path change over time, reducing their exposure to equity investments and becoming increasingly conservative until the stated target date. At approximately the target date, the Fund's final asset allocation mix will be 32% equity funds and 68% fixed-income funds. On or about July 1, 2013, the allocation of the Fund is expected to be approximately 72% equity funds and 28% fixed-income funds.

Through June 30, 2013, the Fund's principal investment strategies will remain as follows:

The Fund employs an asset allocation strategy designed for investors who are expecting to retire and who are likely to stop making new investments in the Fund around the specific target year (target date), as indicated in the Fund's name.

Under normal market conditions, the investment manager allocates the Fund's assets among the broad asset classes of equity, fixed-income and short-term (money market) investments by investing primarily in a distinctly-weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, based on each underlying fund's predominant asset class. These underlying funds, in turn, invest in a variety of U.S. and foreign equity, fixed-income and money market securities.

The investment manager uses a predetermined glide path as a guide in allocating the Fund's assets among underlying funds in the broad asset classes. The target asset allocations in the glide path change over time, reducing their exposure to equity investments and becoming increasingly conservative until the stated target date. As of May 2013, the allocation of the Fund is approximately 72% equity funds, 21% fixed-income funds and 7% short-term (money market) funds.

The underlying funds and the percentage allocations in the glide path may be changed from time to time by the Fund's investment manager without the approval of shareholders, and, under normal market conditions, the percentage allocations may vary up to 5% from the stated allocations. The glide path is further described and illustrated in the "Fund Details" section.

When selecting equity funds, the investment manager considers the underlying funds' foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value). When selecting fixed-income funds, the investment manager focuses primarily on maximizing income, appropriate to the Fund's risk profile. In evaluating the risk level of the underlying funds, the investment manager analyzes such factors as: (a) relative and absolute performance, including correlations with other underlying funds as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next).

No more than 25% of the Fund's assets may be invested in any one underlying fund, except that the Fund may invest up to 50% of its total assets in Franklin Limited Maturity U.S. Government Securities Fund and Franklin U.S. Government Securities Fund.

While the Fund is designed for investors expecting to retire around the target date, investors should also consider other factors besides their age or retirement date, such as their risk tolerance, personal circumstances, and complete financial situation. It is possible to lose money by investing in the Fund, including at and after the target date. The Fund does not guarantee a level of income or principal at or after the target date.

Principal Risks

You could lose money by investing in the Fund. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by, any bank, and are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency of the U.S. government.

Asset Allocation The Fund's ability to achieve its investment goal depends upon the investment manager's skill in determining the Fund's broad asset allocation mix and selecting underlying funds. There is the possibility that the investment manager's evaluations and assumptions regarding asset classes and underlying funds will not successfully achieve the Fund's investment goal in view of actual market trends.

Investing in Underlying Funds Because the Fund's investments are concentrated in the underlying funds, and the Fund's performance is directly related to the performance of the underlying funds held by it, the ability of the Fund to achieve its investment goal is directly related to the ability of the underlying funds to meet their investment goal. In addition, shareholders of the Fund will indirectly bear the fees and expenses of the underlying funds. The risks described below are the principal risks of the

Fund and the underlying funds. For purposes of the discussion below, "Fund" means the Fund and/or one or more of the underlying funds in which the Fund invests.

Market The market values of securities owned by the Fund will go up or down, sometimes rapidly or unpredictably. A security's market value may be reduced by market activity or other results of supply and demand unrelated to the issuer. This is a basic risk associated with all securities. When there are more sellers than buyers, prices tend to fall. Likewise, when there are more buyers than sellers, prices tend to rise.

Stock prices tend to go up and down more dramatically than those of debt securities. A slower-growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by the Fund.

Foreign Securities Investing in foreign securities typically involves more risks than investing in U.S. securities, and includes risks associated with: political and economic developments - the political, economic and social structures of some foreign countries may be less stable and more volatile than those in the U.S.; trading practices - government supervision and regulation of foreign securities and currency markets, trading systems and brokers may be less than in the U.S.; availability of information - foreign issuers may not be subject to the same disclosure, accounting and financial reporting standards and practices as U.S. issuers; limited markets - the securities of certain foreign issuers may be less liquid (harder to sell) and more volatile; and currency exchange rate fluctuations and policies. The risks of foreign investments may be greater in developing or emerging market countries.

Growth Style Investing Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. Prices of these companies' securities may be more volatile than other securities, particularly over the short term.

Value Style Investing A value stock may not increase in price as anticipated by the investment manager if other investors fail to recognize the company's value and bid up the price, the markets favor faster-growing companies, or the factors that the investment manager believes will increase the price of the security do not occur.

Smaller and Midsize Companies Securities issued by smaller and midsize companies may be more volatile in price than those of larger companies, involve substantial risks and should be considered speculative. Such

risks may include greater sensitivity to economic conditions, less certain growth prospects, lack of depth of management and funds for growth and development and limited or less developed product lines and markets. In addition, smaller and midsize companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans.

Interest Rate When interest rates rise, debt security prices generally fall. The opposite is also generally true: debt security prices rise when interest rates fall. In general, securities with longer maturities are more sensitive to these interest rate changes.

Income Because the Fund can only distribute what it earns, the Fund's distributions to shareholders may decline when prevailing interest rates fall or when the Fund experiences defaults on debt securities it holds.

Credit An issuer of debt securities may fail to make interest payments and repay principal when due, in whole or in part. Changes in an issuer's financial strength or in a security's credit rating may affect a security's value. While securities issued by Ginnie Mae are backed by the full faith and credit of the U.S. government, not all securities of the various U.S. government agencies are, including those of Fannie Mae and Freddie Mac. Also guarantees of principal and interest do not apply to market prices, yields or the Fund's share price. While the U.S. government has provided financial support to Fannie Mae and Freddie Mac, no assurance can be given that the U.S. government will always do so, since the U.S. government is not so obligated by law. Accordingly, securities issued by Fannie Mae and Freddie Mac may involve a risk of non-payment of principal and interest. Any downgrade of the credit rating of the securities issued by the U.S. government may result in a downgrade of securities issued by its agencies or instrumentalities, including government-sponsored entities.

Focus To the extent that the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, the Fund may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments.

Derivative Instruments The performance of derivative instruments (including currency-related derivatives) depends largely on the performance of an underlying currency, security or index, and such instruments often

have risks similar to their underlying instrument, in addition to other risks. Derivatives involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that significantly exceeds the Fund's initial investment. Other risks include illiquidity, mispricing or improper valuation of the derivative instrument, and imperfect correlation between the value of the derivative and the underlying instrument so that the Fund may not realize the intended benefits. When used for hedging, the change in value of the derivative may also not correlate specifically with the currency, security or other risk being hedged. With over-the-counter derivatives, there is the risk that the other party to the transaction will fail to perform.

Management The Fund is subject to management risk because it is an actively managed investment portfolio. The Fund's investment manager applies investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these decisions will produce the desired results.

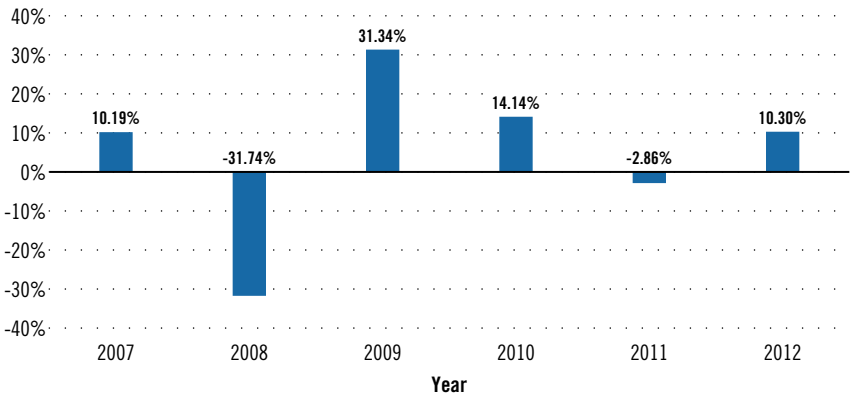
Performance

The following bar chart and table provide some indication of the risks of investing in the Fund. The bar chart shows changes in the Fund's performance from year to year for Class A shares. The table shows how the Fund's average annual returns for 1 year, 5 years, 10 years or since inception, as applicable, compared with those of a broad measure of market performance. The Fund's past performance (before and after taxes) is not necessarily an indication of how the Fund will perform in the future. You can obtain updated performance information at franklintempleton.com or by calling (800) DIAL BEN/342-5236.

The secondary indices in the table below show how the Fund's performance compares to groups of securities that align with portion of the Fund's portfolio.

Sales charges are not reflected in the bar chart, and if those charges were included, returns would be less than those shown.

CLASS A ANNUAL TOTAL RETURNS



Best Quarter:	Q2'09	14.55%
Worst Quarter:	Q4'08	-16.97%
As of March 31, 2013, the Fund's year-to-date return was 4.91%.		

AVERAGE ANNUAL TOTAL RETURNS

(figures reflect sales charges) *For the periods ended December 31, 2012*

	1 Year	5 Years	Since Inception 8/1/2006
Franklin LifeSmart 2025 Retirement Target Fund - Class A			
Return Before Taxes	3.99%	0.65%	3.48%
Return After Taxes on Distributions	3.71%	0.16%	2.92%
Return After Taxes on Distributions and Sale of Fund Shares	2.84%	0.38%	2.80%
Franklin LifeSmart 2025 Retirement Target Fund - Class C	8.42%	1.12%	3.71%
Franklin LifeSmart 2025 Retirement Target Fund - Class R	10.05%	1.62%	4.22%
Franklin LifeSmart 2025 Retirement Target Fund - Advisor Class	10.59%	2.14%	4.73%
S&P 500® Index (index reflects no deduction for fees, expenses or taxes)	16.00%	1.66%	3.97%
MSCI EAFE Index (index reflects no deduction for fees, expenses or taxes)	17.90%	-3.21%	1.17%
Barclays U.S. Aggregate Index (index reflects no deduction for fees, expenses or taxes)	4.21%	5.95%	6.31%

Performance information for Class R6 shares is not shown because it had not commenced operations as of the date of this prospectus.

The after-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. After-tax returns are shown only for Class A and after-tax returns for other classes will vary.

Investment Manager

Franklin Advisers, Inc. (Advisers)

Portfolio Managers

T. ANTHONY COFFEY, CFA

Vice President of Advisers and portfolio manager of the Fund since inception (2006).

THOMAS A. NELSON, CFA

Portfolio Manager of Advisers and portfolio manager of the Fund since 2011.

Purchase and Sale of Fund Shares

You may purchase or redeem shares of the Fund on any business day online through our website at franklintempleton.com, by mail (Franklin Templeton Investor Services, P.O. Box 997151, Sacramento, CA 95899-7151), or by telephone at (800) 632-2301. The minimum initial purchase for most accounts is $1,000 (or $50 under an automatic investment plan).

Taxes

The Fund's distributions are generally taxable to you as ordinary income, capital gains, or some combination of both, unless you are investing through a tax-deferred arrangement, such as a 401(k) plan or an individual retirement account, in which case your distributions would generally be taxed when withdrawn from the tax-deferred account.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These

payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your financial advisor or visit your financial intermediary's website for more information.

FRANKLIN LIFESMART™ 2035 RETIREMENT TARGET FUND

Investment Goal

The highest level of long-term total return consistent with its asset allocation.

Fees and Expenses of the Fund

These tables describe the fees and expenses that you may pay if you buy and hold shares of the Fund. You may qualify for sales charge discounts in Class A if you and your family invest, or agree to invest in the future, at least $50,000 in Franklin Templeton funds. More information about these and other discounts is available from your financial professional and under "Your Account" on page 117 in the Fund's Prospectus and under "Buying and Selling Shares" on page 76 of the Fund's Statement of Additional Information.

SHAREHOLDER FEES *(fees paid directly from your investment)*

	Class A	Class C	Class R	Class R6[1]	Advisor Class
Maximum Sales Charge (Load) Imposed on Purchases (as percentage of offering price)	5.75%	None	None	None	None
Maximum Deferred Sales Charge (Load) (as percentage of the lower of original purchase price or sale proceeds)	None	1.00%	None	None	None

1. The Fund began offering Class R6 shares on May 1, 2013.

ANNUAL FUND OPERATING EXPENSES
(expenses that you pay each year as a percentage of the value of your investment)

	Class A	Class C	Class R	Class R6	Advisor Class
Asset allocation fees	0.24%	0.24%	0.24%	0.24%	0.24%
Distribution and service (12b-1) fees	0.30%	1.00%	0.50%	None	None
Other expenses[1]	0.49%	0.49%	0.49%	0.26%	0.49%
Acquired fund fees and expenses[2, 3]	0.60%	0.60%	0.60%	0.60%	0.60%
Total annual Fund operating expenses[2]	1.63%	2.33%	1.83%	1.10%	1.33%
Fee waiver and/or expense reimbursement[4]	-0.68%	-0.68%	-0.68%	-0.50%	-0.68%
Total annual Fund operating expenses after fee waiver and/or expense reimbursement[2]	**0.95%**	**1.65%**	**1.15%**	**0.60%**	**0.65%**

1. Other expenses for Class A, Class C, Class R and Advisor Class have been restated to reflect current fiscal year fees and expenses (including the effect of the termination of the Special Service Agreement on April 30, 2013). Other expenses for Class R6 represent an estimate of expenses, including the effect of this Class' lower shareholder servicing fees.
2. Total annual Fund operating expenses differ from the ratio of expenses to average net assets shown in the Financial Highlights, which reflect the operating expenses of the Fund and do not include acquired fund fees and expenses.
3. Acquired fund fees and expenses have been restated to reflect current fees and expenses.
4. Management has contractually agreed to waive or assume certain fees and expenses so that expenses (excluding Rule 12b-1 fees and acquired fund fees and expenses) for each class of the Fund do not exceed (and could be less than) 0.05% (other than certain non-routine expenses), until April 30, 2014. The "Fee waiver and/or expense reimbursement" and "Total annual Fund operating expenses after fee waiver and/or expense reimbursement" information in the table above has been restated to reflect the current contractual fee waiver and/or expense reimbursement agreement. Pursuant to a previous contractual fee waiver and/or expense reimbursement agreement, the actual "Total annual Fund operating expenses after fee waiver and/or expense reimbursement" for the fiscal year ending December 31, 2012 were 0.45% for Class A shares, 1.15% for Class C shares, 0.65% for Class R shares and 0.15% for Advisor Class shares. Class R6 shares have not commenced operations as of the date of this prospectus. Management also has contractually agreed in advance to reduce its fees as a result of the Fund's investment in a Franklin Templeton money fund (acquired fund) for at least the next 12-month period. Contractual fee waiver and/or expense reimbursement agreements may not be terminated during the terms set forth above.

Example

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. The Example assumes that you invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of the period. The Example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. The Example reflects adjustments made to the Fund's operating expenses due to the fee waiver and/or expense reimbursement by management for the 1 Year numbers

only. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Class A	$666	$997	$1,350	$2,343
Class C	$268	$662	$1,184	$2,614
Class R	$117	$509	$927	$2,092
Class R6	$61	$300	$558	$1,295
Advisor Class	$66	$354	$664	$1,542
If you do not sell your shares:				
Class C	$168	$662	$1,184	$2,614

Portfolio Turnover

A mutual fund generally pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when mutual fund shares are held in a taxable account. During the most recent fiscal year, the Fund's portfolio turnover rate was 27.30% of the average value of its portfolio.

Principal Investment Strategies

The board of trustees of the Trust approved changes to the target asset allocation glide path (glide path) of the Fund to be implemented on or about July 1, 2013. On or about July 1, 2013, the Fund will transition its current short-term investments (money market) allocation to fixed-income funds. In addition, the Fund's glide path will reflect the transition of short-term investments (money market) to fixed-income funds.

Effective on or about July 1, 2013, the Fund's principal investment strategies will be as follows:

The Fund employs an asset allocation strategy designed for investors who are expecting to retire and who are likely to stop making new investments in the Fund around the specific target year (target date), as indicated in the Fund's name.

Under normal market conditions, the investment manager allocates the Fund's assets among the broad asset classes of equity and fixed-income investments by investing primarily in a distinctly-weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds,

based on each underlying fund's predominant asset class. These underlying funds, in turn, invest in a variety of U.S. and foreign equity and fixed-income securities, but may also have exposure to derivative instruments.

The investment manager uses a predetermined glide path as a guide in allocating the Fund's assets among underlying funds in the broad asset classes. The target asset allocations in the glide path change over time, reducing their exposure to equity investments and becoming increasingly conservative until the stated target date. At approximately the target date, the Fund's final asset allocation mix will be 32% equity funds and 68% fixed-income funds. On or about July 1, 2013, the allocation of the Fund is expected to be approximately 80% equity funds and 20% fixed-income funds.

Through June 30, 2013, the Fund's principal investment strategies will remain as follows:

The Fund employs an asset allocation strategy designed for investors who are expecting to retire and who are likely to stop making new investments in the Fund around the specific target year (target date), as indicated in the Fund's name.

Under normal market conditions, the investment manager allocates the Fund's assets among the broad asset classes of equity, fixed-income and short-term (money market) investments by investing primarily in a distinctly-weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, based on each underlying fund's predominant asset class. These underlying funds, in turn, invest in a variety of U.S. and foreign equity, fixed-income and money market securities.

The investment manager uses a predetermined glide path as a guide in allocating the Fund's assets among underlying funds in the broad asset classes. The target asset allocations in the glide path change over time, reducing their exposure to equity investments and becoming increasingly conservative until the stated target date. As of May 2013, the allocation of the Fund is approximately 80% equity funds, 15% fixed-income funds and 5% short-term (money market) funds.

The underlying funds and the percentage allocations in the glide path may be changed from time to time by the Fund's investment manager without the approval of shareholders, and, under normal market conditions, the percentage allocations may vary up to 5% from the stated allocations. The glide path is further described and illustrated in the "Fund Details" section.

When selecting equity funds, the investment manager considers the underlying funds' foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value). When selecting fixed-income funds, the investment manager focuses primarily on maximizing income, appropriate to the Fund's risk profile. In evaluating the risk level of the underlying funds, the investment manager analyzes such factors as: (a) relative and absolute performance, including correlations with other underlying funds as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next).

No more than 25% of the Fund's assets may be invested in any one underlying fund, except that the Fund may invest up to 50% of its total assets in Franklin Limited Maturity U.S. Government Securities Fund and Franklin U.S. Government Securities Fund.

While the Fund is designed for investors expecting to retire around the target date, investors should also consider other factors besides their age or retirement date, such as their risk tolerance, personal circumstances, and complete financial situation. It is possible to lose money by investing in the Fund, including at and after the target date. The Fund does not guarantee a level of income or principal at or after the target date.

Principal Risks

You could lose money by investing in the Fund. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by, any bank, and are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency of the U.S. government.

Asset Allocation The Fund's ability to achieve its investment goal depends upon the investment manager's skill in determining the Fund's broad asset allocation mix and selecting underlying funds. There is the possibility that the investment manager's evaluations and assumptions regarding asset classes and underlying funds will not successfully achieve the Fund's investment goal in view of actual market trends.

Investing in Underlying Funds Because the Fund's investments are concentrated in the underlying funds, and the Fund's performance is directly related to the performance of the underlying funds held by it, the ability of the Fund to achieve its investment goal is directly related to the ability of the underlying funds to meet their investment goal. In addition, shareholders of the Fund will indirectly bear the fees and expenses of the underlying funds. The risks described below are the principal risks of the

Fund and the underlying funds. For purposes of the discussion below, "Fund" means the Fund and/or one or more of the underlying funds in which the Fund invests.

Market The market values of securities owned by the Fund will go up or down, sometimes rapidly or unpredictably. A security's market value may be reduced by market activity or other results of supply and demand unrelated to the issuer. This is a basic risk associated with all securities. When there are more sellers than buyers, prices tend to fall. Likewise, when there are more buyers than sellers, prices tend to rise.

Stock prices tend to go up and down more dramatically than those of debt securities. A slower-growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by the Fund.

Foreign Securities Investing in foreign securities typically involves more risks than investing in U.S. securities, and includes risks associated with: political and economic developments - the political, economic and social structures of some foreign countries may be less stable and more volatile than those in the U.S.; trading practices - government supervision and regulation of foreign securities and currency markets, trading systems and brokers may be less than in the U.S.; availability of information - foreign issuers may not be subject to the same disclosure, accounting and financial reporting standards and practices as U.S. issuers; limited markets - the securities of certain foreign issuers may be less liquid (harder to sell) and more volatile; and currency exchange rate fluctuations and policies. The risks of foreign investments may be greater in developing or emerging market countries.

Growth Style Investing Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. Prices of these companies' securities may be more volatile than other securities, particularly over the short term.

Value Style Investing A value stock may not increase in price as anticipated by the investment manager if other investors fail to recognize the company's value and bid up the price, the markets favor faster-growing companies, or the factors that the investment manager believes will increase the price of the security do not occur.

Smaller and Midsize Companies Securities issued by smaller and midsize companies may be more volatile in price than those of larger companies, involve substantial risks and should be considered speculative. Such

risks may include greater sensitivity to economic conditions, less certain growth prospects, lack of depth of management and funds for growth and development and limited or less developed product lines and markets. In addition, smaller and midsize companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans.

Focus To the extent that the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, the Fund may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments.

Management The Fund is subject to management risk because it is an actively managed investment portfolio. The Fund's investment manager applies investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these decisions will produce the desired results.

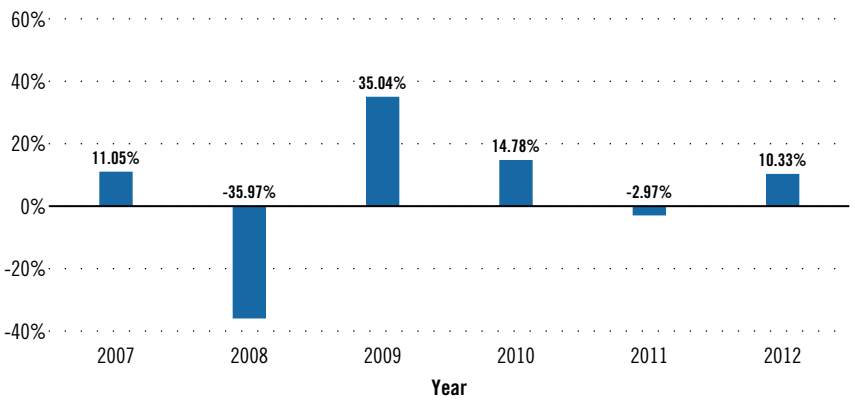
Performance

The following bar chart and table provide some indication of the risks of investing in the Fund. The bar chart shows changes in the Fund's performance from year to year for Class A shares. The table shows how the Fund's average annual returns for 1 year, 5 years, 10 years or since inception, as applicable, compared with those of a broad measure of market performance. The Fund's past performance (before and after taxes) is not necessarily an indication of how the Fund will perform in the future. You can obtain updated performance information at franklintempleton.com or by calling (800) DIAL BEN/342-5236.

The secondary indices in the table below show how the Fund's performance compares to groups of securities that align with portion of the Fund's portfolio.

Sales charges are not reflected in the bar chart, and if those charges were included, returns would be less than those shown.

CLASS A ANNUAL TOTAL RETURNS



Best Quarter:	Q2'09	16.74%
Worst Quarter:	Q4'08	-19.46%
As of March 31, 2013, the Fund's year-to-date return was 5.46%.		

AVERAGE ANNUAL TOTAL RETURNS

(figures reflect sales charges) *For the periods ended December 31, 2012*

	1 Year	5 Years	Since Inception 8/1/2006
Franklin LifeSmart 2035 Retirement Target Fund - Class A			
Return Before Taxes	3.97%	0.03%	3.25%
Return After Taxes on Distributions	3.71%	-0.36%	2.79%
Return After Taxes on Distributions and Sale of Fund Shares	2.85%	-0.07%	2.69%
Franklin LifeSmart 2035 Retirement Target Fund - Class C	8.72%	0.55%	3.49%
Franklin LifeSmart 2035 Retirement Target Fund - Class R	10.24%	1.05%	4.03%
Franklin LifeSmart 2035 Retirement Target Fund - Advisor Class	10.79%	1.55%	4.55%
S&P 500® Index (index reflects no deduction for fees, expenses or taxes)	16.00%	1.66%	3.97%
MSCI EAFE Index (index reflects no deduction for fees, expenses or taxes)	17.90%	-3.21%	1.17%
Barclays U.S. Aggregate Index (index reflects no deduction for fees, expenses or taxes)	4.21%	5.95%	6.31%

Performance information for Class R6 shares is not shown because it had not commenced operations as of the date of this prospectus.

The after-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. After-tax returns are shown only for Class A and after-tax returns for other classes will vary.

Investment Manager

Franklin Advisers, Inc. (Advisers)

Portfolio Managers

T. ANTHONY COFFEY, CFA

Vice President of Advisers and portfolio manager of the Fund since inception (2006).

THOMAS A. NELSON, CFA

Portfolio Manager of Advisers and portfolio manager of the Fund since 2011.

Purchase and Sale of Fund Shares

You may purchase or redeem shares of the Fund on any business day online through our website at franklintempleton.com, by mail (Franklin Templeton Investor Services, P.O. Box 997151, Sacramento, CA 95899-7151), or by telephone at (800) 632-2301. The minimum initial purchase for most accounts is $1,000 (or $50 under an automatic investment plan).

Taxes

The Fund's distributions are generally taxable to you as ordinary income, capital gains, or some combination of both, unless you are investing through a tax-deferred arrangement, such as a 401(k) plan or an individual retirement account, in which case your distributions would generally be taxed when withdrawn from the tax-deferred account.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These

payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your financial advisor or visit your financial intermediary's website for more information.

FRANKLIN LIFESMART™ 2045 RETIREMENT TARGET FUND

Investment Goal

The highest level of long-term total return consistent with its asset allocation.

Fees and Expenses of the Fund

These tables describe the fees and expenses that you may pay if you buy and hold shares of the Fund. You may qualify for sales charge discounts in Class A if you and your family invest, or agree to invest in the future, at least $50,000 in Franklin Templeton funds. More information about these and other discounts is available from your financial professional and under "Your Account" on page 117 in the Fund's Prospectus and under "Buying and Selling Shares" on page 76 of the Fund's Statement of Additional Information.

SHAREHOLDER FEES *(fees paid directly from your investment)*

	Class A	Class C	Class R	Class R6[1]	Advisor Class
Maximum Sales Charge (Load) Imposed on Purchases (as percentage of offering price)	5.75%	None	None	None	None
Maximum Deferred Sales Charge (Load) (as percentage of the lower of original purchase price or sale proceeds)	None	1.00%	None	None	None

1. The Fund began offering Class R6 shares on May 1, 2013.

ANNUAL FUND OPERATING EXPENSES
(expenses that you pay each year as a percentage of the value of your investment)

	Class A	Class C	Class R	Class R6	Advisor Class
Asset allocation fees	0.25%	0.25%	0.25%	0.25%	0.25%
Distribution and service (12b-1) fees	0.30%	1.00%	0.50%	None	None
Other expenses[1]	0.73%	0.73%	0.73%	0.37%	0.73%
Acquired fund fees and expenses[2, 3]	0.60%	0.60%	0.60%	0.60%	0.60%
Total annual Fund operating expenses[2]	1.88%	2.58%	2.08%	1.22%	1.58%
Fee waiver and/or expense reimbursement[4]	-0.93%	-0.93%	-0.93%	-0.62%	-0.93%
Total annual Fund operating expenses after fee waiver and/or expense reimbursement[2]	**0.95%**	**1.65%**	**1.15%**	**0.60%**	**0.65%**

1. Other expenses for Class A, Class C, Class R and Advisor Class have been restated to reflect current fiscal year fees and expenses (including the effect of the termination of the Special Service Agreement on April 30, 2013). Other expenses for Class R6 represent an estimate of expenses, including the effect of this Class' lower shareholder servicing fees.
2. Total annual Fund operating expenses differ from the ratio of expenses to average net assets shown in the Financial Highlights, which reflect the operating expenses of the Fund and do not include acquired fund fees and expenses.
3. Acquired fund fees and expenses have been restated to reflect current fees and expenses.
4. Management has contractually agreed to waive or assume certain fees and expenses so that expenses (excluding Rule 12b-1 fees and acquired fund fees and expenses) for each class of the Fund do not exceed (and could be less than) 0.05% (other than certain non-routine expenses), until April 30, 2014. The "Fee waiver and/or expense reimbursement" and "Total annual Fund operating expenses after fee waiver and/or expense reimbursement" information in the table above has been restated to reflect the current contractual fee waiver and/or expense reimbursement agreement. Pursuant to a previous contractual fee waiver and/or expense reimbursement agreement, the actual "Total annual Fund operating expenses after fee waiver and/or expense reimbursement" for the fiscal year ending December 31, 2012 were 0.45% for Class A shares, 1.15% for Class C shares, 0.65% for Class R shares and 0.15% for Advisor Class shares. Class R6 shares have not commenced operations as of the date of this prospectus. Management also has contractually agreed in advance to reduce its fees as a result of the Fund's investment in a Franklin Templeton money fund (acquired fund) for at least the next 12-month period. Contractual fee waiver and/or expense reimbursement agreements may not be terminated during the terms set forth above.

Example

This Example is intended to help you compare the cost of investing in the Fund with the cost of investing in other mutual funds. The Example assumes that you invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of the period. The Example also assumes that your investment has a 5% return each year and that the Fund's operating expenses remain the same. The Example reflects adjustments made to the Fund's operating expenses due to the fee waiver and/or expense reimbursement by management for the 1 Year numbers

only. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Class A	$666	$1,047	$1,451	$2,578
Class C	$268	$714	$1,287	$2,845
Class R	$117	$562	$1,033	$2,336
Class R6	$61	$326	$611	$1,422
Advisor Class	$66	$408	$772	$1,799
If you do not sell your shares:				
Class C	$168	$714	$1,287	$2,845

Portfolio Turnover

A mutual fund generally pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when mutual fund shares are held in a taxable account. During the most recent fiscal year, the Fund's portfolio turnover rate was 32.47% of the average value of its portfolio.

Principal Investment Strategies

The board of trustees of the Trust approved changes to the target asset allocation glide path (glide path) of the Fund to be implemented on or about July 1, 2013. On or about July 1, 2013, the Fund will transition its current short-term investments (money market) allocation to fixed-income funds. In addition, the Fund's glide path will reflect the transition of short-term investments (money market) to fixed-income funds.

Effective on or about July 1, 2013, the Fund's principal investment strategies will be as follows:

The Fund employs an asset allocation strategy designed for investors who are expecting to retire and who are likely to stop making new investments in the Fund around the specific target year (target date), as indicated in the Fund's name.

Under normal market conditions, the investment manager allocates the Fund's assets among the broad asset classes of equity and fixed-income investments by investing primarily in a distinctly-weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds,

based on each underlying fund's predominant asset class. These underlying funds, in turn, invest in a variety of U.S. and foreign equity and fixed-income securities, but may also have exposure to derivative instruments.

The investment manager uses a predetermined glide path as a guide in allocating the Fund's assets among underlying funds in the broad asset classes. The target asset allocations in the glide path change over time, reducing their exposure to equity investments and becoming increasingly conservative until the stated target date. At approximately the target date, the Fund's final asset allocation mix will be 32% equity funds and 68% fixed-income funds. On or about July 1, 2013, the allocation of the Fund is expected to be approximately 83% equity funds and 17% fixed-income funds.

Through June 30, 2013, the Fund's principal investment strategies will remain as follows:

The Fund employs an asset allocation strategy designed for investors who are expecting to retire and who are likely to stop making new investments in the Fund around the specific target year (target date), as indicated in the Fund's name.

Under normal market conditions, the investment manager allocates the Fund's assets among the broad asset classes of equity, fixed-income and short-term (money market) investments by investing primarily in a distinctly-weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, based on each underlying fund's predominant asset class. These underlying funds, in turn, invest in a variety of U.S. and foreign equity, fixed-income and money market securities.

The investment manager uses a predetermined glide path as a guide in allocating the Fund's assets among underlying funds in the broad asset classes. The target asset allocations in the glide path change over time, reducing their exposure to equity investments and becoming increasingly conservative until the stated target date. As of May 2013, the allocation of the Fund is approximately 83% equity funds, 13% fixed-income funds and 4% short-term (money market) funds.

The underlying funds and the percentage allocations in the glide path may be changed from time to time by the Fund's investment manager without the approval of shareholders, and, under normal market conditions, the percentage allocations may vary up to 5% from the stated allocations. The glide path is further described and illustrated in the "Fund Details" section.

When selecting equity funds, the investment manager considers the underlying funds' foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value). When selecting fixed-income funds, the investment manager focuses primarily on maximizing income, appropriate to the Fund's risk profile. In evaluating the risk level of the underlying funds, the investment manager analyzes such factors as: (a) relative and absolute performance, including correlations with other underlying funds as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next).

No more than 25% of the Fund's assets may be invested in any one underlying fund, except that the Fund may invest up to 50% of its total assets in Franklin Limited Maturity U.S. Government Securities Fund and Franklin U.S. Government Securities Fund.

While the Fund is designed for investors expecting to retire around the target date, investors should also consider other factors besides their age or retirement date, such as their risk tolerance, personal circumstances, and complete financial situation. It is possible to lose money by investing in the Fund, including at and after the target date. The Fund does not guarantee a level of income or principal at or after the target date.

Principal Risks

You could lose money by investing in the Fund. Mutual fund shares are not deposits or obligations of, or guaranteed or endorsed by, any bank, and are not insured by the Federal Deposit Insurance Corporation, the Federal Reserve Board, or any other agency of the U.S. government.

Asset Allocation The Fund's ability to achieve its investment goal depends upon the investment manager's skill in determining the Fund's broad asset allocation mix and selecting underlying funds. There is the possibility that the investment manager's evaluations and assumptions regarding asset classes and underlying funds will not successfully achieve the Fund's investment goal in view of actual market trends.

Investing in Underlying Funds Because the Fund's investments are concentrated in the underlying funds, and the Fund's performance is directly related to the performance of the underlying funds held by it, the ability of the Fund to achieve its investment goal is directly related to the ability of the underlying funds to meet their investment goal. In addition, shareholders of the Fund will indirectly bear the fees and expenses of the underlying funds. The risks described below are the principal risks of the

Fund and the underlying funds. For purposes of the discussion below, "Fund" means the Fund and/or one or more of the underlying funds in which the Fund invests.

Market The market values of securities owned by the Fund will go up or down, sometimes rapidly or unpredictably. A security's market value may be reduced by market activity or other results of supply and demand unrelated to the issuer. This is a basic risk associated with all securities. When there are more sellers than buyers, prices tend to fall. Likewise, when there are more buyers than sellers, prices tend to rise.

Stock prices tend to go up and down more dramatically than those of debt securities. A slower-growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by the Fund.

Foreign Securities Investing in foreign securities typically involves more risks than investing in U.S. securities, and includes risks associated with: political and economic developments - the political, economic and social structures of some foreign countries may be less stable and more volatile than those in the U.S.; trading practices - government supervision and regulation of foreign securities and currency markets, trading systems and brokers may be less than in the U.S.; availability of information - foreign issuers may not be subject to the same disclosure, accounting and financial reporting standards and practices as U.S. issuers; limited markets - the securities of certain foreign issuers may be less liquid (harder to sell) and more volatile; and currency exchange rate fluctuations and policies. The risks of foreign investments may be greater in developing or emerging market countries.

Growth Style Investing Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. Prices of these companies' securities may be more volatile than other securities, particularly over the short term.

Value Style Investing A value stock may not increase in price as anticipated by the investment manager if other investors fail to recognize the company's value and bid up the price, the markets favor faster-growing companies, or the factors that the investment manager believes will increase the price of the security do not occur.

Smaller and Midsize Companies Securities issued by smaller and midsize companies may be more volatile in price than those of larger companies, involve substantial risks and should be considered speculative. Such

risks may include greater sensitivity to economic conditions, less certain growth prospects, lack of depth of management and funds for growth and development and limited or less developed product lines and markets. In addition, smaller and midsize companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans.

Focus To the extent that the Fund focuses on particular countries, regions, industries, sectors or types of investment from time to time, the Fund may be subject to greater risks of adverse developments in such areas of focus than a fund that invests in a wider variety of countries, regions, industries, sectors or investments.

Management The Fund is subject to management risk because it is an actively managed investment portfolio. The Fund's investment manager applies investment techniques and risk analyses in making investment decisions for the Fund, but there can be no guarantee that these decisions will produce the desired results.

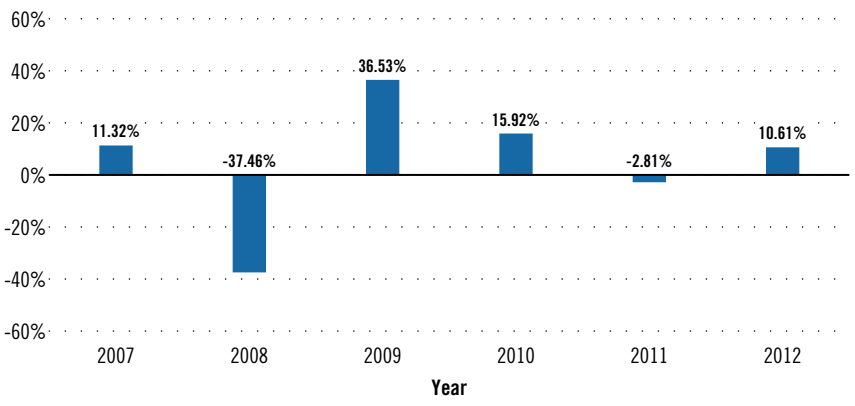
Performance

The following bar chart and table provide some indication of the risks of investing in the Fund. The bar chart shows changes in the Fund's performance from year to year for Class A shares. The table shows how the Fund's average annual returns for 1 year, 5 years, 10 years or since inception, as applicable, compared with those of a broad measure of market performance. The Fund's past performance (before and after taxes) is not necessarily an indication of how the Fund will perform in the future. You can obtain updated performance information at franklintempleton.com or by calling (800) DIAL BEN/342-5236.

The secondary indices in the table below show how the Fund's performance compares to groups of securities that align with portion of the Fund's portfolio.

Sales charges are not reflected in the bar chart, and if those charges were included, returns would be less than those shown.

CLASS A ANNUAL TOTAL RETURNS



Best Quarter:	Q2'09	17.79%
Worst Quarter:	Q4'08	-20.83%
As of March 31, 2013, the Fund's year-to-date return was 5.41%.		

AVERAGE ANNUAL TOTAL RETURNS

(figures reflect sales charges) *For the periods ended December 31, 2012*

	1 Year	5 Years	Since Inception 8/1/2006
Franklin LifeSmart 2045 Retirement Target Fund - Class A			
Return Before Taxes	4.26%	0.05%	3.33%
Return After Taxes on Distributions	4.06%	-0.31%	2.87%
Return After Taxes on Distributions and Sale of Fund Shares	3.06%	-0.02%	2.78%
Franklin LifeSmart 2045 Retirement Target Fund - Class C	8.85%	0.55%	3.57%
Franklin LifeSmart 2045 Retirement Target Fund - Class R	10.35%	1.05%	4.08%
Franklin LifeSmart 2045 Retirement Target Fund - Advisor Class	10.86%	1.54%	4.60%
S&P 500® Index (index reflects no deduction for fees, expenses or taxes)	16.00%	1.66%	3.97%
MSCI EAFE Index (index reflects no deduction for fees, expenses or taxes)	17.90%	-3.21%	1.17%
Barclays U.S. Aggregate Index (index reflects no deduction for fees, expenses or taxes)	4.21%	5.95%	6.31%

Performance information for Class R6 shares is not shown because it had not commenced operations as of the date of this prospectus.

The after-tax returns are calculated using the historical highest individual federal marginal income tax rates and do not reflect the impact of state and local taxes. Actual after-tax returns depend on an investor's tax situation and may differ from those shown. After-tax returns are not relevant to investors who hold their Fund shares through tax-deferred arrangements, such as 401(k) plans or individual retirement accounts. After-tax returns are shown only for Class A and after-tax returns for other classes will vary.

Investment Manager

Franklin Advisers, Inc. (Advisers)

Portfolio Managers

T. ANTHONY COFFEY, CFA

Vice President of Advisers and portfolio manager of the Fund since inception (2006).

THOMAS A. NELSON, CFA

Portfolio Manager of Advisers and portfolio manager of the Fund since 2011.

Purchase and Sale of Fund Shares

You may purchase or redeem shares of the Fund on any business day online through our website at franklintempleton.com, by mail (Franklin Templeton Investor Services, P.O. Box 997151, Sacramento, CA 95899-7151), or by telephone at (800) 632-2301. The minimum initial purchase for most accounts is $1,000 (or $50 under an automatic investment plan).

Taxes

The Fund's distributions are generally taxable to you as ordinary income, capital gains, or some combination of both, unless you are investing through a tax-deferred arrangement, such as a 401(k) plan or an individual retirement account, in which case your distributions would generally be taxed when withdrawn from the tax-deferred account.

Payments to Broker-Dealers and Other Financial Intermediaries

If you purchase the Fund through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These

payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your financial advisor or visit your financial intermediary's website for more information.

FUND DETAILS

Investment Goal

Each Fund's investment goal is to seek the highest level of long-term total return consistent with its asset allocation. Each Fund's investment goal is non-fundamental and therefore may be changed by the Trust's board of trustees without shareholder approval. Shareholders will be given at least 60 days' advance notice of any change to the Fund's investment goal.

Total return consists of both capital appreciation and income, with each Fund gradually placing an increasing emphasis on income as the target date, as indicated in its name, approaches.

Principal Investment Policies and Practices

Each Fund is a "fund of funds" that seeks to achieve its investment goal by investing its assets primarily in other mutual funds (underlying funds), predominantly other Franklin Templeton mutual funds. Each Fund employs an asset allocation strategy designed for investors who are expecting to retire and who are likely to stop making new investments in the Fund around the specific target year (target date), as indicated in the Fund's name. The Funds are designed on the assumption that many investors will take a lump-sum withdrawal of their investment around their retirement date.

The board of trustees of the Trust approved changes to the target asset allocation glide path (glide path) of the Fund to be implemented on or about July 1, 2013.

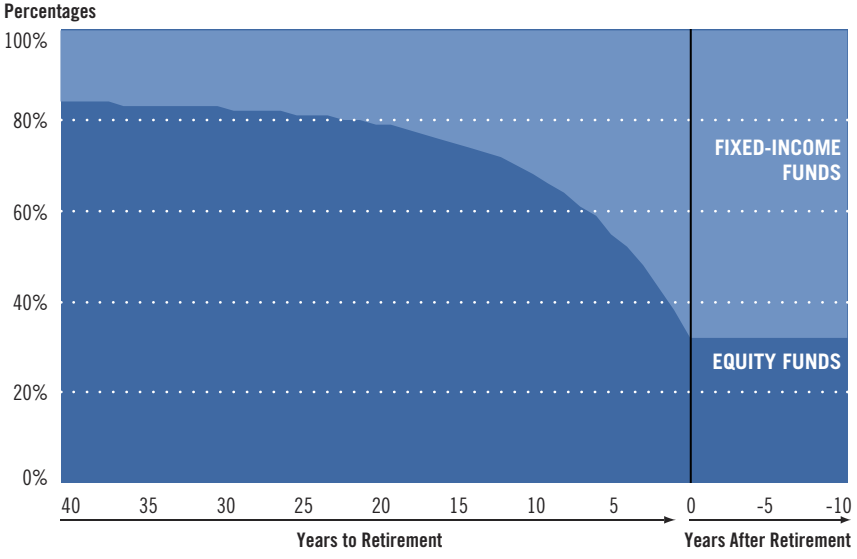
Effective on or about July 1, 2013, the Fund's principal investment strategies will be as follows:

Under normal market conditions, the investment manager allocates each Fund's assets among the broad asset classes of equity and fixed-income investments by investing primarily in a distinctly-weighted combination of underlying funds, based on each underlying fund's predominant asset class. A small portion of each Fund's assets may be invested in exchange traded funds (ETFs). In addition, a small portion of the Fund's assets may be invested in underlying funds that provide exposure to commodities. The underlying funds and ETFs invest in a variety of U.S. and foreign

equity and fixed-income securities. The investment policies of the various underlying funds are described in this Prospectus in the section called "Information about the Underlying Franklin Templeton Funds."

Over time, a Fund's allocation to underlying funds in the various asset classes will change according to a predetermined glide path shown in the following chart. Each Fund's asset allocation changes over time from being less conservative (by investing primarily in equity funds when the target date is the furthest away) to becoming increasingly conservative until the stated target date (by shifting its allocation from equity funds to fixed income funds as the target date draws near). This reflects the need for reduced market risks and lower volatility as the target date approaches. The glide path and/or underlying funds may be changed from time to time by the Fund's investment manager without the approval of shareholders, and, under normal market conditions, the actual asset allocations within the Fund may vary up to 5% from those in the stated glide path.

Retirement Target Funds
Glide Path Allocation



For example, for a Fund that is 30 years from its stated target date, its approximate allocation is 83% equity funds and 17% fixed-income funds, so that investors with longer investment horizons can benefit from the long-term growth potential of the equity fund asset classes. As the Fund's

stated target date approaches, its allocation to equity funds will decline, while its allocations to fixed income funds increase. As a result, each Fund's asset mix will become more conservative each year; gradually approaching its final allocation of 32% equity funds and 68% fixed-income funds on approximately January 1 of the target year. On or about July 3, 2013, the allocations of the current Target Funds are expected to be approximately as follows: 2015 Fund: 43% equity funds and 57% fixed-income funds; 2025 Fund: 72% equity funds and 28% fixed-income funds; 2035 Fund: 80% equity funds and 20% fixed-income funds; and 2045 Fund: 83% equity funds and 17% fixed-income funds.

Under the glide path above, when the 2015 Fund reaches its target date, the investment manager currently expects to recommend to the Fund's Board changing the Fund's name to "Franklin Templeton Retirement Allocation Fund" and the Fund will then maintain its asset allocation at the target date allocation of 32% equity funds and 68% fixed income funds. Subsequently, as other Franklin Templeton Retirement Target Funds reach their target dates, the investment manager anticipates recommending to that Fund's Board the reorganization of any such Funds with, and into, Franklin Templeton Retirement Allocation Fund. Shareholders will be provided with information regarding any such reorganizations at that time, including information pertaining to any tax consequences of the reorganization.

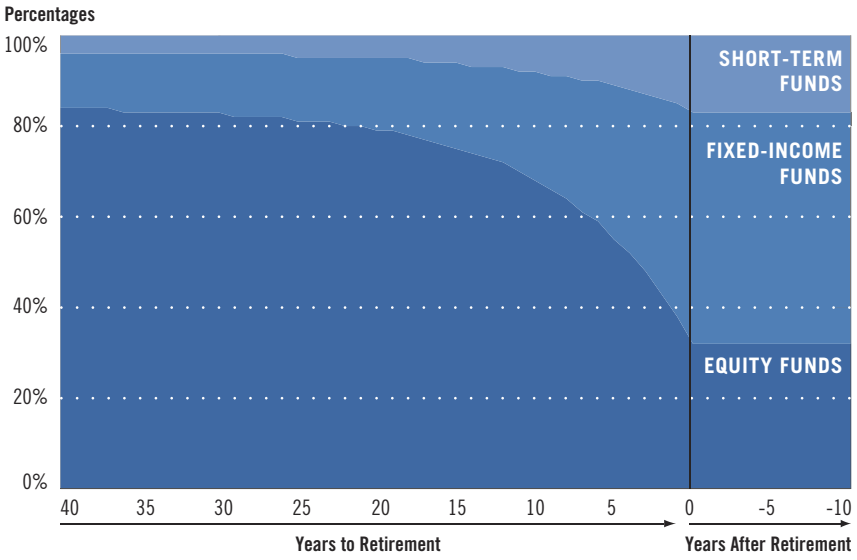
Through June 30, 2013, the Fund's principal investment strategies will remain as follows:

Under normal market conditions, the investment manager allocates each Fund's assets among the broad asset classes of equity, fixed-income and short-term (money market) investments by investing primarily in a distinctly-weighted combination of underlying funds, based on each underlying fund's predominant asset class. A small portion of each Fund's assets may be invested in exchange traded funds (ETFs). In addition, a small portion of the Fund's assets may be invested in underlying funds that provide exposure to commodities. The underlying funds and ETFs invest in a variety of U.S. and foreign equity, fixed-income and money market securities. The investment policies of the various underlying funds are described in this Prospectus in the section called "Information about the Underlying Franklin Templeton Funds."

Over time, a Fund's allocation to underlying funds in the various asset classes will change according to a predetermined glide path shown in the following chart. Each Fund's asset allocation changes over time from being

less conservative (by investing primarily in equity funds when the target date is the furthest away) to becoming increasingly conservative until the stated target date (by shifting its allocation from equity funds to fixed income and/or short-term investments as the target date draws near). This reflects the need for reduced market risks and lower volatility as the target date approaches. The glide path and/or underlying funds may be changed from time to time by the Fund's investment manager without the approval of shareholders, and, under normal market conditions, the actual asset allocations within the Fund may vary up to 5% from those in the stated glide path.

Retirement Target Funds
Glide Path Allocation



For example, for a Fund that is 30 years from its stated target date, its approximate allocation is 83% equity funds, 13% fixed-income funds and 4% short-term funds, so that investors with longer investment horizons can benefit from the long-term growth potential of the equity fund asset classes. As the Fund's stated target date approaches, its allocation to equity funds will decline, while its allocations to fixed income and/or short-term funds increase. As a result, each Fund's asset mix will become more conservative each year; gradually approaching its final allocation of 32% equity funds, 51% fixed-income funds and 17% short-term (money market) funds

on approximately January 1 of the target year. As of May 1, 2013, the allocations of the current Target Funds are approximately as follows: 2015 Fund: 43% equity funds, 43% fixed-income funds and 14% short-term (money market) funds; 2025 Fund: 72% equity funds, 21% fixed-income funds and 7% short-term (money market) funds; 2035 Fund: 80% equity funds, 15% fixed-income funds and 5% short-term (money market) funds; and 2045 Fund: 83% equity funds, 13% fixed-income funds and 4% short-term (money market) funds.

Under the glide path above, when the 2015 Fund reaches its target date, the investment manager currently expects to recommend to the Fund's Board changing the Fund's name to "Franklin Templeton Retirement Allocation Fund" and the Fund will then maintain its asset allocation at the target date allocation of 32% equity funds, 51% fixed income funds and 17% short-term (money market) funds. Subsequently, as other Franklin Templeton Retirement Target Funds reach their target dates, the investment manager anticipates recommending to that Fund's Board the reorganization of any such Funds with, and into, Franklin Templeton Retirement Allocation Fund. Shareholders will be provided with information regarding any such reorganizations at that time, including information pertaining to any tax consequences of the reorganization.

When selecting equity funds, the investment manager considers the underlying funds' foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value). When selecting fixed-income funds, the investment manager focuses primarily on maximizing income, appropriate to each Fund's specific risk profile.

In evaluating the risk level of the underlying funds, the investment manager analyzes such factors as: (a) relative and absolute performance, including correlations with other underlying funds as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next).

The investment manager generally attempts to invest in the same underlying funds for each Fund, but varies the underlying funds' allocation percentages based upon each Fund's risk/return level. No more than 25% of any Fund's assets may be invested in any one underlying fund, except that each Fund may invest up to 50% of its total assets in Franklin Limited Maturity U.S. Government Securities Fund and Franklin U.S. Government Securities Fund.

While each Fund is designed for investors expecting to retire around the target date, investors should also consider other factors besides their age or retirement date, such as their risk tolerance, personal circumstances, and complete financial situation. It is possible to lose money by investing in the Funds, including at and after the target date. The Funds do not guarantee a level of income or principal at or after the target date.

Temporary Investments

When the investment manager believes market or economic conditions are unfavorable for investors, the investment manager may invest up to 100% of each Fund's assets in a temporary defensive manner by holding all or a substantial portion of its assets in cash, cash equivalents or other high quality short-term investments. Temporary defensive investments generally may include money market fund shares, money market instruments and short-term debt securities. In these circumstances, a Fund may be unable to achieve its investment goal.

Principal Risks

Asset Allocation

The Fund's ability to achieve its investment goal depends upon the investment manager's skill in determining the Fund's broad asset allocation mix and selecting underlying funds. There is the possibility that the investment manager's evaluations and assumptions regarding asset classes and underlying funds will not successfully achieve the Fund's investment goal in view of actual market trends.

Equity Funds

If the Fund invests in an underlying stock fund, its returns will fluctuate with changes in the stock market. Individual stock prices tend to go up and down more dramatically than those of other types of investments. A slower-growth or recessionary economic environment could have an adverse effect on the price of the various stocks held by an underlying fund.

Fixed-Income Funds

If the Fund invests in an underlying bond fund, its returns will fluctuate with changes in interest rates. Debt securities generally tend to lose market value when interest rates rise and increase in value when interest rates fall. Securities with longer maturities or lower coupons or that make little (or no) interest payments before maturity tend to be more sensitive to these

price changes. Other factors may also affect the market price and yield of debt securities, including investor demand, changes in the financial condition of issuers of debt securities, and domestic and worldwide economic conditions.

Investing in ETFs

The Fund's investment in ETFs may subject the Fund to additional risks than if the Fund would have invested directly in the ETFs' underlying securities. These risks include the possibility that an ETF may experience a lack of liquidity that can result in greater volatility than its underlying securities; an ETF may trade at a premium or discount to its net asset value; or an ETF may not replicate exactly the performance of the benchmark index it seeks to track. In addition, investing in an ETF may also be more costly than if a Fund had owned the underlying securities directly. The Fund, and indirectly, shareholders of the Fund, bear a proportionate share of the ETF's expenses, which include management and advisory fees and other expenses. In addition, the Fund pays brokerage commissions in connection with the purchase and sale of shares of ETFs.

Tax Risk

The Fund intends to invest in underlying funds that meet certain requirements under the Internal Revenue Code for favorable tax treatment as a regulated investment company, including asset diversification and income requirements. If an underlying fund fails to qualify as a regulated investment company under the Internal Revenue Code, such underlying fund would be liable for federal, and possibly state, corporate taxes on its taxable income and gains. Such failure by an underlying fund is not expected to impact the ability of the Fund to qualify as a regulated investment company, however, the total return of the Fund may be decreased by the amount of any taxes due by the underlying fund as a result of such failure. In lieu of disqualification, the underlying funds are permitted to pay a tax for certain failures to satisfy the asset diversification or income requirements, which, in general, are limited to those due to reasonable cause and not willful neglect.

Portfolio Turnover

The Fund does not pay transaction costs when buying and selling shares of the Franklin Templeton mutual funds in which it invests (underlying funds); however, underlying funds pay transaction costs when buying and selling securities of their portfolios. The transaction costs incurred

by the underlying funds, which are not reflected in annual fund operating expenses or in the example, affect the Fund's performance.

The value of an investment in a Fund is based primarily on the performance of, and its allocation among, the underlying funds. Because the prices of the underlying funds' securities fluctuate with market conditions (the range of fluctuation depends upon the types of securities an underlying fund owns and the markets in which they trade), the value of your investment will go up and down. You could lose money.

More detailed information about the Funds and their policies and risks can be found in the Funds' Statement of Additional Information (SAI). More detailed information about the underlying funds and their associated risks may be found under "Information about the Underlying Franklin Templeton Funds" in this prospectus and in the SAI.

A description of the Funds' policies and procedures regarding the release of portfolio holdings information is also available in the Funds' SAI. Portfolio holdings information can be viewed online at franklintempleton.com.

Information about the Underlying Franklin Templeton Funds

The following briefly describes the investment goals and strategies of the underlying Franklin Templeton funds. The investment manager may select additional underlying funds for investment (without the approval of shareholders).

Underlying Equity Funds

Franklin All Cap Value Fund The Fund seeks long-term total return.

Under normal market conditions, the Fund primarily invests in equity securities of companies of any size that the Fund's investment manager believes are undervalued at the time of purchase and have the potential for capital appreciation. The Fund invests primarily in common stocks. A stock price is undervalued, or is a "value," when it is less than the price at which the investment manager believes it would trade if the market reflected all factors relating to the company's worth. In choosing investments that are undervalued, the Fund's investment manager focuses on companies that it believes have one or more of the following characteristics: stock prices that are low relative to current or historical or future earnings, book value, cash flow or sales; recent sharp price declines but the potential for good

long-term earnings prospects; and valuable intangibles not reflected in the stock price.

Franklin Balance Sheet Investment Fund The Fund seeks high total return of which capital appreciation and income are components.

Under normal market conditions, the Fund invests most of its assets in equity securities of companies the Fund's investment manager believes are undervalued at the time of purchase but that have the potential for capital appreciation. The Fund invests primarily in common stocks.

Franklin Biotechnology Discovery Fund The Fund seeks capital appreciation.

Under normal market conditions, the Fund invests at least 80% of its net assets in securities of biotechnology companies and discovery research firms. The Fund predominantly invests in equity securities, primarily common stock. For the Fund's investment purposes, a biotechnology company is one that has at least 50% of its earnings derived from biotechnology activities, or at least 50% of its assets devoted to such activities, based on the company's most recent fiscal year. Biotechnology activities are research, development, manufacture, and distribution of various biotechnological or biomedical products, services, and processes. This may include companies involved with genomics, genetic engineering, and gene therapy. It also includes companies involved in the application and development of biotechnology in areas such as health care, pharmaceuticals, and agriculture. In addition to its investments in biotechnology companies, the Fund may also invest up to 20% of its net assets in equity or debt securities of any type of foreign or U.S. issuer. The Fund is a "non-diversified" fund, which means it generally invests a greater portion of its assets in the securities of one or more issuers and invests overall in a smaller number of issuers than a diversified fund.

Franklin Convertible Securities Fund The Fund seeks to maximize total return, consistent with reasonable risk, by seeking to optimize capital appreciation and high current income under varying market conditions.

Under normal market conditions, the Fund invests at least 80% of its net assets in convertible securities (and common stock received upon conversion of convertible securities). A convertible security is generally a debt security or preferred stock that may be converted within a specified period of time into common stock of the same or a different issuer. By investing in convertible securities, the Fund seeks the opportunity to

participate in the capital appreciation of underlying stocks, while at the same time relying on the fixed income aspect of the convertible securities to provide current income and reduced price volatility, which can limit the risk of loss in a down equity market.

Franklin DynaTech Fund The Fund seeks capital appreciation.

Under normal market conditions, the Fund seeks investments primarily in equity securities of companies that the investment manager believes are leaders in innovation, take advantage of new technologies, have superior management, and benefit from new industry conditions in the dynamically changing global economy. The Fund invests primarily in common stock.

Franklin Equity Income Fund The Fund seeks to maximize total return by emphasizing high current income and long-term capital appreciation, consistent with reasonable risk.

The Fund normally invests at least 80% of its net assets in equity securities, including securities convertible into common stocks. The Fund may also invest up to 20% of its net assets in debt securities, including any combination of the following investments: corporate, agency and government bonds issued in the United States and other countries; notes and debentures (collectively with bonds referred to as debt securities). The Fund does not presently intend to invest in any below investment grade bonds that are not convertible bonds. The Fund generally invests between 60% and 80% of its net assets in common stocks, and the remainder of its assets in other instruments such as convertible securities and debt securities.

Franklin Flex Cap Growth Fund The Fund seeks capital appreciation.

Under normal market conditions, the Fund invests predominantly in equity securities of companies that the investment manager believes have the potential for capital appreciation. The equity securities in which the Fund invests are predominantly common stock.

Franklin Focused Core Equity Fund The Fund seeks capital appreciation.

Under normal market conditions, the Fund invests at least 80% of its net assets in equity securities. The Fund invests primarily to predominantly in equity securities of large capitalization companies, which are companies similar in size to those in the S&P 500® Index. The equity securities in which the Fund invests are primarily common stock.

The Fund generally seeks to maintain a portfolio consisting of securities of approximately 20-50 companies. Although the Fund seeks investments

across a number of sectors, from time to time, based on economic conditions, the Fund may have significant positions in particular sectors such as information technology, financial services and healthcare. The Fund also may invest a portion of its total assets in foreign securities.

Franklin Global Real Estate Fund The Fund seeks high total return.

Under normal market conditions, the Fund invests at least 80% of its net assets in securities of companies located anywhere in the world that operate in the real estate sector, including: real estate investment trusts (REITs) and similar REIT-like entities domiciled outside the U.S.; companies qualifying under U.S. federal tax law as REITs; and companies that derive at least half of their assets or revenues from the ownership, management, development or sale of residential, or commercial real estate (such as real estate operating or service companies). The Fund is a "non-diversified" fund, which means it generally invests a greater portion of its assets in the securities of one or more issuers and invests overall in a smaller number of issuers than a diversified fund.

Franklin Gold and Precious Metals Fund The Fund principally seeks capital appreciation; secondarily, it seeks to provide current income through dividends or interest received from its investments.

Under normal market conditions, the Fund invests at least 80% of its net assets in securities of gold and precious metals operation companies. Gold and precious metals operation companies include companies that mine, process, or deal in gold or other precious metals, such as silver, platinum, and palladium, including mining finance and exploration companies as well as operating companies with long- or medium-life mines. The Fund is a "non-diversified" fund, which means it generally invests a greater portion of its assets in the securities of one or more issuers and invests overall in a smaller number of issuers than a diversified fund.

Franklin Growth Fund The Fund seeks capital appreciation.

Under normal market conditions, the Fund invests substantially in the equity securities of companies that are leaders in their industries. In selecting securities, the investment manager considers many factors, including historical and potential growth in revenues and earnings, assessment of strength and quality of management, and determination of a company's strategic positioning in its industry.

Franklin Growth Opportunities Fund The Fund seeks capital appreciation.

Under normal market conditions, the Fund invests substantially in equity securities of companies demonstrating accelerating growth, increasing profitability, or above-average growth or growth potential as compared with the overall economy. The equity securities in which the Fund invests are primarily to predominantly common stock.

Franklin India Growth Fund The Fund seeks long-term capital appreciation.

Under normal market conditions, the Fund invests at least 80% of its net assets in securities of "Indian companies." The Fund invests primarily in the equity securities of Indian companies, which are those that:

- are organized under the laws of, or with a principal office in, or for which the principal trading market for their securities is in India; or
- derive 50% or more of their total revenue or profit from either goods or services produced or sales made in India; or
- have 50% or more of their assets in India.

Franklin International Growth Fund The Fund seeks long-term capital appreciation.

Under normal market conditions, the Fund invests predominantly in equity securities, primarily common stock, of mid- large-capitalization companies located outside the U.S., including developing or emerging market countries. The Fund may invest up to 20% of its net assets in emerging market countries. Mid- large-capitalization companies are generally companies with market capitalizations of greater than $2 billion. The Fund invests predominantly in securities listed or traded on recognized international markets in developed countries included in the Morgan Stanley Capital International (MSCI) Europe, Australasia, Far East (EAFE) Index.

Franklin International Small Cap Growth Fund The Fund seeks long-term capital appreciation.

Under normal market conditions, the Fund invests at least 80% of its net assets in a diversified portfolio of marketable equity and equity-related securities of smaller international companies. Smaller international companies are companies with market capitalizations not exceeding (i) $5 billion or the equivalent in local currencies or (ii) the highest market capitalization in the Morgan Stanley Capital International (MSCI) Europe, Australasia, Far East (EAFE) Small Cap Index, whichever is greater, at the

time of purchase. The equity securities in which the Fund primarily invests are common stock.

Franklin Large Cap Equity Fund The Fund seeks long-term growth of principal and income.

Under normal market conditions, the Fund invests at least 80% of its net assets in equity securities of large capitalization companies. Large capitalization companies are companies with market capitalization values: (i) within the top 50% of companies in the Russell 1000® Index, or (ii) of more than $5 billion, at the time of purchase. The Fund may invest up to 35% of its net assets in equity securities of foreign companies that meet the above criteria. The equity securities in which the Fund invests are primarily common stock. The Fund, from time to time, may have significant positions in particular sectors such as technology or energy.

Franklin Large Cap Value Fund The Fund seeks long-term capital appreciation.

Under normal market conditions, the Fund will invest at least 80% of its net assets in investments of large-capitalization companies. Large-capitalization companies are those with market capitalizations (share price times the number of common stock shares outstanding) that are similar in size to those in the Russell 1000® Index at the time of purchase.

The Fund generally invests in equity securities that the Fund's investment manager believes are undervalued and have the potential for capital appreciation. The Fund invests primarily in common stocks. A stock price is undervalued, or is a "value," when it trades at less than the price at which the investment manager believes it would trade if the market reflected all factors relating to the company's worth. Following this strategy, the Fund invests in companies that the investment manager believes have, for example: stock prices that are low relative to current, or historical or future earnings, book value, cash flow or sales; recent sharp price declines but the potential for good long-term earnings prospects; and valuable intangibles not reflected in the stock price.

Franklin MicroCap Value Fund The Fund seeks high total return of which capital appreciation and income are components.

Under normal market conditions, the Fund invests at least 80% of its net assets in investments of microcap companies. For purposes of this investment strategy, the Fund considers microcap companies as companies

with market capitalizations (share price times the number of shares of common stock outstanding) under $500 million at the time of purchase.

The Fund generally invests in equity securities of companies that the Fund's investment manager believes are currently undervalued and have the potential for capital appreciation. The equity securities bought by the Fund will typically be purchased at a low price relative to book value. The Fund invests primarily in common stocks. A stock price is undervalued, or is a "value," when it trades at less than the price at which the investment manager believes it would trade if the market reflected all factors relating to the company's worth.

Franklin MidCap Value Fund The Fund seeks long-term total return.

Under normal market conditions, the Fund invests at least 80% of its net assets in mid-capitalization companies. Mid-capitalization companies are those with market capitalizations (share price times the number of common stock shares outstanding) that are similar in size to those in the Russell Midcap® Index at the time of purchase.

The Fund generally invests in equity securities that the Fund's investment manager believes are undervalued and have the potential for capital appreciation. The Fund invests primarily in common stocks. A stock price is undervalued, or is a "value," when it trades at less than the price at which the investment manager believes it would trade if the market reflected all factors relating to the company's worth. Following this strategy, the Fund invests in companies that the investment manager believes have, for example: stock prices that are low relative to current, or historical or future earnings, book value, cash flow or sales; recent sharp price declines but the potential for good long-term earnings prospects; and valuable intangibles not reflected in the stock price.

Franklin Natural Resources Fund The Fund seeks to provide high total return (capital appreciation and current dividend and interest income).

Under normal market conditions, the Fund invests at least 80% of its net assets in the equity and debt securities of companies in the natural resources sector. The Fund predominantly invests in equity securities, primarily common stock. For the Fund's investment purposes, the natural resources sector includes companies that own, produce, refine, process, transport and market natural resources and companies that provide related services. The sector includes, for example, the following industries: integrated oil, oil and gas exploration and production, gold

and other precious metals, steel and iron ore production, energy services and technology, base metal production, forest products, farming products, paper products, chemicals, building materials, coal, alternative energy sources and environmental services. In addition to its investments in companies in the natural resources sector, the Fund may also invest up to 20% of its net assets in equity or debt securities of any type of foreign or U.S. issuer.

Franklin Real Estate Securities Fund The Fund seeks to maximize total return.

Under normal market conditions, the Fund invests at least 80% of its net assets in equity securities of companies operating in the real estate industry, including: companies qualifying under federal tax law as real estate investment trusts (REITs); and companies that derive at least half of their assets or revenues from the ownership, construction, management, development or sale of residential or commercial real estate (such as real estate operating or service companies, homebuilders, lodging providers, and developers).

Franklin Rising Dividends Fund The Fund seeks long-term capital appreciation.

Under normal market conditions, the Fund invests at least 80% of its net assets in investments of companies that have paid consistently rising dividends. The Fund invests predominantly in equity securities, primarily common stock. Companies that have paid consistently rising dividends include those companies that currently pay dividends on their common stocks and have maintained or increased their dividend rate during the last four consecutive years.

Franklin Small Cap Growth Fund The Fund seeks long-term capital growth.

Under normal market conditions, the Fund invests at least 80% of its net assets in the equity securities of small cap companies. The equity securities in which the Fund invests are primarily common stock. For this Fund, small cap companies are companies with market capitalizations not exceeding (i) $1.5 billion or (ii) the highest market capitalization in the Russell 2000® Index, whichever is greater, at the time of purchase.

Franklin Small Cap Value Fund The Fund seeks long-term total return.

Under normal market conditions, the Fund invests at least 80% of its net assets in investments of small-capitalization (small-cap) companies. Small-cap companies are companies with market capitalizations (the total market value of a company's outstanding stock) under $3.5 billion at the time of purchase.

The Fund generally invests in equity securities that the Fund's investment manager believes are undervalued and have the potential for capital appreciation. The Fund invests primarily in common stocks. A stock price is undervalued, or is a "value," when it trades at less than the price at which the investment manager believes it would trade if the market reflected all factors relating to the company's worth. Following this strategy, the Fund invests in companies that the investment manager believes have, for example: stock prices that are low relative to current, or historical or future earnings, book value, cash flow or sales; recent sharp price declines but the potential for good long-term earnings prospects; and valuable intangibles not reflected in the stock price.

Franklin Small-Mid Cap Growth Fund The Fund seeks long-term capital growth.

Under normal market conditions, the Fund invests at least 80% of its net assets in the equity securities of small-capitalization (small-cap) and mid-capitalization (mid-cap) companies. For this Fund, small-cap companies are companies within the market capitalization range of companies in the Russell 2500™ Index, at the time of purchase, and mid-cap companies are companies within the market capitalization range of companies in the Russell Midcap® Index, at the time of purchase. Under normal market conditions, the Fund invests predominantly in equity securities, primarily in common stock.

Franklin Utilities Fund The Fund seeks capital appreciation and current income.

Under normal market conditions, the Fund invests at least 80% of its net assets in the securities of public utilities companies. These are companies that provide electricity, natural gas, water, and communications services to the public and companies that provide services to public utilities companies. The Fund concentrates (invests more than 25% of its total assets) in companies operating in the utilities industry. The Fund invests primarily in equity securities, which consist mainly of common stocks.

Global Equity Series The Fund seeks long-term capital growth.

The Fund invests in the equity securities of companies located anywhere in the world, including emerging markets. Under normal market conditions, the Fund invests at least 80% of its net assets in equity securities. The equity securities in which the Fund primarily invests are common stock. Under normal market conditions, the Fund will invest at least 40% of its net assets in foreign securities.

Mutual European Fund The Fund principally seeks capital appreciation, which may occasionally be short-term; its secondary goal is income.

Under normal market conditions, the Fund invests at least 80% of its net assets in securities of European companies that the investment manager believes are available at market prices less than their value based on certain recognized or objective criteria (intrinsic value). Following this value-oriented strategy, the Fund invests primarily in undervalued equity securities (securities trading at a discount to intrinsic value). The equity securities in which the Fund invests are primarily common stock. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies.

Mutual Financial Services Fund The Fund principally seeks capital appreciation, which may occasionally be short-term; its secondary goal is income.

Under normal market conditions, the Fund invests at least 80% of its net assets in securities of financial services companies that the investment manager believes are available at market prices less than their value based on certain recognized or objective criteria (intrinsic value). Following this value-oriented strategy, the Fund invests primarily in undervalued equity securities (securities trading at a discount to intrinsic value). The equity securities in which the Fund invests are primarily common stock. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies.

The Fund may invest in foreign securities without limit.

Mutual Global Discovery Fund The Fund seeks capital appreciation.

Under normal market conditions, the Fund invests primarily in equity securities (including securities convertible into, or that the investment manager expects to be exchanged for, common or preferred stock) of U.S. and foreign companies that the investment manager believes are available at market prices less than their value based on certain recognized or objective criteria (intrinsic value). Following this value-oriented strategy, the Fund invests primarily in undervalued securities (securities trading at a discount to intrinsic value). The equity securities in which the Fund invests are primarily common stock. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies.

The Fund expects to invest substantially and potentially up to 100% of its assets in foreign securities, which may include sovereign debt and participations in foreign government debt. The Fund presently does not intend to invest more than a portion (no more than 25%) of its assets in securities of issuers located in emerging market countries.

Mutual International Fund The Fund principally seeks capital appreciation, which may occasionally be short-term; its secondary goal is income.

Under normal market conditions, the Fund invests at least 80% of its net assets in securities of non-U.S. issuers. The investment manager focuses the Fund's investments on securities believed to be available at market prices less than their value based on certain recognized or objective criteria (intrinsic value). Following this value-oriented strategy, the Fund invests primarily in undervalued equity securities (securities trading at a discount to intrinsic value). The equity securities in which the Fund invests are primarily common stocks. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies.

Mutual Quest Fund The Fund principally seeks capital appreciation, which may occasionally be short-term; its secondary goal is income.

Under normal market conditions, the Fund invests primarily in equity securities (including securities convertible into, or that the investment manager expects to be exchanged for, common or preferred stock) of U.S. and foreign companies that the investment manager believes are available at market prices less than their value based on certain recognized or objective criteria (intrinsic value). Following this value-oriented strategy, the Fund invests primarily in undervalued securities (securities trading at a discount to intrinsic value). The equity securities in which the Fund invests are primarily common stock. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies.

The Fund expects to invest a significant portion (up to 50%) of its assets in foreign securities, which may include sovereign debt and participations in foreign government debt.

Mutual Shares Fund The Fund principally seeks capital appreciation, which may occasionally be short-term; its secondary goal is income.

Under normal market conditions, the Fund invests primarily in equity securities (including securities convertible into, or that the investment manager expects to be exchanged for, common or preferred stock) of U.S. and foreign companies that the investment manager believes are available at market prices less than their value based on certain recognized or objective criteria (intrinsic value). Following this value-oriented strategy, the Fund invests primarily in undervalued securities (securities trading at a discount to intrinsic value). The equity securities in which the Fund invests are primarily common stock. To a lesser extent, the Fund also invests in merger arbitrage securities and the debt and equity of distressed companies.

The Fund may invest a significant portion (up to 35%) of its assets in foreign securities, which may include sovereign debt and participations in foreign government debt.

Templeton Asian Growth Fund The Fund seeks long-term capital appreciation.

Under normal market conditions, the Fund invests at least 80% of its net assets in securities of companies located in the Asia region (excluding Australia, New Zealand and Japan).

The Asia region includes, but is not limited to, the following countries: Hong Kong, India, Indonesia, Korea, Malaysia, People's Republic of China, Pakistan, Philippines, Singapore, Sri Lanka, Taiwan and Thailand. Asian companies are defined as those:

- whose principal securities trading markets are in Asia region countries: or
- that derive at least 50% of their total revenues or profits from either goods or services produced or sales made in Asia region countries; or
- that have at least 50% of their assets in Asia region countries; or
- that are linked to currencies of Asia region countries; or
- that are organized under the laws of, or with principal offices in, Asia region countries.

Templeton BRIC Fund The Fund seeks long-term capital appreciation.

Under normal market conditions, the Fund invests at least 80% of its net assets in securities of "BRIC companies." The Fund invests primarily in the equity securities of BRIC companies, which are those that:

- are organized under the laws of, or with a principal office in, or for which the principal trading market is in Brazil, Russia, India or China (including the People's Republic of China, Hong Kong and Taiwan) (collectively referred to as "BRIC"); or
- derive 50% or more of their total revenue or profit from either goods or services produced or sales made in BRIC countries; or
- have 50% or more of their assets in BRIC countries.

Templeton China World Fund The Fund seeks long-term capital appreciation.

Under normal market conditions, the Fund invests at least 80% of its net assets in securities of "China companies." The Fund invests primarily in the equity securities of China companies, which are those:

- that are organized under the laws of, or with a principal office in, the People's Republic of China (China), Hong Kong or Taiwan; or
- for which the principal trading market is in China, Hong Kong or Taiwan; or
- that derive at least 50% of their revenues from goods or services sold or produced, or have at least 50% of their assets, in China.

Templeton Developing Markets Trust The Fund seeks long-term capital appreciation.

Under normal market conditions, the Fund invests at least 80% of its net assets in securities of companies located or operating in "developing market countries." Developing market countries include those considered to be developing by the World Bank, the International Finance Corporation, the United Nations, or the countries' authorities, or countries with a stock market capitalization of less than 3% of the MSCI World Index. These countries typically are located in the Asia-Pacific region, Eastern Europe, Central and South America, the Middle East and Africa. The Fund invests primarily in the equity securities of developing market companies, principally common and preferred stocks.

Templeton Emerging Markets Small Cap Fund The Fund seeks long-term capital appreciation.

Under normal market conditions, the Fund invests at least 80% of its net assets in securities of small cap companies located in "emerging market countries." Emerging market countries include those currently considered to be developing by the World Bank, the International Finance Corporation, the United Nations, or the countries' authorities, or countries with a stock market capitalization of less than 3% of the MSCI World Index. These countries typically are located in the Asia-Pacific region (including Hong Kong), Eastern Europe, the Middle East, Central and South America, and Africa.

Templeton Foreign Fund The Fund seeks long-term capital growth.

Under normal circumstances, the Fund invests at least 80% of its net assets in foreign securities, which may include emerging markets. Under normal market conditions, the Fund invests predominantly in the equity securities of such foreign companies located outside the U.S. The equity securities in which the Fund invests are predominantly common stock. Although the investment manager will search for investments across a large number of countries and sectors, from time to time, based on economic conditions, the Fund may have significant positions in particular countries or sectors.

Templeton Foreign Smaller Companies Fund The Fund seeks long-term capital growth.

Under normal market conditions, the Fund invests at least 80% of its net assets in investments of smaller companies located outside the U.S., including emerging markets. The Fund invests principally in equity securities, primarily common stocks. The Fund may also invest a portion of its assets in the equity securities of larger foreign companies and more than 25% of its assets in the securities of issuers located in any one country.

Templeton Frontier Markets Fund The Fund seeks long-term capital appreciation.

Under normal market conditions, the Fund invests at least 80% of its net assets in securities of companies located in "frontier market countries." The Fund deems the following countries to be frontier markets:

- *Central and Eastern Europe:* Azerbaijan, Belarus, Bulgaria, Croatia, Czech Republic, Estonia, Georgia, Hungary, Kazakhstan, Latvia, Lithuania, Macedonia, Mongolia, Montenegro, Romania, Serbia, Slovakia, Slovenia, Turkey, Turkmenistan, Ukraine

- *Africa:* Botswana, Cote d'Ivoire, Ghana, Kenya, Malawi, Mauritius, Morocco, Mozambique, Namibia, Nigeria, Swaziland, Tanzania, Uganda, Zambia, Zimbabwe
- *Middle East*: Bahrain, Egypt, Jordan, Kuwait, Lebanon, Oman, Qatar, Saudi Arabia, Tunisia, United Arab Emirates
- *Asia*: Bangladesh, Cambodia, Indonesia, Pakistan, Philippines, Sri Lanka, Thailand, Vietnam
- *Central and South America*: Argentina, Chile, Colombia, Ecuador, Jamaica, Panama, Paraguay, Peru, Trinidad & Tobago, Uruguay, Venezuela

Templeton Global Opportunities Trust The Fund seeks long-term capital growth.

Under normal market conditions, the Fund invests at least 65% of its total assets in the equity securities of companies located anywhere in the world, including developing or emerging market countries. The equity securities in which the Fund invests are primarily common stocks. The Fund may invest up to 40% of its net assets in securities of issuers located in developing or emerging market countries. The Fund will invest its assets in issuers located in at least three different countries (including the United States). The Fund may invest in companies of any size, including smaller companies.

Templeton Global Smaller Companies Fund The Fund seeks long-term capital growth.

Under normal market conditions, the Fund invests at least 80% of its assets in securities of smaller companies located anywhere in the world. The securities in which the Fund invests are primarily common stocks. The Fund may invest a significant amount of its assets in the securities of companies located in emerging markets. The Fund will invest its assets in issuers located in at least three different countries (including the United States) and will invest at least 40% of its net assets in foreign securities.

Templeton Growth Fund The Fund seeks long-term capital growth.

Under normal market conditions, the Fund invests primarily in the equity securities of companies located anywhere in the world, including emerging markets. The equity securities in which the Fund primarily invests are common stock. Although the Fund seeks investments across a number of countries and sectors, from time to time, based on economic conditions, the Fund may have significant positions in particular countries or sectors.

Templeton World Fund The Fund seeks long-term capital growth.

Under normal market conditions, the Fund invests primarily in the equity securities of companies located anywhere in the world, including emerging markets. Under normal circumstances, the Fund will invest in issuers located in at least three different countries (including the U.S.). The equity securities in which the Fund invests are primarily common stock, and may include smaller and midsize companies. Although the investment manager will search for investments across a large number of countries and sectors, from time to time, based on economic conditions, the Fund may have significant positions in particular countries or sectors.

Underlying Fixed-Income Funds

Franklin Adjustable U.S. Government Securities Fund The Fund seeks a high level of current income, while providing lower volatility of principal than a fund that invests in fixed-rate securities.

Under normal market conditions, the Fund invests at least 80% of its net assets in "adjustable-rate U.S. government mortgage securities." "Adjustable-rate U.S. government mortgage securities" include adjustable-rate mortgage securities (ARMS) and other mortgage-backed securities with interest rates that adjust periodically to reflect prevailing market interest rates, which are issued or guaranteed by the U.S. government, its agencies or instrumentalities, including government sponsored entities.

Franklin High Income Fund The Fund principally seeks to earn a high level of current income; its secondary goal is to seek capital appreciation to the extent it is possible and consistent with the fund's principal goal.

Under normal market conditions, the Fund invests primarily in high yield, lower-rated debt securities. Lower-rated securities generally pay higher yields than more highly rated securities to compensate investors for the higher risk. These securities include bonds, notes, debentures, convertible securities and senior and subordinated debt securities.

Franklin Limited Maturity U.S. Government Securities Fund The Fund seeks to provide as high a level of current income as is consistent with prudent investing, while seeking preservation of shareholders' capital.

Under normal market conditions, the Fund invests at least 80% of its net assets in securities with a dollar-weighted average maturity of less than 10 years and issued or guaranteed by the U.S. government, its agencies, or instrumentalities. The Fund generally invests a substantial portion of its

assets in mortgage-backed securities including adjustable rate mortgage securities (ARMs), but the Fund also invests in direct obligations of the U.S. government (such as Treasury bonds, bills and notes) and in securities issued or guaranteed by the U.S. government, its agencies or instrumentalities, including government sponsored entities. All of the Fund's principal investments are debt securities, including bonds, notes and debentures.

Franklin Low Duration Total Return Fund The Fund seeks to provide as high a level of current income as is consistent with prudent investing, while seeking preservation of shareholders' capital.

Under normal market conditions, the Fund invests primarily in investment grade debt securities and investments, including government and corporate debt securities, mortgage- and asset-backed securities, investment grade corporate loans, municipal securities and futures with reference securities that are investment grade, targeting an estimated average portfolio duration of three (3) years or less. Duration is a measure of the expected price volatility of a debt instrument as a result of changes in market rates of interest, based on the weighted average timing of the instrument's expected principal and interest payments and other factors.

Franklin Strategic Income Fund The Fund principally seeks to earn a high level of current income; secondarily it seeks capital appreciation over the long term.

Under normal market conditions, the Fund invests at least 65% of its assets in U.S. and foreign debt securities, including those in emerging markets. Debt securities include all varieties of fixed and floating rate income securities, including bonds, bank loans (and loan participations), convertible securities, mortgage-backed securities and other asset-backed securities, and municipal securities. The Fund shifts its investments among various classes of debt securities and at any given time may have a substantial amount of its assets invested in any one of such classes.

Franklin Strategic Mortgage Portfolio The Fund seeks high total return (a combination of high current income and capital appreciation) relative to the performance of the general mortgage-backed securities market.

Under normal market conditions, the Fund invests at least 80% of its net assets in mortgage securities. The Fund invests substantially in mortgage securities that are issued or guaranteed by the U.S. government, its agencies or instrumentalities, which include mortgage pass-through securities

representing interests in "pools" of mortgage loans issued or guaranteed by the Government National Mortgage Association (Ginnie Mae), Fannie Mae, and Freddie Mac. These securities may be fixed-rate or adjustable-rate mortgage securities (ARMS). Government agency or instrumentality issues have different levels of credit support.

Franklin Templeton Emerging Market Debt Opportunities Fund The Fund seeks high total return.

Under normal market conditions, the Fund invests at least 80% of its net assets in debt securities of "emerging market countries." Emerging market countries generally include those considered to be developing by the World Bank. These countries typically are located in the Asia-Pacific region, Eastern Europe, Central and South America, and Africa. In addition, countries that have restructured their external or local debt during the past 10 years or currently have restructured external or local debt outstanding may also be considered to be emerging market countries.

Franklin Templeton Hard Currency Fund The Fund seeks to protect against depreciation of the U.S. dollar relative to other currencies.

Under normal market conditions, the Fund invests at least 80% of its net assets in investments denominated in "hard currencies." The Fund normally invests mainly in high-quality, short-term money market instruments and forward currency contracts denominated in foreign hard currencies.

Franklin Total Return Fund The Fund principally seeks to provide high current income, consistent with the preservation of capital; secondarily, it seeks capital appreciation over the long term.

Under normal market conditions, the Fund invests at least 80% of its assets in investment grade debt securities and investments, including government and corporate debt securities, mortgage- and asset-backed securities, investment grade corporate loans, municipal securities, and futures with reference securities that are investment grade. The Fund currently focuses on government and corporate debt securities and mortgage- and asset-backed securities.

Franklin U.S. Government Securities Fund The Fund seeks income.

Under normal market conditions, the Fund invests at least 80% of its net assets in U.S. government securities. The Fund presently invests substantially all of its assets in Government National Mortgage Association obligations (Ginnie Maes). Ginnie Maes represent an ownership interest in

mortgage loans pooled together for sale to investors to finance purchases of homes. The mortgage loans may have either fixed or adjustable interest rates. As the underlying mortgage loans are paid off, Ginnie Maes provide investors with monthly payments of interest and principal as well as any unscheduled prepayments on the underlying mortgage loans.

Templeton Global Bond Fund The Fund seeks current income with capital appreciation and growth of income.

Under normal market conditions, the Fund invests at least 80% of its net assets in "bonds." Bonds include debt securities of any maturity, such as bonds, notes, bills and debentures.

The Fund invests predominantly in bonds issued by governments and government agencies located around the world. The Fund may also invest in inflation-indexed securities and securities or structured products that are linked to or derive their value from another security, asset or currency of any nation. In addition, the Fund's assets are invested in issuers located in at least three countries (including the U.S.). The Fund may invest without limit in developing markets.

Templeton Global Total Return Fund The Fund seeks total investment return consisting of a combination of interest income, capital appreciation, and currency gains.

Under normal market conditions, the Fund invests primarily in fixed and floating rate debt securities and debt obligations (including convertible bonds) of governments, government-related or corporate issuers worldwide (collectively, "bonds"). Bonds include debt securities of any maturity, such as bonds, notes, bills and debentures. The Fund may also invest in inflation-indexed securities and securities or structured products that are linked to or derive their value from another security, asset or currency of any nation. In addition, the Fund's assets will be invested in issuers located in at least three countries (including the U.S.). The Fund may invest without limit in developing markets.

Templeton International Bond Fund The Fund seeks current income with capital appreciation and growth of income.

Under normal market conditions, the Fund invests at least 80% of its net assets in "bonds." Bonds include debt securities of any maturity, such as bonds, notes, bills and debentures.

The Fund invests predominantly in bonds issued by governments and government agencies located outside the U.S. The Fund may also invest in inflation-indexed securities and securities or structured products that are linked to or derive their value from another security, asset or currency of any nation. In addition, the Fund's assets are invested in issuers located in at least three countries. The Fund may invest without limit in developing markets.

Underlying Floating Rate Interest Fund

Franklin Floating Rate Daily Access Fund The Fund principally seeks to provide a high level of current income; secondarily, it seeks preservation of capital.

The Fund normally invests at least 80% of its net assets in income-producing floating interest rate corporate loans and corporate debt securities made to or issued by U.S. companies, non-U.S. entities and U.S. subsidiaries of non-U.S. entities. Floating interest rates vary with and are periodically adjusted to a generally recognized base interest rate such as the London Interbank Offered Rate (LIBOR) or the Prime Rate. The Fund may invest in companies whose financial condition is troubled or uncertain and that may be involved in bankruptcy proceedings, reorganizations or financial restructurings.

Underlying Commodities Funds

Franklin Pelagos Commodities Strategy Fund The Fund's investment goal is to seek to provide long-term total return.

The Fund seeks to achieve its investment goal by utilizing an actively managed fundamental and quantitative investment process to provide exposure to the commodities markets by (i) investing in commodity-linked derivative instruments and (ii) investing in securities of the U.S. government, its agencies and instrumentalities and other fixed income securities.

Franklin Pelagos Managed Futures Strategy Fund The Fund's investment goal is to seek to provide long-term total return.

The Fund seeks to achieve its investment goal by utilizing an actively managed fundamental and quantitative investment process to provide exposure to futures contracts and futures-related instruments by (i) employing a managed futures strategy and (ii) investing in securities of the U.S. government, its agencies and instrumentalities and other fixed income securities.

Risks of Investing in the Underlying Franklin Templeton Funds

The following sections describe some of the risks associated with certain of the underlying Franklin Templeton funds (hereafter the "Fund" or "Funds").

Management

The Fund is actively managed and could experience losses if the investment manager's judgment about markets, interest rates or the attractiveness, relative values, liquidity, or potential appreciation of particular investments made for the Fund's portfolio prove to be incorrect. There can be no guarantee that these techniques or the investment manager's investment decisions will produce the desired results. Additionally, legislative, regulatory, or tax developments may affect the investment techniques available to the investment manager in connection with managing the Fund and may also adversely affect the ability of the Fund to achieve its investment goal.

Growth Style Investing

Growth stock prices reflect projections of future earnings or revenues, and can, therefore, fall dramatically if the company fails to meet those projections. Growth stocks may be more expensive relative to their current earnings or assets compared to value or other stocks, and if earnings growth expectations moderate, their valuations may return to more typical norms, causing their stock prices to fall. Prices of these companies' securities may be more volatile than other securities, particularly over the short term.

Value Style Investing

Value stock prices are considered "cheap" relative to the company's perceived value and are often out of favor with other investors. The investment manager may invest in such stocks if it believes the market may have overreacted to adverse developments or failed to appreciate positive changes. However, if other investors fail to recognize the company's value (and do not become buyers, or if they become sellers or favor investing in faster growing companies), value stocks may not increase in value as anticipated by the investment manager and may even decline in value.

Market

The market values of securities owned by the Fund will go up or down, sometimes rapidly or unpredictably. Securities may decline in value due to factors affecting individual issuers, securities markets generally or particular industries or sectors within the securities markets. The value of a security may go up or down due to general market conditions which are not specifically related to a particular issuer, such as real or perceived adverse economic conditions, changes in the general outlook for revenues or corporate earnings, changes in interest or currency rates or adverse investor sentiment generally. They may also go up or down due to factors that affect an individual issuer or a particular industry or sector, such as changes in production costs and competitive conditions within an industry. During a general downturn in the securities markets, multiple asset classes may decline in value. When markets perform well, there can be no assurance that securities held by the Fund will participate in or otherwise benefit from the advance.

Stock prices tend to go up and down more dramatically than those of debt securities. A slower-growth or recessionary economic environment could have an adverse effect on the prices of the various stocks held by the Fund.

Smaller and Midsize Companies

While smaller and midsize companies may offer substantial opportunities for capital growth, they also involve substantial risks and should be considered speculative. Historically, smaller and midsize company securities have been more volatile in price than larger company securities, especially over the short term. Among the reasons for the greater price volatility are the less certain growth prospects of smaller and midsize companies, the lower degree of liquidity in the markets for such securities, and the greater sensitivity of smaller and midsize companies to changing economic conditions.

In addition, smaller and midsize companies may lack depth of management, be unable to generate funds necessary for growth or development, have limited product lines or be developing or marketing new products or services for which markets are not yet established and may never become established. Smaller and midsize companies may be particularly affected by interest rate increases, as they may find it more difficult to borrow money to continue or expand operations, or may have difficulty in repaying any loans which are floating rate.

Interest Rate

Interest rate changes can be sudden and unpredictable. Debt securities generally tend to lose market value when interest rates rise and increase in value when interest rates fall. Securities with longer maturities or lower coupons or that make little (or no) interest payments before maturity tend to be more sensitive to these interest rate changes. The longer the Fund's average weighted portfolio maturity, the greater the impact a change in interest rates will have on its share price.

Income

Because the Fund can only distribute what it earns, the Fund's distributions to shareholders may decline when prevailing interest rates fall or when the Fund experiences defaults on debt securities it holds. The Fund's income generally declines during periods of falling interest rates because the Fund must reinvest the proceeds it receives from existing investments (upon their maturity, prepayment, amortization, call, or buy-back) at a lower rate of interest or return.

Credit

The Fund could lose money on a debt security if an issuer or borrower is unable or fails to meet its obligations, including failing to make interest payments and/or to repay principal when due. Changes in an issuer's financial strength, the market's perception of the issuer's financial strength or in a security's credit rating, which reflects a third party's assessment of the credit risk presented by a particular issuer, may affect debt securities' values. The Fund may incur substantial losses on debt securities that are inaccurately perceived to present a different amount of credit risk by the market, the investment manager or the rating agencies than such securities actually do.

High-Yield Debt Securities

High-yield debt securities (including loans) and unrated securities of similar credit quality ("high-yield debt instruments" or "junk bonds") involve greater risk of a complete loss of the Fund's investment, or delays of interest and principal payments, than higher-quality debt securities. Issuers of high-yield debt instruments are not as strong financially as those issuing securities of higher credit quality. High-yield debt instruments are generally considered predominantly speculative by the applicable rating agencies as these issuers are more likely to encounter financial difficulties and are more vulnerable to changes in the relevant economy, such as a recession or

a sustained period of rising interest rates, that could affect their ability to make interest and principal payments when due. If an issuer stops making interest and/or principal payments, payments on the securities may never resume. These instruments may be worthless and the Fund could lose its entire investment.

The prices of high-yield sovereign debt of emerging market countries fluctuate more than higher-quality securities. An emerging market country may be unwilling or unable to repay the principal and/or interest on its sovereign debt because of insufficient foreign reserves, the relative size of the debt service burden to the economy as a whole, the government's policy towards supranational agencies such as the International Monetary Fund, or the political constraints to which the government may be subject. If an emerging market country defaults (or threatens to default) on its sovereign debt obligations, the indebtedness may be restructured. Restructuring may include obtaining additional credit to finance outstanding obligations, reduction and rescheduling of payments of interest and principal, or negotiation of new or amended credit agreements. In the event of a default on sovereign debt, the Fund may have limited legal recourse against the defaulting government. In certain cases, remedies must be pursued in the courts of the defaulting country itself, which may further limit the Fund's ability to obtain recourse.

The prices of high-yield debt instruments fluctuate more than higher-quality securities. Prices are especially sensitive to developments affecting the issuer's business or operations and to changes in the ratings assigned by rating agencies. In addition, the entire high-yield debt market can experience sudden and sharp price swings due to changes in economic conditions, stock market activity, large sustained sales by major investors, a high-profile default, or other factors. Prices of corporate high-yield debt instruments often are closely linked with the company's stock prices and typically rise and fall in response to factors that affect stock prices.

High-yield debt instruments are generally less liquid than higher-quality securities. Many of these securities are not registered for sale under the federal securities laws and/or do not trade frequently. When they do trade, their prices may be significantly higher or lower than expected. At times, it may be difficult to sell these securities promptly at an acceptable price, which may limit the Fund's ability to sell securities in response to specific economic events or to meet redemption requests. As a result, high-yield debt instruments generally pose greater illiquidity and valuation risks.

Substantial declines in the prices of high-yield debt instruments can dramatically increase the yield of such bonds or loans. The decline in market prices generally reflects an expectation that the issuer(s) may be at greater risk of defaulting on the obligation to pay interest and principal when due. Therefore, substantial increases in yield may reflect a greater risk by the Fund of losing some or part of its investment rather than any increase in income from the higher yield that the debt security or loan may pay to the Fund on its investment.

Mortgage-Backed Securities and Asset-Backed Securities

Mortgage-backed securities differ from conventional debt securities because principal is paid back over the life of the security rather than at maturity. The underlying fund may receive unscheduled prepayments of principal due to voluntary prepayments, refinancing or foreclosure on the underlying mortgage loans. To the underlying fund this means a loss of anticipated interest, and a portion of its principal investment represented by any premium the fund may have paid. Mortgage prepayments generally increase when interest rates fall.

Mortgage-backed securities also are subject to extension risk. An unexpected rise in interest rates could reduce the rate of prepayments on mortgage-backed securities and extend their life. This could cause the price of the mortgage-backed securities and the underlying fund's share price to fall and would make the mortgage-backed securities more sensitive to interest rate changes.

In September 2008, the Federal Housing Finance Agency (FHFA), an agency of the U.S. government, placed Fannie Mae and Freddie Mac into conservatorship, a statutory process with the objective of returning the entities to normal business operations. FHFA acts as the conservator to operate Fannie Mae and Freddie Mac until they are stabilized. It is unclear how long the conservatorship will last or what effect this conservatorship will have on the securities issued or guaranteed by Fannie Mae or Freddie Mac for the long-term.

Issuers of asset-backed securities may have limited ability to enforce the security interest in the underlying assets, and credit enhancements provided to support the securities, if any, may be inadequate to protect investors in the event of default. Like mortgage-backed securities, asset-backed securities are subject to prepayment and extension risks.

Foreign Securities

Investing in foreign securities typically involves more risks than investing in U.S. securities. Certain of these risks also may apply to securities of U.S. companies with significant foreign operations.

Currency exchange rates. Foreign securities may be issued and traded in foreign currencies. As a result, their market values in U.S. dollars may be affected by changes in exchange rates between such foreign currencies and the U.S. dollar, as well as between currencies of countries other than the U.S. For example, if the value of the U.S. dollar goes up compared to a foreign currency, an investment traded in that foreign currency will go down in value because it will be worth fewer U.S. dollars. The Fund accrues additional expenses when engaging in currency exchange transactions, and valuation of the Fund's foreign securities may be subject to greater risk because both the currency (relative to the U.S. dollar) and the security must be considered.

Currency management strategies. Currency management strategies may substantially change the Fund's exposure to currency exchange rates and could result in losses to the Fund if currencies do not perform as the investment manager expects. In addition, currency management strategies, to the extent that they reduce the Fund's exposure to currency risks, may also reduce the Fund's ability to benefit from favorable changes in currency exchange rates. There is no assurance that the investment manager's use of currency management strategies will benefit the Fund or that they will be, or can be, used at appropriate times. Furthermore, there may not be perfect correlation between the amount of exposure to a particular currency and the amount of securities in the portfolio denominated in that currency. Investing in foreign currencies for purposes of gaining from projected changes in exchange rates, as opposed to hedging currency risks applicable to the Fund's holdings, further increases the Fund's exposure to foreign investment losses.

Political and economic developments. The political, economic and social structures of some foreign countries may be less stable and more volatile than those in the United States. Investments in these countries may be subject to greater risks of internal and external conflicts, expropriation, nationalization of assets, foreign exchange controls (such as suspension of the ability to transfer currency from a given country), restrictions on removal of assets, political or social instability, military action or unrest, diplomatic developments, currency devaluations, foreign ownership limitations, and punitive or confiscatory tax increases. It is possible that a

government may take over the assets or operations of a company or impose restrictions on the exchange or export of currency or other assets. Some countries also may have different legal systems that may make it difficult or expensive for the Fund to vote proxies, exercise shareholder rights, and pursue legal remedies with respect to its foreign investments. Diplomatic and political developments, including rapid and adverse political changes, social instability, regional conflicts, terrorism and war, could affect the economies, industries and securities and currency markets, and the value of the Fund's investments, in non-U.S. countries. These factors are extremely difficult, if not impossible, to predict and take into account with respect to the Fund's investments.

Trading practices. Brokerage commissions, withholding taxes, custodial fees, and other fees generally are higher in foreign markets. The policies and procedures followed by foreign stock exchanges, currency markets, trading systems and brokers may differ from those applicable in the United States, with possibly negative consequences to the Fund. The procedures and rules governing foreign trading, settlement and custody (holding of the Fund's assets) also may result in losses or delays in payment, delivery or recovery of money or other property. Foreign government supervision and regulation of foreign securities markets and trading systems may be less than or different from government supervision in the United States, and may increase the Fund's regulatory and compliance burden and/or decrease the Fund's investor rights and protections.

Availability of information. Foreign issuers may not be subject to the same disclosure, accounting, auditing and financial reporting standards and practices as U.S. issuers. Thus, there may be less information publicly available about foreign issuers than about most U.S. issuers.

Limited markets. Certain foreign securities may be less liquid (harder to sell) and their prices may be more volatile than many U.S. securities. Illiquidity tends to be greater, and valuation of the Fund's foreign securities may be more difficult, due to the infrequent trading and/or delayed reporting of quotes and sales.

Regional. Adverse conditions in a certain region can adversely affect securities of issuers in other countries whose economies appear to be unrelated. To the extent that the Fund invests a significant portion of its assets in a specific geographic region, the Fund will generally have more exposure to regional economic risks. In the event of economic or political turmoil or a deterioration of diplomatic relations in a region or country

where a substantial portion of the Fund's assets are invested, the Fund may experience substantial illiquidity or reduction in the value of the Fund's investments.

Developing market countries. The Fund's investments in developing market countries are subject to all of the risks of foreign investing generally, and have additional heightened risks due to a lack of established legal, political, business and social frameworks to support securities markets. Some of the additional significant risks include:

- less familiarity with a capital market structure or market-oriented economy and more widespread corruption and fraud;
- greater sensitivity to interest rate changes;
- less government supervision and regulation of business and industry practices, stock exchanges, brokers and listed companies than in the U.S.;
- increased volatility in currency exchange rates and potential for currency devaluations and/or currency controls;
- higher rates of inflation and more rapid and extreme fluctuations in inflation rates;

Because of the above factors, the Fund's investments in developing market countries are subject to greater price volatility and illiquidity than investments in developed markets.

Concentration

If an underlying fund has a policy to concentrate (invests 25% or more of its assets) in a particular industry, group of industries or geographic region, the underlying fund may experience greater losses due to any single economic, business, political, regulatory or other occurrence. As a result, there may be more fluctuation in the price of the underlying fund's shares.

Non-Diversification

Some of the underlying funds are classified as non-diversified funds (that means they may generally invest a greater portion of their assets in the securities of one or more issuers and invest overall in a smaller number of issuers than a diversified fund), and as such they may be more sensitive to economic, business, political, regulatory or other occurrence than a more diversified portfolio may be. This may result in greater fluctuation in the value of the underlying fund's shares and to a greater risk of loss.

Focus

The greater the Fund's exposure to any single type of investment – including investment in a given industry, sector, region, country, issuer, or type of security – the greater the losses the Fund may experience upon any single economic, business, political, regulatory, or other occurrence. As a result, there may be more fluctuation in the price of the Fund's shares.

Technology companies. Technology company stocks have been subject to abrupt or erratic price movements, especially over the short term, due to the rapid pace of product change and development affecting such companies. Technology companies are subject to significant competitive pressures, such as new market entrants, aggressive pricing and tight profit margins. Prices of technology company stocks often change collectively without regard to the merits of individual companies.

Healthcare technology companies. These companies will be affected by government regulatory requirements, regulatory approval for new drugs and medical products, patent considerations, product liability, and similar matters. In addition, this industry is characterized by competition and rapid technological developments that may make a company's products or services obsolete in a short period of time.

Electronic technology and technology services companies. These companies also face the risks that new services, equipment or technologies will not be accepted by consumers and businesses or will become rapidly obsolete. These factors can affect the profitability of technology companies and, as a result, the value of their securities.

Financial services companies. To the extent that the Fund has significant investments in financial services companies, it is particularly sensitive to the risks of that industry. These risks include the effects of: (1) changes in interest rates on the profitability of financial services companies; (2) governmental limitations on a company's loans and other financial commitments; and (3) recent ongoing changes in the financial services industry (including consolidations, development of new products and changes to the industry's regulatory framework). Some financial services companies have recently experienced significant losses in value and the possible recapitalization of such companies may present greater risks of loss. Insurance companies have additional risks, such as heavy price competition, claims activity and marketing competition, and can be particularly sensitive to specific events such as weather catastrophes, terrorism, mortality risks and morbidity rates.

Utilities industry. Utility company equity securities, which are generally purchased for their dividend yield, historically have been sensitive to interest rate movements: when interest rates have risen, the stock prices of these companies have tended to fall. In some states, utility companies and their rates are regulated; other states have moved to deregulate such companies thereby causing non-regulated companies' returns to generally be more volatile and more sensitive to changes in revenue and earnings. In general, all utility companies may face additional regulation and litigation regarding emissions from their power plants; increased costs from new or greater regulation of greenhouse gas emissions; and the need to purchase expensive emissions control equipment due to regulations, all of which may lower their earnings.

Natural resources sector. The securities of companies in the natural resources sector may experience more price volatility than securities of companies in other industries. Some of the commodities used as raw materials or produced by these companies are subject to broad price fluctuations as a result of industry wide supply and demand factors. In addition, companies in the natural resources sector may be subject to special risks associated with natural or man-made disasters.

Gold and precious metals. The price of gold and precious metals operation companies is strongly affected by the price of gold or other precious metals such as platinum, palladium and silver. These prices may be volatile, fluctuating substantially over short periods of time. In times of stable economic growth, traditional equity and debt investments could offer greater appreciation potential and the value of gold and other precious metals may be adversely affected.

Derivative Instruments

The performance of derivative instruments (including currency-related derivatives) depends largely on the performance of an underlying currency, security or index and such instruments often have risks similar to their underlying instrument in addition to other risks. Derivative instruments involve costs and can create economic leverage in the Fund's portfolio which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that significantly exceeds the Fund's initial investment. Certain derivatives have the potential for unlimited loss, regardless of the size of the initial investment. Other risks include illiquidity, mispricing or improper valuation of the derivative instrument, and imperfect correlation between the value of

the derivative and the underlying instrument so that the Fund may not realize the intended benefits. Their successful use will usually depend on the investment manager's ability to accurately forecast movements in the market relating to the underlying instrument. Should a market or markets, or prices of particular classes of investments move in an unexpected manner, especially in unusual or extreme market conditions, the Fund may not achieve the anticipated benefits of the transaction, and it may realize losses, which could be significant. If the investment manager is not successful in using such derivative instruments, the Fund's performance may be worse than if the investment manager did not use such derivative instruments at all. To the extent that the Fund uses such instruments for hedging purposes, there is the risk of imperfect correlation between movements in the value of the derivative instrument and the value of the underlying investment or other asset being hedged. There is also the risk, especially under extreme market conditions, that an instrument, which usually would operate as a hedge, provides no hedging benefits at all.

Use of these instruments could also result in a loss if the counterparty to the transaction (particularly with respect to OTC instruments, such as swap agreements and forward currency contracts) does not perform as promised, including because of such counterparty's bankruptcy or insolvency. This risk may be heightened during volatile market conditions. Other risks include the inability to close out a position because the trading market becomes illiquid (particularly in the OTC markets) or the availability of counterparties becomes limited for a period of time. In addition, the presence of speculators in a particular market could lead to price distortions. To the extent that the Fund is unable to close out a position because of market illiquidity, the Fund may not be able to prevent further losses of value in its derivatives holdings and the Fund's liquidity may be impaired to the extent that it has a substantial portion of its otherwise liquid assets marked as segregated to cover its obligations under such derivative instruments. The Fund may also be required to take or make delivery of an underlying instrument as a transaction that the investment manager would otherwise have attempted to avoid. Some derivatives can be particularly sensitive to changes in interest rates or other market prices. Investors should bear in mind that, while the Fund intends to use derivative strategies on a regular basis, it is not obligated to actively engage in these transactions, generally or in any particular kind of derivative, if the investment manager elects not to do so due to availability, cost or other factors.

The use of derivative strategies may also have a tax impact on the Fund. The timing and character of income, gains or losses from these strategies could impair the ability of the investment manager to utilize derivatives when it wishes to do so.

Merger Arbitrage Securities and Distressed Companies

Certain underlying funds may invest in merger arbitrage securities and distressed companies. A merger or other restructuring, or a tender or exchange offer, proposed or pending at the time an underlying fund invests in merger arbitrage securities may not be completed on the terms or within the time frame contemplated, resulting in losses to the underlying fund. Debt obligations of distressed companies typically are unrated, lower-rated, in default or close to default and are generally more likely to become worthless than the securities of more financially stable companies.

Geographic Focus

Certain underlying funds may have significant investments in certain regions of the world. There may be a high correlation among the countries within these markets. Accordingly, because an underlying fund invests its assets primarily in these markets, it is subject to much greater risks of adverse events that occur in that region and may experience greater volatility than a fund that is more broadly diversified geographically. Political, social or economic disruptions in the region, including conflicts and currency devaluations, even in countries in which the fund is not invested, may adversely affect security values in other countries in the region and thus the fund's holdings.

Real Estate Securities

Real estate values rise and fall in response to a variety of factors, including local, regional and national economic conditions, interest rates, tax and insurance considerations, changes in zoning laws, environmental regulations or hazards, or overbuilding, increases in property taxes and operating expenses or value decline in a neighborhood. When economic growth is slow, demand for property decreases and prices may decline.

U.S. Government Securities

Although many U.S. government-sponsored entities, such as Fannie Mae and Freddie Mac, may be chartered or sponsored by Acts of Congress, their securities are neither issued nor guaranteed by the U.S. Treasury. The Fund's investments in securities which are not backed by the full faith and

credit of the U.S. government depend upon the ability of the issuing agency or instrumentality to make interest or principal payments, and may not permit recourse against the U.S. Treasury. Accordingly, the issuers of some securities considered to be U.S. government securities may be unable to make principal and interest payments when due.

Floating Rate Corporate Investments

The senior secured corporate loans and corporate debt securities in which the Fund invests are often issued in connection with highly leveraged transactions. Such transactions include leveraged buyout loans, leveraged recapitalization loans, and other types of acquisition financing. Loan investments issued in such transactions are subject to greater credit risks than other investments including a greater possibility that the borrower may default or enter bankruptcy. Although loan investments are generally subject to certain restrictive covenants in favor of the investors, many of these loans may from time to time be "covenant lite" loans which do not typically include terms which allow the investor to control and track the performance of the borrower and declare a default if certain criteria are breached.

Liquidity

Liquidity risk exists when the market for particular securities or types of securities are or become relatively illiquid so that the Fund is unable, or it becomes more difficult for the Fund, to sell the security at the price at which the Fund has valued the security. Illiquidity may result from political, economic or issuer specific events or overall market disruptions. Securities with reduced liquidity or that become illiquid involve greater risk than securities with more liquid markets. Market quotations for illiquid securities may be volatile and/or subject to large spreads between bid and ask prices. Reduced liquidity may have an adverse impact on market price and the Fund's ability to sell particular securities when necessary to meet the Fund's liquidity needs or in response to a specific economic event.

Commodities

Investing in physical commodities, either directly or through complex securities such as ETNs, presents unique risks. Investing in physical commodities, including trading in futures contracts thereon, is speculative and can be extremely volatile. Market prices of commodities may fluctuate rapidly based on numerous factors, including: changes in supply and demand relationships (whether actual, perceived, anticipated, unanticipated

or unrealized); weather; agriculture; trade; domestic and foreign political and economic events and policies; diseases; pestilence; technological developments; and monetary and other governmental policies, action and inaction. The current or "spot" prices of physical commodities may also affect, in a volatile and inconsistent manner, the prices of futures contracts in respect of the relevant commodity. Certain commodities are used primarily in one industry, and fluctuations in levels of activity in (or the availability of alternative resources to) one industry may have a disproportionate effect on global demand for a particular commodity. Moreover, recent growth in industrial production and gross domestic product has made China and other developing nations oversized users of commodities and has increased the extent to which certain commodities prices are influenced by those markets.

Impairment of Collateral

The terms of the senior secured corporate loans and corporate debt securities in which the Fund typically invests require that collateral be maintained to support payment of the obligation. However, the value of the collateral may decline after the Fund invests and there is a risk that the value of the collateral may not be sufficient to cover the amount owed to the Fund. In addition, collateral securing a loan may be found invalid, may be used to pay other outstanding obligations of the borrower under applicable law or may be difficult to sell.

In the event that a borrower defaults, the Fund's access to the collateral may be limited by bankruptcy and other insolvency laws. There is also the risk that the collateral may be difficult to liquidate, or that a majority of the collateral may be illiquid. As a result, the Fund might not receive payments to which it is entitled.

Prepayment

Debt securities are subject to prepayment risk when the issuer can "call" the security, or repay principal, in whole or in part, prior to the security's maturity. When the Fund reinvests the prepayments of principal it receives, it may receive a rate of interest that is lower than the rate on the existing security, potentially lowering the Fund's income, yield and its distributions to shareholders. Securities subject to prepayment may offer less potential for gains during a declining interest rate environment and have greater price volatility. Prepayment risk is greater in periods of falling interest rates.

Variable Rate Securities

Variable rate securities (which include floating rate debt securities) generally are less sensitive to interest rate changes than fixed rate debt securities. However, the market value of variable rate debt securities may decline when prevailing interest rates rise if their interest rates do not rise as much, or as quickly, as interest rates in general. Conversely, variable rate securities will not generally increase in market value if interest rates decline. However, when interest rates fall, there will be a reduction in the payments of interest received by the Fund from its variable rate securities. Limits on the aggregate amount by which a variable rate security's interest rate may increase over its lifetime or during any one adjustment period can prevent the interest rate from ever adjusting to prevailing market rates.

The net asset value of the Fund may decline during periods of rising interest rates until the interest rates on these securities reset to market rates. You could lose money if you sell your shares of the Fund before these rates reset.

More detailed information about the underlying funds, their policies and risks can be found in the Funds' SAI.

Management

Franklin Advisers, Inc. (Advisers), One Franklin Parkway, San Mateo, CA 94403-1906, is the Fund's investment manager. Together, Advisers and its affiliates manage, as of March 31, 2013, over $823 billion in assets, and have been in the investment management business since 1947.

The portfolio managers responsible for the Fund's management are:

T. ANTHONY COFFEY, CFA *Vice President of Advisers*
Mr. Coffey has been the portfolio manager of the Fund since inception. He joined Franklin Templeton Investments in 1989.

THOMAS A. NELSON, CFA *Portfolio Manager of Advisers*
Mr. Nelson has been a portfolio manager of the Fund since 2011. He joined Franklin Templeton Investments in 2007. Prior to joining Franklin Templeton Investments, he worked for Bloomberg LP where he was most recently manager of the market specialist sales team overseeing 80 people.

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The portfolio managers of the Fund have equal authority over all aspects of the Fund's investment portfolio, including, but not limited to,

purchases and sales of individual securities, portfolio risk assessment, and the management of daily cash balances in accordance with anticipated investment management requirements. The degree to which each portfolio manager may perform these functions, and the nature of these functions, may change from time to time.

The Fund's SAI provides additional information about portfolio manager compensation, other accounts that they manage and their ownership of Fund shares.

Investment Management and Asset Allocation Agreement

Under the investment management and asset allocation agreement, the investment manager provides general management services. Such services include monitoring the underlying Franklin Templeton funds in order to determine whether they are investing their assets in a manner that is consistent with the asset classes targeted for investment for the Fund by the investment manager. The investment manager also provides asset allocation advice and administrative services to the Fund under the investment advisory and asset allocation agreement. While the investment manager provides general investment management and administrative services to the Fund without charge, it provides asset allocation services to the Fund for a monthly fee equivalent to an annual rate of 0.25% of the average daily net assets of the Fund.

A discussion regarding the basis for the board of trustees approving the investment management contract of the Fund is available in the Fund's semiannual report to shareholders for the six-month period ended June 30.

Asset allocation fees. Advisers and other affiliated service providers for the Fund have agreed to waive fees or to assume as their own certain expenses otherwise payable by the Fund so that the expenses (excluding Rule 12b-1 fees and acquired fund fees and expenses) for each class of the Fund do not exceed (and could be less than) 0.05% (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations and liquidations) until April 30, 2014. Under this fee and expense waiver, common fees and expenses of the Fund (including management, administration and other fees) will be waived equally among all classes and, to the extent necessary, transfer agency fees will be waived equally among all classes, except with respect to Class R6, for which its class-specific transfer agency fees may be waived in a different amount.

For the fiscal year ended December 31, 2012, Advisers agreed to reduce its fees to reflect reduced services resulting from each Fund's investment in a Franklin Templeton money fund as required by the Fund's board of trustees. In addition, Advisers and the Fund's administrator had agreed to waive or limit their respective fees and to assume as their own certain expenses otherwise payable by the Fund so that common expenses (i.e., a combination of asset allocation fees, and other expenses, but excluding the Rule 12b-1 fees and acquired fund fees and expenses) for each class of the Fund did not exceed 0.15% (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations and liquidations) until April 30, 2013. Any such fee waivers or reimbursements were applied after any payments received by the Fund from its underlying funds pursuant to a Special Servicing Agreement in effect until April 30, 2013. The asset allocation fees before and after such waivers for the fiscal year ended December 31, 2012, for the 2015 Retirement Target Fund, 2025 Retirement Target Fund, 2035 Retirement Target Fund and 2045 Retirement Target Fund, were 0.25% and 0%, respectively.

Each Fund, as a shareholder in the underlying Franklin Templeton funds, will indirectly bear its proportionate share of any management fees and other expenses paid by the underlying Franklin Templeton funds. The investment manager and the management fee of each of the underlying Franklin Templeton funds (as an annual percentage rate of the underlying fund's net assets) are set forth below:

Underlying Franklin Templeton Fund	Investment Manager	Annual Fee Rate
Franklin All Cap Value Fund	Franklin Advisory Services, LLC (Advisory Services)	0.750%[1]
Franklin Balance Sheet Investment Fund	Advisory Services	0.625%[2]
Franklin Biotechnology Discovery Fund	Advisers	0.625%[2]
Franklin Convertible Securities Fund	Advisers	0.625%[3]
Franklin DynaTech Fund	Advisers	0.625%[3]
Franklin Equity Income Fund	Advisers	0.625%[3]
Franklin Flex Cap Growth Fund	Advisers	0.625%[2]
Franklin Focused Core Equity Fund	Advisers	0.950%[4]
Franklin Global Real Estate Fund	Franklin Templeton Institutional, LLC (FT Institutional)	1.00%[5]
Franklin Gold and Precious Metals Fund	Advisers	0.625%[2]
Franklin Growth Fund	Advisers; Franklin Investment Advisory Services, LLC (FIAS) (sub-advisor)	0.625%[6]
Franklin Growth Opportunities Fund	Advisers	0.700%[7]
Franklin India Growth Fund	Advisers	1.30%[8]
Franklin International Growth Fund	FT Institutional	0.950%[4]
Franklin International Small Cap Growth Fund	Advisers; FT Institutional (sub-advisor)	0.95%[9]
Franklin Large Cap Equity Fund	Fiduciary International, Inc. (Fiduciary)	0.95%[10]
Franklin Large Cap Value Fund	Advisory Services	0.750%[1]
Franklin Low Duration Total Return Fund	Advisers	0.625%[11]
Franklin MicroCap Value Fund	Advisory Services	0.75%
Franklin Midcap Value Fund	Advisory Services	0.950%[4]
Franklin Natural Resources Fund	Advisers	0.625%[2]
Franklin Pelagos Commodities Strategy Fund	Advisers; Pelagos Capital Management, LLC (Pelagos) (sub-advisor)	0.65%[12]
Franklin Pelagos Managed Futures Strategy Fund	Advisers; Pelagos (sub-advisor)	0.65%[12]
Franklin Real Estate Securities Fund	FT Institutional	0.625%[2]
Franklin Rising Dividends Fund	Advisory Services	0.750%[13]
Franklin Small Cap Growth Fund	Advisers	0.750%[1]

Underlying Franklin Templeton Fund	Investment Manager	Annual Fee Rate
Franklin Small Cap Value Fund	Advisory Services	0.75%[14]
Franklin Small-Mid Cap Growth Fund	Advisers	0.625%[2]
Franklin Utilities Fund	Advisers	0.625%[15]
Global Equity Series	Templeton Investment Counsel, LLC (TICL)	0.70%[16]
Mutual European Fund	Franklin Mutual Advisers, LLC (Franklin Mutual)	0.80%[17]
Mutual Financial Services Fund	Franklin Mutual	0.80%[17]
Mutual Global Discovery Fund	Franklin Mutual	0.80%[18]
Mutual International Fund	Franklin Mutual	0.80%
Mutual Quest Fund	Franklin Mutual	0.60%[19]
Mutual Shares Fund	Franklin Mutual	0.60%[20]
Templeton Asian Growth Fund	Templeton Asset Management Ltd. - Hong Kong Branch (TAML)	1.30%[21]
Templeton BRIC Fund	TAML	1.30%[21]
Templeton China World Fund	TAML	1.10%[21]
Templeton Emerging Markets Small Cap Fund	TAML	1.45%[22]
Templeton Developing Markets Trust	TAML	1.10%[21]
Templeton Foreign Fund	Templeton Global Advisors Limited (TGAL)	0.63%[23]
Templeton Foreign Smaller Companies Fund	Franklin Templeton Investments Corp. (FTIC); TICL (sub-advisor)	1.00%[24]
Templeton Frontier Markets Fund	TAML	1.45%[22]
Templeton Global Bond Fund	Advisers	0.50%[25]
Templeton Global Opportunities Trust	TICL; TAML (sub-advisor); Franklin Templeton Investments (Asia) Limited (FTIA) (Sub-advisor)	0.75%[26]
Templeton Global Smaller Companies Fund	FTIC; TICL (sub-advisor)	0.75%[27]
Templeton Global Total Return Fund	Advisers	0.70%[28]
Templeton Growth Fund	TGAL	0.63%[29]
Templeton International Bond Fund	Advisers	0.70%[28]
Templeton World Fund	TGAL	0.630%[30]
Franklin Adjustable U.S. Government Fund	Advisers	0.500%[31]
Franklin High Income Fund	Advisers	0.625%[3]

Underlying Franklin Templeton Fund	Investment Manager	Annual Fee Rate
Franklin Limited Maturity U.S. Government Securities Fund	Advisers	0.625%[32]
Franklin Strategic Income Fund	Advisers	0.625%[3]
Franklin Strategic Mortgage Portfolio	Advisers	0.40%[33]
Franklin Templeton Emerging Market Debt Opportunities Fund	FTIML; FT Institutional (sub-advisor)	1.00%[34]
Franklin Templeton Hard Currency Fund	Advisers	0.65%
Franklin Total Return Fund	Advisers; FT Institutional (sub-advisor)	0.625%[35]
Franklin U.S. Government Securities Fund	Advisers	0.625%[3]
Franklin Floating Rate Daily Access Fund	Advisers	0.650%[36]

1. 0.750% of the value of net assets up to and including $500 million; 0.650% of the value of net assets over $500 million up to and including $1 billion; 0.600% of the value of net assets over $1 billion up to and including $1.5 billion; 0.550% of the value of net assets over $1.5 billion up to and including $6.5 billion; 0.525% of the value of net assets over $6.5 billion up to and including $11.5 billion; 0.500% of the value of net assets over $11.5 billion up to and including $16.5 billion; 0.490% of the value of net assets over $16.5 billion up to and including $19 billion; 0.480% of the value of net assets over $19 billion up to and including $21.5 billion; and 0.470% of the value of net assets in excess of $21.5 billion.
2. 0.625% of the value of net assets up to and including $100 million; 0.500% of the value of net assets over $100 million and not over $250 million; 0.450% of the value of net assets over $250 million and not over $7.5 billion; 0.440% of the value of net assets over $7.5 billion and not over $10 billion; 0.430% of the value of net assets over $10 billion and not over $12.5 billion; 0.420% of the value of net assets over $12.5 billion and not over $15 billion; and 0.400% of the value of net assets in excess of $15 billion.
3. 0.625% of the value of net assets up to and including $100 million; 0.500% of the value of net assets over $100 million and not over $250 million; 0.450% of the value of net assets over $250 million and not over $7.5 billion; 0.440% of the value of net assets over $7.5 billion and not over $10 billion; 0.430% of the value of net assets over $10 billion and not over $12.5 billion; 0.420% of the value of net assets over $12.5 billion and not over $15 billion; 0.400% of the value of net assets over $15 billion and not over $17.5 billion; 0.380% of the value of net assets over $17.5 billion and not over $20 billion; 0.360% of the value of net assets over $20 billion and not over $35 billion; 0.355% of the value of net assets over $35 billion and not over $50 billion; and 0.350% of the value of net assets in excess of $50 billion.
4. 0.950% of the value of net assets up to and including $500 million; 0.850% of the value of net assets over $500 million up to and including $1 billion; 0.800% of the value of net assets over $1 billion up to and including $1.5 billion; 0.750% of the value of its net assets over $1.5 billion up to and including $6.5 billion; 0.725% of the value of net assets over $6.5 up to and including $11.5 billion; 0.700% of the value of net assets over $11.5 billion up to and including $16.5 billion; 0.690% of the value of net assets over $16.5 billion up to and including $19 billion; 0.680% of the value of net assets over $19 billion up to and including $21.5 billion; and 0.670% of the value of net assets over $21.5 billion.

5. 1.00% of the value of average daily net assets up to and including $500 million; 0.90% of the value of average daily net assets over $500 million up to and including $1 billion; 0.85% of the value of average daily net assets over $1 billion up to and including $1.5 billion; 0.80% of the value of average daily net assets over $1.5 billion up to and including $6.5 billion; 0.78% of the value of average daily net assets over $6.5 billion up to and including $11.5 billion; 0.76% of the value of average daily net assets over $11.5 billion up to and including $16.5 billion; 0.74% of the value of average daily net assets over $16.5 billion up to and including $19 billion; 0.73% of the value of average daily net assets over $19 billion up to and including $21.5 billion; and 0.72% of the value of average daily net assets over $21.5 billion.
6. 0.625% of the value of net assets up to and including $100 million; 0.500% of the value of net assets over $100 million and not over $250 million; 0.450% of the value of net assets over $250 million and not over $7.5 billion; 0.440% of the value of net assets over $7.5 billion and not over $10 billion; 0.430% of the value of net assets over $10 billion and not over $12.5 billion; 0.420% of the value of net assets over $12.5 billion and not over $15 billion; 0.400% of the value of net assets over $15 billion and not over $17.5 billion; 0.380% of the value of net assets over $17.5 billion and not over $20 billion; 0.360% of the value of net assets over $20 billion and not over $35 billion; 0.355% of the value of net assets over $35 billion and not over $50 billion; and 0.350% of the value of net assets in excess of $50 billion. FIAS is entitled to receive from Advisers a sub-advisory fee; the sub-advisory fee payable by Advisers has no effect on the fees payable by the underlying Franklin Templeton fund to Advisers. FIAS receives from Advisers a fee equal to a monthly rate of 70% of the management fee received by Advisers.
7. 0.700% of the value of net assets up to and including $500 million; 0.600% of the value of net assets over $500 million up to and including $1 billion; 0.550% of the value of net assets over $1 billion up to and including $1.5 billion; 0.500% of the value of net assets over $1.5 billion up to and including $6.5 billion; 0.475% of the value of net assets over $6.5 billion up to and including $11.5 billion; 0.450% of the value of net assets over $11.5 billion up to and including $16.5 billion; 0.440% of the value of net assets over $16.5 billion up to and including $19 billion; 0.430% of the value of net assets over $19 billion up to and including $21.5 billion; and 0.420% of the value of net assets in excess of $21.5 billion.
8. 1.30% of the value of net assets up to and including $1 billion; 1.25% of the value of net assets over $1 billion up to and including $5 billion; 1.20% of the value of net assets over $5 billion up to and including $10 billion; 1.15% of the value of net assets over $10 billion up to and including $15 billion; 1.10% of the value of net assets over $15 billion up to and including $20 billion; and 1.05% of the value of net assets over $20 billion. FT India is entitled to receive from Advisers a sub-advisory fee; the sub-advisory fee payable by Advisers has no effect on the fees payable by the underlying Franklin Templeton fund to Advisers. FT India receives from Advisers a fee equal to a monthly rate of 70% of the management fee received by Advisers.
9. FT Institutional is entitled to receive from Advisers a sub-advisory fee; the sub-advisory fee payable by Advisers has no effect on the fees payable by the underlying Franklin Templeton fund to Advisers. FT Institutional receives a fee which equals 0.5625% of the management fee paid to Advisors.
10. 0.95% of the value of net assets up to and including $500 million; 0.85% of the value of net assets over $500 million up to and including $1 billion; 0.80% of the value of net assets over $1 billion up to and including $1.5 billion; 0.75% of the value of net assets over $1.5 billion up to and including $6.5 billion; 0.73% of the value of net assets over $6.5 billion up to and including $11.5 billion; and 0.70% of the value of net assets over $11.5 billion.
11. 0.625% of the value of net assets up to and including $500 million; 0.525% of the value of its net assets over $500 million up to and including $1 billion; 0.480% of the value of net assets over $1 billion up to and including $1.5 billion; 0.435% of the value of net assets over $1.5 billion up to and including $6.5 billion; 0.415% of the value of net assets over $6.5 billion up to and including $11.5 billion; 0.400% of the value of net assets over $11.5 billion up to and including $16.5 billion; 0.390% of the value of net assets over $16.5 billion up to and including $19 billion; 0.380% of the value of net assets over $19 billion up to and including $21.5 billion; and 0.370% of the value of net assets over $21.5 billion.
12. Pelagos receives an annual rate of 0.50% of the value of the Fund's net assets.

13. 0.750% of the value of net assets up to and including $500 million; 0.625% of the value of net assets over $500 million up to and including $1 billion; 0.500% of the value of net assets over $1 billion and not over $5 billion; 0.490% of the value of net assets over $5 billion and not over $10 billion; and 0.480% of the value of net assets in excess of $10 billion.
14. 0.75% of the value of net assets up to and including $500 million; 0.625% of the value of net assets over $500 million and not over $1 billion; and 0.50% of the value of net assets in excess of $1 billion.
15. 0.625% of the value of net assets up to and including $100 million; 0.500% of the value of net assets over $100 million and not over $250 million; 0.450% of the value of net assets over $250 million and not over $7.5 billion; 0.440% of the value of net assets over $7.5 billion and not over $10 billion; 0.430% of the value of net assets over $10 billion and not over $12.5 billion; 0.420% of the value of net assets over $12.5 billion and not over $15 billion; 0.400% of the value of net assets over $15 billion and not over $17.5 billion; 0.380% of the value of net assets over $17.5 billion and not over $20 billion; 0.360% of the value of net assets over $20 billion and not over $35 billion; 0.355% of the value of net assets over $35 billion and not over $50 billion; 0.350% of the value of net assets over $50 billion and not over $65 billion; 0.345% of the value of net assets over $65 billion and not over $80 billion; and 0.340% of the value of net assets in excess of $80 billion.
16. 0.90% of the value of net assets up to and including $1 billion; 0.88% of the value of net assets over $1 billion, up to and including $5 billion; 0.86% of the value of net assets over $5 billion, up to and including $10 billion; 0.84% of the value of net assets over $10 billion, up to and including $15 billion; 0.82% of the value of net assets over $15 billion, up to and including $20 billion; and 0.80% of the value of net assets over $20 billion.
17. 0.80% of the value of net assets up to and including $1 billion; 0.77% of the value of net assets over $1 billion up to and including $2 billion; 0.75% of the value of net assets over $2 billion up to and including $5 billion; and 0.73% of the value of net assets over $5 billion.
18. 0.80% of the value of net assets up to and including $4 billion; 0.77% of the value of net assets over $4 billion up to and including $7 billion; 0.75% of the value of net assets over $7 billion up to and including $10 billion; 0.73% of the value of net assets over $10 billion up to and including $13 billion; 0.71% of the value of net assets over $13 billion up to and including $16 billion; 0.69% of the value of net assets over $16 billion up to and including $19 billion; 0.67% of the value of net assets over $19 billion up to and including $22 billion; and 0.65% of the value of net assets in excess of $22 billion.
19. 0.60% of the value of net assets up to and including $5 billion; 0.57% of the value of net assets over $5 billion up to and including $7 billion; 0.55% of the value of net assets over $7 billion up to and including $10 billion; and 0.54% of the value of net assets over $10 billion.
20. 0.60% of the value of net assets up to and including $5 billion; 0.57% of the value of net assets over $5 billion up to and including $10 billion; 0.55% of the value of net assets over $10 billion up to and including $15 billion; 0.52% of the value of net assets over $15 billion up to and including $20 billion; 0.51% of the value of net assets over $20 billion up to and including $25 billion; 0.49% of the value of net assets over $25 billion up to and including $30 billion; 0.48% of the value of net assets over $30 billion up to and including $35 billion; and 0.47% of the value of net assets in excess of $35 billion.
21. 1.30% of the value of net assets up to and including $1 billion; 1.25% of the value of net assets over $1 billion up to and including $5 billion; 1.20% of the value of net assets over $5 billion up to and including $10 billion; 1.15% of the value of net assets over $10 billion up to and including $15 billion; 1.10% of the value of net assets over $15 billion up to and including $20 billion; and 1.05% of the value of net assets over $20 billion.
22. 1.45% of the value of net assets up to and including $1 billion; 1.40% of the value of net assets over $1 billion up to and including $5 billion; 1.35% of the value of net assets over $5 billion up to and including $10 billion; 1.30% of the value of net assets over $10 billion up to and including $15 billion; 1.25% of the value of net assets over $15 billion up to and including $20 billion; and 1.20% of the value of net assets over $20 billion.
23. 0.630% up to and including $1 billion; 0.615% over $1 billion, up to and including $5 billion; 0.600% over $5 billion, up to and including $10 billion; 0.580% over $10 billion, up to and including $15 billion; 0.560% over $15 billion, up to and including $20 billion; 0.540% over $20 billion, up to and including $25 billion; 0.530% over $25 billion, up to and including $30 billion; 0.520% over $30 billion, up to and including $35 billion; and 0.510% over $35 billion.

24. 1% of the value of net assets up to and including $100 million; 0.90% of the value of net assets over $100 million and not over $250 million; 0.80% of the value of net assets over $250 million and not over $500 million; and 0.75% of the value of net assets in excess of $500 million. TICL is entitled to receive from FTIC a sub-advisory fee; the sub-advisory fee payable by FTIC has no effect on the fees payable by the underlying Franklin Templeton fund to FTIC. TICL receives from FTIC a fee equal to an annual rate of 0.50% of the value of the fund's average daily net assets up to and including $100 million; 0.40% of the value of the fund's average daily net assets over $100 million up to and including $250 million; 0.30% of the value of the fund's average daily net assets over $250 million up to and including $500 million; and 0.25% of the value of the fund's average daily net assets over $500 million.
25. 0.500% of the value of net assets up to and including $200 million; 0.450% of the value of net assets over $200 million up to and including $1.3 billion; 0.400% of the value of net assets over $1.3 billion up to and including $35 billion; 0.395% of the value of net assets over $35 billion up to and including $50 billion; 0.390% of the value of net assets over $50 billion up to and including $65 billion; 0.385% of the value of net assets over $65 billion up to and including $80 billion; and 0.380% of the value of net assets over $80 billion.
26. 0.75% of the value of net assets up to and including $1 billion; 0.73% of the value of net assets over $1 billion up to and including $5 billion; 0.71% of the value of net assets over $5 billion up to and including $10 billion; 0.69% of the value of net assets over $10 billion up to and including $15 billion; 0.67% of the value of net assets over $15 billion up to and including $20 billion; and 0.65% of the value of net assets over $80 billion. TAML and FTIA is entitled to receive from TICL a sub-advisory fee, the sub-advisory fee payable by TICL has no effect on the fees payable by the underlying Franklin Templeton fund to TICL. TAML receives from TICL a fee equal to 90% of the management fee received by TICL. FTIA receives from TICL a fee equal to the actual costs incurred by FTIA.
27. 0.75% up to and including $1 billion; 0.73% over $1 billion up to and including $5 billion; 0.71% over $5 billion up to and including $10 billion; 0.69% over $10 billion up to and including $15 billion; 0.67% over $15 billion up to and including $20 billion; and 0.65% over $20 billion. TICL is entitled to receive from FTIC a sub-advisory fee; the sub-advisory fee payable by FTIC has no effect on the fees payable by the underlying Franklin Templeton fund to FTIC. TICL receives a fee equal to 45% of the management fee received by FTIC.
28. 0.70% of the value of net assets up to and including $200 million; 0.65% of the value of net assets over $200 million up to and including $1.3 billion; and 0.60% of the value of net assets over $1.3 billion.
29. 0.630% up to and including $1 billion; 0.615% over $1 billion, up to and including $5 billion; 0.600% over $5 billion, up to and including $10 billion; 0.580% over $10 billion, up to and including $15 billion; 0.560% over $15 billion, up to and including $20 billion; 0.540% over $20 billion, up to and including $25 billion; 0.530% over $25 billion, up to and including $30 billion; 0.520% over $30 billion, up to and including $35 billion; 0.510% over $35 billion, up to and including $40 billion; 0.500% over $40 billion, up to and including $45 billion; and 0.490% over $45 billion.
30. 0.630% of the value of net assets up to and including $1 billion; 0.615% of the value of net assets over $1 billion up to and including $5 billion; 0.600% of the value of net assets over $5 billion up to and including $10 billion; 0.580% of the value of net assets over $10 billion up to and including $15 billion; 0.560% of the value of net assets over $15 billion up to and including $20 billion; and 0.540% of the value of net assets over $20 billion.
31. 0.500% of the value of net assets up to and including $5 billion; 0.440% of the value of net assets over $5 billion up to and including $10 billion; 0.410% of the value of net assets over $10 billion up to and including $15 billion; and 0.380% of the value of net assets over $15 billion.
32. 0.625% of the value of net assets up to and including $100 million; 0.500% of the value of net assets over $100 million and not over $250 million; and 0.450% of the value of net assets in excess of $250 million.
33. 0.40% of the value of net assets up to and including $250 million; 0.38% of the value of net assets over $250 million up to and including $500 million; and 0.36% of the value of net assets in excess of $500 million.
34. 1.00% of the value of net assets up to and including $500 million; 0.90% of the value of net assets over $500 million up to and including $1 billion; and 0.85% of the value of net assets over $1 billion. FT Institutional is entitled to receive from FTIML a sub-advisory fee; the sub-advisory fee payable by FTIML has no effect on the fees payable by the underlying Franklin Templeton fund to FTIML. FT Institutional receives a fee equal to 30% of the management fee paid to FTIML.

35. 0.625% of the value of net assets up to and including $500 million; 0.525% of the value of net assets over $500 million up to and including $1 billion; 0.480% of the value of net assets over $1 billion up to and including $1.5 billion; 0.435% of the value of net assets over $1.5 billion up to and including $6.5 billion; 0.415% of the value of net assets over $6.5 billion up to and including $11.5 billion; 0.400% of the value of net assets over $11.5 billion up to and including $16.5 billion; 0.390% of the value of net assets over $16.5 billion up to and including $19 billion; 0.380% of the value of net assets over $19 billion up to and including $21.5 billion; and 0.370% of the value of net assets over $21.5 billion. FT Institutional is entitled to receive from Advisers a sub-advisory fee; the sub-advisory fee payable by Advisers has no effect on the fees payable by the underlying Franklin Templeton fund to Advisers. FT Institutional receives from Advisers a fee equal to 10% of the advisory fee received by Advisers.
36. 0.650% of the value of net assets up to and including $500 million; 0.550% of the value of net assets over $500 million up to and including $1 billion; 0.500% of the value of net assets over $1 billion up to and including $1.5 billion; 0.450% of the value of net assets over $1.5 billion up to and including $6.5 billion; 0.425% of the value of net assets over $6.5 billion up to and including $11.5 billion; 0.400% of the value of net assets over $11.5 billion up to and including $16.5 billion; 0.390% of the value of net assets over $16.5 billion up to and including $19 billion; 0.380% of the value of net assets over $19 billion up to and including $21.5 billion; and 0.370% of the value of net assets over $21.5 billion.

Distributions and Taxes

References to the Fund's income and gains include the Fund's pro rata share of the income and gains earned by the underlying funds.

Income and Capital Gain Distributions

As a regulated investment company, the Fund generally pays no federal income tax on the income and gains it distributes to you. The Fund intends to pay income dividends quarterly from its net investment income. Capital gains, if any, may be paid at least annually. The amount of any distribution will vary, and there is no guarantee the Fund will pay either income dividends or capital gain distributions. Your income dividends and capital gain distributions will be automatically reinvested in additional shares at net asset value (NAV) unless you elect to receive them in cash.

Annual statements. After the close of each calendar year, you will receive tax information from the Fund with respect to the federal income tax treatment of the Fund's distributions and any taxable sales or exchanges of Fund shares occurring during the prior calendar year. If the Fund finds it necessary to reclassify its distributions or adjust the cost basis of any covered shares sold or exchanged after you receive your tax information, the Fund will send you revised tax information. Distributions declared in December to shareholders of record in such month and paid in January are taxable as if they were paid in December. Additional tax information about the Fund's distributions is available at franklintempleton.com.

Avoid "buying a dividend" At the time you purchase your Fund shares, the Fund's net asset value may reflect undistributed income, undistributed

capital gains, or net unrealized appreciation in the value of the portfolio securities held by the Fund. For taxable investors, a subsequent distribution to you of such amounts, although constituting a return of your investment, would be taxable. Buying shares in the Fund just before it declares an income dividend or capital gain distribution is sometimes known as "buying a dividend."

Tax Considerations

If you are a taxable investor, Fund distributions are generally taxable to you as ordinary income, capital gains or some combination of both. This is the case whether you reinvest your distributions in additional Fund shares or receive them in cash.

Dividend income. Income dividends are generally subject to tax at ordinary rates. Income dividends reported by the Fund to shareholders as qualified dividend income may be subject to tax by individuals at reduced long-term capital gains tax rates provided certain holding period requirements are met. A return-of-capital distribution is generally not taxable but will reduce the cost basis of your shares, and will result in a higher capital gain or a lower capital loss when you later sell your shares.

Capital gains. Fund distributions of short-term capital gains are also subject to tax at ordinary rates. Fund distributions of long-term capital gains are taxable at the reduced long-term capital gains rates no matter how long you have owned your Fund shares. For individuals in the 10% and 15% tax brackets, the long-term capital gains tax rate is 0%. For individuals in higher tax brackets, the long-term capital gains rate is 15% (20% for certain high income taxpayers).

Sales of Fund shares. When you sell your shares in the Fund, or exchange them for shares of a different Franklin Templeton fund, you will generally realize a taxable capital gain or loss. If you have owned your Fund shares for more than one year, any net long-term capital gains will qualify for the reduced rates of taxation on long-term capital gains. An exchange of your shares in one class of the Fund for shares of another class of the same Fund is not taxable and no gain or loss will be reported on the transaction.

Cost basis reporting. If you acquire shares in the Fund on or after January 1, 2012, generally referred to as "covered shares," and sell or exchange them after that date, the Fund is generally required to report cost basis information to you and the IRS annually. The Fund will compute the cost basis of your covered shares using the average cost method, the

Fund's "default method," unless you contact the Fund to select a different method, or choose to specifically identify your shares at the time of each sale or exchange. If your account is held by your financial advisor or other broker-dealer, that firm may select a different default method. In these cases, please contact the firm to obtain information with respect to the available methods and elections for your account. Shareholders should carefully review the cost basis information provided by the Fund and make any additional basis, holding period or other adjustments that are required when reporting these amounts on their federal and state income tax returns. Additional information about cost basis reporting is available at franklintempleton.com/costbasis.

Medicare tax. For taxable years beginning after December 31, 2012, an additional 3.8% Medicare tax will be imposed on certain net investment income (including ordinary dividends and capital gain distributions received from the Fund and net gains from redemptions or other taxable dispositions of Fund shares) of U.S. individuals, estates and trusts to the extent that such person's "modified adjusted gross income" (in the case of an individual) or "adjusted gross income" (in the case of an estate or trust) exceeds a threshold amount. Any liability for this additional Medicare tax will be reported on, and paid with, your federal income tax return.

Backup withholding. If you do not provide the Fund your taxpayer identification number and certain required certifications you may be subject to federal backup withholding at 28% on any taxable Fund distributions and proceeds from the sale of your Fund shares. State backup withholding may also apply.

State, local and foreign taxes. Distributions of ordinary income and capital gains, and gains from the sale of your Fund shares, are generally subject to state and local taxes. If the Fund qualifies, it may elect to pass through to you as a foreign tax credit or deduction any foreign taxes that it pays on its investments.

Non-U.S. investors. Non-U.S. investors may be subject to U.S. withholding tax at 30% or a lower treaty rate on Fund dividends of ordinary income. Non-U.S. investors may be subject to U.S. estate tax on the value of their shares. They are subject to special U.S. tax certification requirements to avoid backup withholding, claim any exemptions from withholding and claim any treaty benefits. Exemptions from U.S. withholding tax are provided for capital gain dividends paid by the Fund from long-term capital gains and, with respect to taxable years of the Fund

ending on or before December 31, 2013 (sunset date), interest-related dividends paid by the Fund from its qualified net interest income from U.S. sources and short-term capital gain dividends. If these exemptions for interest-related dividends and short-term capital gain dividends are not extended or made permanent, and thus sunset, such amounts will again be treated as ordinary income subject to U.S. withholding tax.

Other reporting and withholding requirements. The Foreign Account Tax Compliance Act (FATCA) requires the reporting to the Internal Revenue Service of certain direct and indirect ownership of foreign financial accounts by U.S. persons. Failure to provide this required information can result in a generally nonrefundable 30% tax on: (a) income dividends paid by the Fund after December 31, 2013 and (b) certain capital gain distributions (including proceeds arising from the sale of Fund shares) paid by the Fund after December 31, 2016 to certain "foreign financial institutions" and "non-financial foreign entities."

Other tax information. This discussion of "Distributions and Taxes" is for general information only and is not tax advice. You should consult your own tax advisor regarding your particular circumstances, and about any federal, state, local and foreign tax consequences before making an investment in the Fund. Additional information about the tax consequences of investing in the Fund may be found in the SAI.

Financial Highlights

The Financial Highlights present the Fund's financial performance for the past five years or since its inception. Certain information reflects financial results for a single Fund share. The total returns represent the rate that an investor would have earned or lost on an investment in the Fund assuming reinvestment of dividends and capital gains. This information has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, whose report, along with the Fund's financial statements, are included in the annual report, which is available upon request.

2015 RETIREMENT TARGET FUND - CLASS A

Year Ended December 31,

	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$10.92	$11.25	$10.17	$8.14	$11.35
Income from investment operations:[a]					
Net investment income[b, c]	0.24	0.24	0.24	0.19	0.23
Net realized and unrealized gains (losses)	0.76	(0.33)	1.05	2.09	(3.08)
Total from investment operations	1.00	(0.09)	1.29	2.28	(2.85)
Less distributions from:					
Net investment income and short term gains received from Underlying Funds	(0.25)	(0.24)	(0.21)	(0.20)	(0.19)
Net realized gains	—	—	—	(0.05)	(0.17)
Total distributions	(0.25)	(0.24)	(0.21)	(0.25)	(0.36)
Redemption fees[d]	—	—	—	—	—[e]
Net asset value, end of year	**$11.67**	**$10.92**	**$11.25**	**$10.17**	**$8.14**
Total return[f]	9.20%	(0.82)%	12.77%	28.50%	(25.55)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates[g]	0.71%	0.80%	0.80%	1.00%	1.36%
Expenses net of waiver and payments by affiliates[g]	0.45%	0.45%	0.45%	0.46%	0.51%
Net investment income[c]	2.13%	2.09%	2.30%	2.11%	2.25%
Supplemental data					
Net assets, end of year (000's)	$37,507	$31,073	$27,230	$17,108	$9,407
Portfolio turnover rate	25.12%	31.55%	17.27%	12.19%	8.69%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and Exchange Traded Funds in which the Fund invests.
d. Effective September 1, 2008, the redemption fee was eliminated.
e. Amount rounds to less than $0.01 per share.

f. Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.
g. Does not include expenses of the Underlying Funds and Exchange Traded Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and Exchange Traded Funds was 0.67% for the year ended December 31, 2012.

2015 RETIREMENT TARGET FUND - CLASS C

Year Ended December 31,

	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$10.83	$11.16	$10.10	$8.08	$11.28
Income from investment operations:[a]					
Net investment income[b, c]	0.16	0.16	0.16	0.13	0.14
Net realized and unrealized gains (losses)	0.75	(0.33)	1.04	2.09	(3.04)
Total from investment operations	0.91	(0.17)	1.20	2.22	(2.90)
Less distributions from:					
Net investment income and short term gains received from Underlying Funds	(0.17)	(0.16)	(0.14)	(0.15)	(0.13)
Net realized gains	—	—	—	(0.05)	(0.17)
Total distributions	(0.17)	(0.16)	(0.14)	(0.20)	(0.30)
Redemption fees[d]	—	—	—	—	—[e]
Net asset value, end of year	**$11.57**	**$10.83**	**$11.16**	**$10.10**	**$8.08**
Total return[f]	8.44%	(1.51)%	11.91%	27.75%	(26.09)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates[g]	1.41%	1.50%	1.50%	1.70%	2.04%
Expenses net of waiver and payments by affiliates[g]	1.15%	1.15%	1.15%	1.16%	1.19%
Net investment income[c]	1.43%	1.39%	1.60%	1.41%	1.57%
Supplemental data					
Net assets, end of year (000's)	$16,912	$14,217	$12,133	$8,357	$4,621
Portfolio turnover rate	25.12%	31.55%	17.27%	12.19%	8.69%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and Exchange Traded Funds in which the Fund invests.
d. Effective September 1, 2008, the redemption fee was eliminated.
e. Amount rounds to less than $0.01 per share.
f. Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.
g. Does not include expenses of the Underlying Funds and Exchange Traded Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and Exchange Traded Funds was 0.67% for the year ended December 31, 2012.

2015 RETIREMENT TARGET FUND - CLASS R

Year Ended December 31,

	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$10.89	$11.22	$10.15	$8.12	$11.32
Income from investment operations:[a]					
Net investment income[b, c]	0.22	0.21	0.20	0.16	0.18
Net realized and unrealized gains (losses)	0.75	(0.32)	1.06	2.11	(3.05)
Total from investment operations	0.97	(0.11)	1.26	2.27	(2.87)
Less distributions from:					
Net investment income and short term gains received from Underlying Funds	(0.22)	(0.22)	(0.19)	(0.19)	(0.16)
Net realized gains	—	—	—	(0.05)	(0.17)
Total distributions	(0.22)	(0.22)	(0.19)	(0.24)	(0.33)
Redemption fees[d]	—	—	—	—	—[e]
Net asset value, end of year	**$11.64**	**$10.89**	**$11.22**	**$10.15**	**$8.12**
Total return[f]	8.96%	(1.02)%	12.46%	28.32%	(25.70)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates[g]	0.91%	1.00%	1.00%	1.20%	1.56%
Expenses net of waiver and payments by affiliates[g]	0.65%	0.65%	0.65%	0.66%	0.71%
Net investment income[c]	1.93%	1.89%	2.10%	1.91%	2.05%
Supplemental data					
Net assets, end of year (000's)	$1,862	$1,815	$1,401	$1,365	$821
Portfolio turnover rate	25.12%	31.55%	17.27%	12.19%	8.69%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and Exchange Traded Funds in which the Fund invests.
d. Effective September 1, 2008, the redemption fee was eliminated.
e. Amount rounds to less than $0.01 per share.

f. Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.
g. Does not include expenses of the Underlying Funds and Exchange Traded Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and Exchange Traded Funds was 0.67% for the year ended December 31, 2012.

2015 RETIREMENT TARGET FUND - ADVISOR CLASS

Year Ended December 31,

	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$10.94	$11.28	$10.19	$8.15	$11.37
Income from investment operations:[a]					
Net investment income[b, c]	0.28	0.26	0.39	0.20	0.25
Net realized and unrealized gains (losses)	0.76	(0.33)	0.94	2.12	(3.09)
Total from investment operations	1.04	(0.07)	1.33	2.32	(2.84)
Less distributions from:					
Net investment income and short term gains received from Underlying Funds	(0.28)	(0.27)	(0.24)	(0.23)	(0.21)
Net realized gains	—	—	—	(0.05)	(0.17)
Total distributions	(0.28)	(0.27)	(0.24)	(0.28)	(0.38)
Redemption fees[d]	—	—	—	—	—[e]
Net asset value, end of year	**$11.70**	**$10.94**	**$11.28**	**$10.19**	**$8.15**
Total return	9.59%	(0.61)%	13.16%	28.94%	(25.39)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates[f]	0.41%	0.50%	0.50%	0.70%	1.06%
Expenses net of waiver and payments by affiliates[f]	0.15%	0.15%	0.15%	0.16%	0.21%
Net investment income[c]	2.43%	2.39%	2.60%	2.41%	2.55%
Supplemental data					
Net assets, end of year (000's)	$1,840	$1,501	$1,571	$199	$164
Portfolio turnover rate	25.12%	31.55%	17.27%	12.19%	8.69%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and Exchange Traded Funds in which the Fund invests.
d. Effective September 1, 2008, the redemption fee was eliminated.
e. Amount rounds to less than $0.01 per share.
f. Does not include expenses of the Underlying Funds and Exchange Traded Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and Exchange Traded Funds was 0.67% for the year ended December 31, 2012.

2025 RETIREMENT TARGET FUND - CLASS A

Year Ended December 31,

	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$10.22	$10.70	$9.54	$7.47	$11.45
Income from investment operations:[a]					
Net investment income[b, c]	0.17	0.17	0.22	0.16	0.14
Net realized and unrealized gains (losses)	0.88	(0.48)	1.13	2.15	(3.71)
Total from investment operations	1.05	(0.31)	1.35	2.31	(3.57)
Less distributions from:					
Net investment income and short term gains received from Underlying Funds	(0.16)	(0.17)	(0.19)	(0.14)	(0.14)
Net realized gains	—	—	—	(0.10)	(0.27)
Total distributions	(0.16)	(0.17)	(0.19)	(0.24)	(0.41)
Redemption fees[d]	—	—	—	—	—[e]
Net asset value, end of year	**$11.11**	**$10.22**	**$10.70**	**$9.54**	**$7.47**
Total return[f]	10.30%	(2.86)%	14.14%	31.34%	(31.74)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates[g]	0.71%	0.80%	0.85%	1.09%	1.50%
Expenses net of waiver and payments by affiliates[g]	0.45%	0.45%	0.45%	0.46%	0.49%
Net investment income[c]	1.55%	1.64%	2.25%	1.88%	1.53%
Supplemental data					
Net assets, end of year (000's)	$45,299	$36,506	$30,983	$19,725	$9,918
Portfolio turnover rate	25.67%	20.06%	19.11%	13.43%	6.07%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and Exchange Traded Funds in which the Fund invests.
d. Effective September 1, 2008, the redemption fee was eliminated.
e. Amount rounds to less than $0.01 per share.
f. Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.
g. Does not include expenses of the Underlying Funds and Exchange Traded Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and Exchange Traded Funds was 0.73% for the year ended December 31, 2012.

2025 RETIREMENT TARGET FUND - CLASS C

Year Ended December 31,

	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$10.11	$10.59	$9.45	$7.43	$11.40
Income from investment operations:[a]					
Net investment income[b, c]	0.09	0.10	0.16	0.10	0.10
Net realized and unrealized gains (losses)	0.86	(0.48)	1.11	2.12	(3.70)
Total from investment operations	0.95	(0.38)	1.27	2.22	(3.60)
Less distributions from:					
Net investment income and short term gains received from Underlying Funds	(0.09)	(0.10)	(0.13)	(0.10)	(0.10)
Net realized gains	—	—	—	(0.10)	(0.27)
Total distributions	(0.09)	(0.10)	(0.13)	(0.20)	(0.37)
Redemption fees[d]	—	—	—	—	—[e]
Net asset value, end of year	**$10.97**	**$10.11**	**$10.59**	**$9.45**	**$7.43**
Total return[f]	9.42%	(3.54)%	13.41%	30.18%	(32.16)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates[g]	1.41%	1.50%	1.55%	1.79%	2.20%
Expenses net of waiver and payments by affiliates[g]	1.15%	1.15%	1.15%	1.16%	1.19%
Net investment income[c]	0.85%	0.94%	1.55%	1.18%	0.83%
Supplemental data					
Net assets, end of year (000's)	$18,312	$14,309	$11,194	$6,308	$2,551
Portfolio turnover rate	25.67%	20.06%	19.11%	13.43%	6.07%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and Exchange Traded Funds in which the Fund invests.
d. Effective September 1, 2008, the redemption fee was eliminated.
e. Amount rounds to less than $0.01 per share.
f. Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.
g. Does not include expenses of the Underlying Funds and Exchange Traded Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and Exchange Traded Funds was 0.73% for the year ended December 31, 2012.

2025 RETIREMENT TARGET FUND - CLASS R

Year Ended December 31,

	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$10.19	$10.68	$9.53	$7.47	$11.44
Income from investment operations:[a]					
Net investment income[b, c]	0.15	0.16	0.22	0.17	0.10
Net realized and unrealized gains (losses)	0.87	(0.50)	1.10	2.12	(3.68)
Total from investment operations	1.02	(0.34)	1.32	2.29	(3.58)
Less distributions from:					
Net investment income and short term gains received from Underlying Funds	(0.14)	(0.15)	(0.17)	(0.13)	(0.12)
Net realized gains	—	—	—	(0.10)	(0.27)
Total distributions	(0.14)	(0.15)	(0.17)	(0.23)	(0.39)
Redemption fees[d]	—	—	—	—	—[e]
Net asset value, end of year	**$11.07**	**$10.19**	**$10.68**	**$9.53**	**$7.47**
Total return[f]	10.05%	(3.14)%	13.92%	31.03%	(31.90)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates[g]	0.91%	1.00%	1.05%	1.29%	1.70%
Expenses net of waiver and payments by affiliates[g]	0.65%	0.65%	0.65%	0.66%	0.69%
Net investment income[c]	1.35%	1.44%	2.05%	1.68%	1.33%
Supplemental data					
Net assets, end of year (000's)	$3,442	$1,780	$995	$460	$155
Portfolio turnover rate	25.67%	20.06%	19.11%	13.43%	6.07%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and Exchange Traded Funds in which the Fund invests.
d. Effective September 1, 2008, the redemption fee was eliminated.
e. Amount rounds to less than $0.01 per share.
f. Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.
g. Does not include expenses of the Underlying Funds and Exchange Traded Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and Exchange Traded Funds was 0.73% for the year ended December 31, 2012.

2025 RETIREMENT TARGET FUND - ADVISOR CLASS

Year Ended December 31,

	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$10.23	$10.72	$9.55	$7.48	$11.46
Income from investment operations:[a]					
Net investment income[b, c]	0.20	0.21	0.31	0.17	0.16
Net realized and unrealized gains (losses)	0.88	(0.50)	1.07	2.17	(3.70)
Total from investment operations	1.08	(0.29)	1.38	2.34	(3.54)
Less distributions from:					
Net investment income and short term gains received from Underlying Funds	(0.19)	(0.20)	(0.21)	(0.17)	(0.17)
Net realized gains	—	—	—	(0.10)	(0.27)
Total distributions	(0.19)	(0.20)	(0.21)	(0.27)	(0.44)
Redemption fees[d]	—	—	—	—	—[e]
Net asset value, end of year	**$11.12**	**$10.23**	**$10.72**	**$9.55**	**$7.48**
Total return	10.59%	(2.65)%	14.53%	31.61%	(31.49)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates[f]	0.41%	0.50%	0.55%	0.79%	1.20%
Expenses net of waiver and payments by affiliates[f]	0.15%	0.15%	0.15%	0.16%	0.19%
Net investment income[c]	1.85%	1.94%	2.55%	2.18%	1.83%
Supplemental data					
Net assets, end of year (000's)	$1,873	$1,847	$1,530	$463	$322
Portfolio turnover rate	25.67%	20.06%	19.11%	13.43%	6.07%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and Exchange Traded Funds in which the Fund invests.
d. Effective September 1, 2008, the redemption fee was eliminated.
e. Amount rounds to less than $0.01 per share.
f. Does not include expenses of the Underlying Funds and Exchange Traded Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and Exchange Traded Funds was 0.73% for the year ended December 31, 2012.

2035 RETIREMENT TARGET FUND - CLASS A

Year Ended December 31,

	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$10.13	$10.59	$9.36	$7.12	$11.61
Income from investment operations:[a]					
Net investment income[b, c]	0.15	0.15	0.20	0.13	0.08
Net realized and unrealized gains (losses)	0.89	(0.46)	1.18	2.34	(4.16)
Total from investment operations	1.04	(0.31)	1.38	2.47	(4.08)
Less distributions from:					
Net investment income and short term gains received from Underlying Funds	(0.16)	(0.15)	(0.15)	(0.13)	(0.09)
Net realized gains	(—)[d]	—	—	(0.10)	(0.32)
Total distributions	(0.16)	(0.15)	(0.15)	(0.23)	(0.41)
Redemption fees[e]	—	—	—	—	—[d]
Net asset value, end of year	**$11.01**	**$10.13**	**$10.59**	**$9.36**	**$7.12**
Total return[f]	10.33%	(2.97)%	14.78%	35.04%	(35.97)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates[g]	0.83%	0.97%	1.12%	1.51%	2.14%
Expenses net of waiver and payments by affiliates[g]	0.45%	0.45%	0.45%	0.45%	0.49%
Net investment income[c]	1.45%	1.44%	2.06%	1.65%	0.87%
Supplemental data					
Net assets, end of year (000's)	$32,095	$24,328	$19,677	$10,391	$5,349
Portfolio turnover rate	27.30%	29.19%	23.28%	19.76%	7.54%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and Exchange Traded Funds in which the Fund invests.
d. Amount rounds to less than $0.01 per share.
e. Effective September 1, 2008, the redemption fee was eliminated.
f. Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.
g. Does not include expenses of the Underlying Funds and Exchange Traded Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and Exchange Traded Funds was 0.75% for the year ended December 31, 2012.

2035 RETIREMENT TARGET FUND - CLASS C

Year Ended December 31,

	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$9.98	$10.45	$9.25	$7.06	$11.52
Income from investment operations:[a]					
Net investment income[b, c]	0.08	0.08	0.12	0.09	0.03
Net realized and unrealized gains (losses)	0.89	(0.47)	1.18	2.28	(4.13)
Total from investment operations	0.97	(0.39)	1.30	2.37	(4.10)
Less distributions from:					
Net investment income and short term gains received from Underlying Funds	(0.10)	(0.08)	(0.10)	(0.08)	(0.04)
Net realized gains	(—)[d]	—	—	(0.10)	(0.32)
Total distributions	(0.10)	(0.08)	(0.10)	(0.18)	(0.36)
Redemption fees[e]	—	—	—	—	—[d]
Net asset value, end of year	**$10.85**	**$9.98**	**$10.45**	**$9.25**	**$7.06**
Total return[f]	9.72%	(3.70)%	14.04%	34.00%	(36.34)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates[g]	1.53%	1.67%	1.82%	2.21%	2.84%
Expenses net of waiver and payments by affiliates[g]	1.15%	1.15%	1.15%	1.15%	1.19%
Net investment income[c]	0.75%	0.74%	1.36%	0.95%	0.17%
Supplemental data					
Net assets, end of year (000's)	$11,124	$8,300	$6,669	$3,980	$1,522
Portfolio turnover rate	27.30%	29.19%	23.28%	19.76%	7.54%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and Exchange Traded Funds in which the Fund invests.
d. Amount rounds to less than $0.01 per share.
e. Effective September 1, 2008, the redemption fee was eliminated.
f. Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.
g. Does not include expenses of the Underlying Funds and Exchange Traded Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and Exchange Traded Funds was 0.75% for the year ended December 31, 2012.

2035 RETIREMENT TARGET FUND - CLASS R

Year Ended December 31,

	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$10.12	$10.59	$9.37	$7.13	$11.59
Income from investment operations:[a]					
Net investment income[b, c]	0.14	0.14	0.21	0.12	0.03
Net realized and unrealized gains (losses)	0.89	(0.48)	1.15	2.33	(4.12)
Total from investment operations	1.03	(0.34)	1.36	2.45	(4.09)
Less distributions from:					
Net investment income and short term gains received from Underlying Funds	(0.14)	(0.13)	(0.14)	(0.11)	(0.05)
Net realized gains	(—)[d]	—	—	(0.10)	(0.32)
Total distributions	(0.14)	(0.13)	(0.14)	(0.21)	(0.37)
Redemption fees[e]	—	—	—	—	—[d]
Net asset value, end of year	**$11.01**	**$10.12**	**$10.59**	**$9.37**	**$7.13**
Total return[f]	10.24%	(3.21)%	14.55%	34.79%	(36.05)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates[g]	1.03%	1.17%	1.32%	1.71%	2.34%
Expenses net of waiver and payments by affiliates[g]	0.65%	0.65%	0.65%	0.65%	0.69%
Net investment income[c]	1.25%	1.24%	1.86%	1.45%	0.67%
Supplemental data					
Net assets, end of year (000's)	$3,035	$1,724	$1,038	$368	$172
Portfolio turnover rate	27.30%	29.19%	23.28%	19.76%	7.54%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and Exchange Traded Funds in which the Fund invests.
d. Amount rounds to less than $0.01 per share.
e. Effective September 1, 2008, the redemption fee was eliminated.
f. Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.
g. Does not include expenses of the Underlying Funds and Exchange Traded Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and Exchange Traded Funds was 0.75% for the year ended December 31, 2012.

2035 RETIREMENT TARGET FUND - ADVISOR CLASS

Year Ended December 31,

	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$10.17	$10.63	$9.39	$7.14	$11.64
Income from investment operations:[a]					
Net investment income[b, c]	0.18	0.17	0.23	0.16	0.11
Net realized and unrealized gains (losses)	0.91	(0.46)	1.19	2.34	(4.18)
Total from investment operations	1.09	(0.29)	1.42	2.50	(4.07)
Less distributions from:					
Net investment income and short term gains received from Underlying Funds	(0.19)	(0.17)	(0.18)	(0.15)	(0.11)
Net realized gains	(—)[d]	—	—	(0.10)	(0.32)
Total distributions	(0.19)	(0.17)	(0.18)	(0.25)	(0.43)
Redemption fees[e]	—	—	—	—	—[d]
Net asset value, end of year	**$11.07**	**$10.17**	**$10.63**	**$9.39**	**$7.14**
Total return	10.79%	(2.69)%	15.09%	35.42%	(35.72)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates[f]	0.53%	0.67%	0.82%	1.21%	1.84%
Expenses net of waiver and payments by affiliates[f]	0.15%	0.15%	0.15%	0.15%	0.19%
Net investment income[c]	1.75%	1.74%	2.36%	1.95%	1.17%
Supplemental data					
Net assets, end of year (000's)	$1,077	$817	$840	$493	$213
Portfolio turnover rate	27.30%	29.19%	23.28%	19.76%	7.54%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and Exchange Traded Funds in which the Fund invests.
d. Amount rounds to less than $0.01 per share.
e. Effective September 1, 2008, the redemption fee was eliminated.
f. Does not include expenses of the Underlying Funds and Exchange Traded Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and Exchange Traded Funds was 0.75% for the year ended December 31, 2012.

2045 RETIREMENT TARGET FUND - CLASS A

Year Ended December 31,

	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$10.01	$10.44	$9.13	$6.89	$11.57
Income from investment operations:[a]					
Net investment income[b, c]	0.15	0.15	0.16	0.12	0.06
Net realized and unrealized gains (losses)	0.91	(0.44)	1.29	2.36	(4.29)
Total from investment operations	1.06	(0.29)	1.45	2.48	(4.23)
Less distributions from:					
Net investment income and short term gains received from Underlying Funds	(0.15)	(0.14)	(0.14)	(0.10)	(0.08)
Net realized gains	—	—	—	(0.14)	(0.37)
Total distributions	(0.15)	(0.14)	(0.14)	(0.24)	(0.45)
Redemption fees[d]	—	—	—	—	—[e]
Net asset value, end of year	**$10.92**	**$10.01**	**$10.44**	**$9.13**	**$6.89**
Total return[f]	10.61%	(2.81)%	15.92%	36.53%	(37.46)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates[g]	1.05%	1.30%	1.56%	2.03%	3.12%
Expenses net of waiver and payments by affiliates[g]	0.45%	0.45%	0.45%	0.45%	0.47%
Net investment income[c]	1.41%	1.43%	1.80%	1.53%	0.66%
Supplemental data					
Net assets, end of year (000's)	$20,765	$14,762	$10,090	$6,943	$3,389
Portfolio turnover rate	32.47%	34.66%	25.05%	14.30%	8.09%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and Exchange Traded Funds in which the Fund invests.
d. Effective September 1, 2008, the redemption fee was eliminated.
e. Amount rounds to less than $0.01 per share.
f. Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.
g. Does not include expenses of the Underlying Funds and Exchange Traded Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and Exchange Traded Funds was 0.76% for the year ended December 31, 2012.

2045 RETIREMENT TARGET FUND - CLASS C

Year Ended December 31,

	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$9.84	$10.28	$9.01	$6.81	$11.48
Income from investment operations:[a]					
Net investment income[b, c]	0.07	0.07	0.11	0.07	0.02
Net realized and unrealized gains (losses)	0.90	(0.43)	1.25	2.33	(4.27)
Total from investment operations	0.97	(0.36)	1.36	2.40	(4.25)
Less distributions from:					
Net investment income and short term gains received from Underlying Funds	(0.08)	(0.08)	(0.09)	(0.06)	(0.05)
Net realized gains	—	—	—	(0.14)	(0.37)
Total distributions	(0.08)	(0.08)	(0.09)	(0.20)	(0.42)
Redemption fees[d]	—	—	—	—	—[e]
Net asset value, end of year	**$10.73**	**$9.84**	**$10.28**	**$9.01**	**$6.81**
Total return[f]	9.85%	(3.54)%	15.13%	35.77%	(37.95)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates[g]	1.74%	2.00%	2.26%	2.73%	3.82%
Expenses net of waiver and payments by affiliates[g]	1.14%	1.15%	1.15%	1.15%	1.17%
Net investment income (loss)[c]	0.72%	0.73%	1.10%	0.83%	(0.04)%
Supplemental data					
Net assets, end of year (000's)	$6,680	$5,869	$4,157	$2,264	$958
Portfolio turnover rate	32.47%	34.66%	25.05%	14.30%	8.09%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and Exchange Traded Funds in which the Fund invests.
d. Effective September 1, 2008, the redemption fee was eliminated.
e. Amount rounds to less than $0.01 per share.

f. Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.
g. Does not include expenses of the Underlying Funds and Exchange Traded Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and Exchange Traded Funds was 0.76% for the year ended December 31, 2012.

2045 RETIREMENT TARGET FUND - CLASS R

Year Ended December 31,

	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$9.99	$10.42	$9.12	$6.88	$11.54
Income from investment operations:[a]					
Net investment income[b, c]	0.16	0.12	0.16	0.12	0.02
Net realized and unrealized gains (losses)	0.87	(0.43)	1.27	2.35	(4.25)
Total from investment operations	1.03	(0.31)	1.43	2.47	(4.23)
Less distributions from:					
Net investment income and short term gains received from Underlying Funds	(0.14)	(0.12)	(0.13)	(0.09)	(0.06)
Net realized gains	—	—	—	(0.14)	(0.37)
Total distributions	(0.14)	(0.12)	(0.13)	(0.23)	(0.43)
Redemption fees[d]	—	—	—	—	—[e]
Net asset value, end of year	**$10.88**	**$9.99**	**$10.42**	**$9.12**	**$6.88**
Total return[f]	10.35%	(3.01)%	15.66%	36.45%	(37.64)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates[g]	1.25%	1.50%	1.76%	2.23%	3.32%
Expenses net of waiver and payments by affiliates[g]	0.65%	0.65%	0.65%	0.65%	0.67%
Net investment income[c]	1.21%	1.23%	1.60%	1.33%	0.46%
Supplemental data					
Net assets, end of year (000's)	$3,336	$860	$663	$394	$156
Portfolio turnover rate	32.47%	34.66%	25.05%	14.30%	8.09%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and Exchange Traded Funds in which the Fund invests.

d. Effective September 1, 2008, the redemption fee was eliminated.
e. Amount rounds to less than $0.01 per share.
f. Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.
g. Does not include expenses of the Underlying Funds and Exchange Traded Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and Exchange Traded Funds was 0.76% for the year ended December 31, 2012.

2045 RETIREMENT TARGET FUND - ADVISOR CLASS

Year Ended December 31,

	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	$10.05	$10.48	$9.16	$6.89	$11.59
Income from investment operations:[a]					
Net investment income[b, c]	0.16	0.17	0.25	0.14	0.06
Net realized and unrealized gains (losses)	0.93	(0.44)	1.24	2.39	(4.29)
Total from investment operations	1.09	(0.27)	1.49	2.53	(4.23)
Less distributions from:					
Net investment income and short term gains received from Underlying Funds	(0.18)	(0.16)	(0.17)	(0.12)	(0.10)
Net realized gains	—	—	—	(0.14)	(0.37)
Total distributions	(0.18)	(0.16)	(0.17)	(0.26)	(0.47)
Redemption fees[d]	—	—	—	—	—[e]
Net asset value, end of year	**$10.96**	**$10.05**	**$10.48**	**$9.16**	**$6.89**
Total return	10.86%	(2.55)%	16.26%	37.27%	(37.39)%
Ratios to average net assets					
Expenses before waiver and payments by affiliates[f]	0.75%	1.00%	1.26%	1.73%	2.82%
Expenses net of waiver and payments by affiliates[f]	0.15%	0.15%	0.15%	0.15%	0.17%
Net investment income[c]	1.71%	1.73%	2.10%	1.83%	0.96%
Supplemental data					
Net assets, end of year (000's)	$709	$642	$499	$205	$105
Portfolio turnover rate	32.47%	34.66%	25.05%	14.30%	8.09%

a. The amount shown for a share outstanding throughout the period may not correlate with the Statement of Operations in the annual report 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. Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and Exchange Traded Funds in which the Fund invests.
d. Effective September 1, 2008, the redemption fee was eliminated.
e. Amount rounds to less than $0.01 per share.
f. Does not include expenses of the Underlying Funds and Exchange Traded Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and Exchange Traded Funds was 0.76% for the year ended December 31, 2012.

YOUR ACCOUNT

Choosing a Share Class

Each class has its own sales charge and expense structure, allowing you to choose the class that best meets your situation. Your investment representative (financial advisor) can help you decide. Investors may purchase Class C or Class R shares only for Fund accounts on which they have appointed an investment representative (financial advisor) of record. Investors who have not appointed an investment representative (financial advisor) to existing Class C or Class R share Fund accounts, may not make additional purchases to those accounts but may exchange their shares for shares of a Franklin Templeton fund that offers Class C or Class R shares. Dividend and capital gain distributions may continue to be reinvested in existing Class C or Class R share Fund accounts. These provisions do not apply to Employer Sponsored Retirement Plans.

Class A	Class C	Class R	Class R6	Advisor Class
Initial sales charge of 5.75% or less	No initial sales charge	No initial sales charge	See “Qualified Investors - Class R6” below	See “Qualified Investors - Advisor Class” below
Deferred sales charge of 1% on purchases of $1 million or more sold within 18 months	Deferred sales charge of 1% on shares you sell within 12 months	Deferred sales charge is not applicable		
Lower annual expenses than Class C or R due to lower distribution fees	Higher annual expenses than Class A due to higher distribution fees	Higher annual expenses than Class A due to higher distribution fees (lower than Class C)		

The Fund began offering Class R6 shares on May 1, 2013.

Class A, C & R

SALES CHARGES - Class A		
when you invest this amount	the sales charge makes up this % of the offering price[1]	which equals this % of your net investment[1]
Under $50,000	5.75	6.10
$50,000 but under $100,000	4.50	4.71
$100,000 but under $250,000	3.50	3.63
$250,000 but under $500,000	2.50	2.56
$500,000 but under $1 million	2.00	2.04

1. The dollar amount of the sales charge is the difference between the offering price of the shares purchased (which factors in the applicable sales charge in this table) and the net asset value of those shares. Since the offering price is calculated to two decimal places using standard rounding criteria, the number of shares purchased and the dollar amount of the sales charge as a percentage of the offering price and of your net investment may be higher or lower depending on whether there was a downward or upward rounding.

Sales Charge Reductions

Quantity discounts. We offer two ways for you to combine your current purchase of Class A Fund shares with other existing Franklin Templeton fund share holdings that might enable you to qualify for a lower sales charge with your current purchase. You can qualify for a lower sales charge when you reach certain "sales charge breakpoints." This quantity discount information is also available free of charge at franklintempleton.com/retail/jsp_cm/fund_perf/pub/quantity_discount.jsp. This web page can also be reached at franklintempleton.com by clicking the "Funds" tab and then choosing "Quantity Discounts."

1. Cumulative quantity discount - lets you combine certain existing holdings of Franklin Templeton fund shares - referred to as "cumulative quantity discount eligible shares" - with your current purchase of Class A shares to determine if you qualify for a sales charge breakpoint.

Cumulative quantity discount eligible shares are Franklin Templeton fund shares registered to (or held by a financial intermediary for):

- You, individually;
- Your spouse or domestic partner, as recognized by applicable state law, and your children under the age of 21 (each a "family member");
- You jointly with one or more family members;
- You jointly with another person(s) who is (are) not family members if that other person has not included the value of the shares as cumulative quantity discount eligible shares for purposes of that person's separate investments in Franklin Templeton fund shares;
- A Coverdell Education Savings account for which you or a family member is the identified responsible person;
- A trustee/custodian of an IRA (which includes a Roth IRA and an employer sponsored IRA such as a SIMPLE IRA) or your non-ERISA covered 403(b) plan account, if the shares are registered/recorded under your or a family member's Social Security number;
- A 529 college savings plan over which you or a family member has investment discretion and control;
- Any entity over which you or a family member has (have) individual or shared authority, as principal, has investment discretion and control (for example, an UGMA/UTMA account for a child on which you or a family member is the custodian, a trust on which you or a family member is the trustee, a business account [not to include retirement plans] for your solely owned business [or the solely owned business of a family member] on which you or a family member is the authorized signer);
- A trust established by you or a family member as grantor.

Franklin Templeton fund shares held through an administrator or trustee/custodian of an Employer Sponsored Retirement Plan (see definition below) such as a 401(k) plan do not qualify for a cumulative quantity discount.

Franklin Templeton fund assets held in multiple Employer Sponsored Retirement Plans may be combined in order to qualify for sales charge breakpoints at the plan level if the plans are sponsored by the same employer.

If you believe there are cumulative quantity discount eligible shares that can be combined with your current purchase to achieve a sales charge breakpoint (for example, shares held in a different broker-dealer's brokerage account or with a bank or an investment advisor), it is your responsibility to specifically identify those shares to your financial advisor at the time of your purchase (including at the time of any future purchase). It may be necessary for you to provide your financial advisor with information and records (including account statements) of all relevant accounts invested in the Franklin Templeton funds. If you have not

designated a financial advisor associated with your Franklin Templeton fund shares, it is your responsibility to specifically identify any cumulative quantity discount eligible shares to the Fund's transfer agent at the time of any purchase.

If there are cumulative quantity discount eligible shares that would qualify for combining with your current purchase and you do not tell your financial advisor or the Franklin Templeton funds' transfer agent at the time of any purchase, you may not receive the benefit of a reduced sales charge that might otherwise be available since your financial advisor and the Fund generally will not have that information.

The value of cumulative quantity discount eligible shares equals the cost or current value of those shares, whichever is higher. The current value of shares is determined by multiplying the number of shares by their highest current public offering price. It is your responsibility to retain any records necessary to substantiate historical share costs because neither your current financial advisor nor the Franklin Templeton funds may have or maintain this information.

An "Employer Sponsored Retirement Plan" is a Qualified Retirement Plan, ERISA covered 403(b) plan and certain non-qualified deferred compensation arrangements that operate in a similar manner to a Qualified Retirement Plan, such as 457 plans and executive deferred compensation arrangements, but not including employer sponsored IRAs. A "Qualified Retirement Plan" is an employer sponsored pension or profit sharing plan that qualifies under section 401(a) of the Internal Revenue Code, including 401(k), money purchase pension, profit sharing and defined benefit plans.

2. Letter of intent (LOI) - expresses your intent to buy a stated dollar amount of "cumulative quantity discount eligible shares" (as defined in the "Cumulative quantity discount" section above) over a 13-month period and lets you receive the same sales charge as if all shares had been purchased at one time. We will reserve 5% of your total intended purchase in Class A shares registered in your name until you fulfill your LOI to cover any additional sales charge that may apply if you do not buy the amount stated in your LOI. It is your responsibility to tell your financial advisor when you believe you have fulfilled your LOI with sufficient cumulative quantity discount eligible shares. If you have not designated a financial advisor associated with your Franklin Templeton fund shares, it is your responsibility to tell the Fund's transfer agent when you believe you have

fulfilled your LOI with sufficient cumulative quantity discount eligible shares. Please refer to the SAI for more LOI details.

To sign up for these programs, complete the appropriate section of your account application.

Franklin Templeton funds include all of the U.S. registered mutual funds of Franklin Templeton Investments and the Franklin Mutual Recovery Fund. They do not include the funds in the Franklin Templeton Variable Insurance Products Trust.

Sales Charge Waivers

Class A shares may be purchased without an initial sales charge or contingent deferred sales charge (CDSC) by certain investors or for certain payments. If you would like information about available sales charge waivers, call your investment representative or call Shareholder Services at (800) 632-2301.

Waivers for investments from certain payments. Class A shares may be purchased without an initial sales charge or CDSC by investors who reinvest within 90 days:

- Dividend and capital gain distributions from any Franklin Templeton fund. The distributions generally must be reinvested in the same share class. Certain exceptions apply, however, to Class R6, Advisor Class or Class Z shareholders of a Franklin Templeton fund who may reinvest their distributions in the Fund's Class A shares.
- Annuity payments received under either an annuity option or from death benefit proceeds, if the annuity contract offers as an investment option the Franklin Templeton Variable Insurance Products Trust. You should contact your tax advisor for information on any tax consequences that may apply.
- Redemption proceeds from the sale of Class A shares of any of the Franklin Templeton Investment Funds if you are a qualified investor.
- If you paid a CDSC when you redeemed your Class A shares from a Franklin Templeton Investment Fund, a new CDSC will apply to your purchase of Fund shares and the CDSC holding period will begin again. We will, however, credit your Fund account with additional shares based on the CDSC you previously paid and the amount of the redemption proceeds that you reinvest.

- If you immediately placed your redemption proceeds in a Franklin Templeton money fund, you may reinvest them as described above. The proceeds must be reinvested within 90 days from the date they are redeemed from the money fund.

Waivers for certain investors. The following investors or investments qualify to buy Class A shares without an initial sales charge or CDSC due to anticipated economies in sales efforts and expenses, including:

- Governments, municipalities, and tax-exempt entities that meet the requirements for qualification under section 501 of the Internal Revenue Code when purchasing direct from the Fund. Please consult your legal and investment advisors to determine if an investment in the Fund is permissible and suitable for you.
- Registered securities dealers and their affiliates, for their investment accounts only.
- Current employees of securities dealers and their affiliates and their family members, as allowed by the internal policies of their employer.
- Current and former officers, trustees, directors, full-time employees (and, in each case, their family members) of both Franklin Templeton Investments and Franklin Templeton funds, consistent with our then-current policies.
- Current partners of law firms that currently provide legal counsel to the funds, Franklin Resources, Inc. or its affiliates.
- Assets held in accounts managed by a subsidiary of Franklin Resources, Inc.: (1) under an advisory agreement (including sub-advisory agreements); and/or (2) as trustee of an inter vivos or testamentary trust.
- Certain unit investment trusts and their holders reinvesting distributions from the trusts.
- Any trust or plan established as part of a qualified tuition program under Section 529 of the Internal Revenue Code, as amended.
- Group annuity separate accounts offered to retirement plans.
- Chilean retirement plans that meet the requirements described under "Retirement plans" below.
- Assets held in accounts managed by a state or federally regulated trust company or bank (Trust Company) either as discretionary trustee of an inter vivos or testamentary trust or as investment manager under an advisory agreement (including sub-advisory) or other agreement that grants the Trust Company investment discretion over those assets (Trust Company Managed Assets) if (i) the aggregate value of Trust Company Managed Assets invested in Franklin Templeton funds at the time of purchase equals at least $1 million; and (ii) the purchased shares are registered directly to the Trust Company in its corporate capacity (not as trustee of an individual trust) and held solely as Trust Company Managed Assets.
- Advisory Fee Programs. Shares acquired by an investor in connection with a comprehensive fee or other advisory fee arrangement between the investor and a registered broker-dealer or investment advisor, trust company or bank (referred to as the "Sponsor") in which the investor pays that Sponsor a fee for investment advisory services and the Sponsor or a broker-dealer through whom the shares are acquired has an agreement with Distributors authorizing the sale of Fund shares. No minimum initial investment.

Retirement plans. Provided that Franklin Templeton Investor Services, LLC is notified, Class A shares at NAV are available for:

- Employer Sponsored Retirement Plans (Plan) that invest indirectly in Fund shares through Fund omnibus accounts registered to a financial intermediary; or
- An Employer Sponsored Retirement Plan if the employer sponsors one or more Plans with aggregate Plan assets of $1 million or more; or
- Investors who open an IRA with proceeds rolled over directly from an Employer Sponsored Retirement Plan if the IRA is a "Common Platform IRA." An IRA is a Common Platform IRA if (i) the IRA custodian or recordkeeper, or one of its affiliates, is the recordkeeper for the Plan at the time the IRA is opened; and (ii) Fund shares transferred in-kind to a "Common Platform IRA" opened by a direct rollover to that IRA from an Employer Sponsored Retirement Plan; or
- The portion of any direct rollover from a participant's Employer Sponsored Retirement Plan account or direct transfer from a 403(b) plan account to a Franklin Templeton IRA with Franklin Templeton Bank & Trust (FTB&T) as the custodian that is funded by the sale immediately prior to the rollover/transfer of Franklin Templeton fund shares held in the Plan account, provided that documentation accompanies the

rollover/transfer instruction that reasonably supports this funding source requirement; or

- Investors who open an IRA as a spousal rollover or a Qualified Domestic Relations Order (QDRO) if opened with proceeds from a "Former DCS Plan" and/or a plan for which FTB&T is trustee; or
- Investors who open a Franklin Templeton IRA prior to November 1, 2012 with proceeds rolled over directly from a "Former DCS Plan."

A "Former DCS Plan" is an Employer Sponsored Retirement Plan that transferred participant level recordkeeping from the DCS Division of Franklin Templeton Investor Services, LLC to Great-West Retirement Services® (GWRS) on November 2, 2007 and is a recordkeeping client of GWRS at the time of the rollover.

Investments of $1 Million or More

If you invest $1 million or more, either as a lump sum or through our cumulative quantity discount or letter of intent programs, you can buy Class A shares without an initial sales charge. However, there is a 1% CDSC on any shares you sell within 18 months of purchase. The way we calculate the CDSC is the same for each class (please see "Contingent Deferred Sales Charge (CDSC) - Class A & C").

Distribution and Service (12b-1) Fees

Class A has a distribution plan, sometimes known as a Rule 12b-1 plan, that allows the Fund to pay distribution fees of up to 0.35% per year to those who sell and distribute Class A shares and provide other services to shareholders. Because these fees are paid out of Class A's assets on an ongoing basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges. The board of trustees has set the current amount payable under the Class A plan at 0.30% until further notice.

SALES CHARGES - Class C

With Class C shares, there is no initial sales charge.

We place any investment of $1 million or more in Class A shares, since Class A's annual expenses are lower.

CDSC

There is a 1% CDSC on any Class C shares you sell within 12 months of purchase. The way we calculate the CDSC is the same for each class (please see "Contingent Deferred Sales Charge (CDSC) - Class A & C").

Distribution and Service (12b-1) Fees

Class C has a distribution plan, sometimes known as a Rule 12b-1 plan, that allows the Fund to pay distribution and other fees of up to 1% per year for the sale of Class C shares and for services provided to shareholders. Because these fees are paid out of Class C's assets on an ongoing basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

SALES CHARGES - Class R

With Class R shares, there is no initial sales charge.

Retirement Plans

Class R shares are available to the following investors:

- Employer Sponsored Retirement Plans
- Any trust or plan established as part of a qualified tuition program under Section 529 of the Internal Revenue Code
- Health Reimbursement Accounts and Health Savings Accounts, either as a direct investment or as a separate or managed account.

Distribution and Service (12b-1) Fees

Class R has a distribution plan, sometimes known as a Rule 12b-1 plan, that allows the Fund to pay distribution and other fees of up to 0.50% per year for the sale of Class R shares and for services provided to shareholders. Because these fees are paid out of Class R's assets on an ongoing basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

Contingent Deferred Sales Charge (CDSC) - Class A & C

The CDSC for each class is based on the current value of the shares being sold or their net asset value when purchased, whichever is less. There is no CDSC on shares you acquire by reinvesting your dividends or capital gain distributions.

To keep your CDSC as low as possible, each time you place a request to sell shares we will first sell any shares in your account that are not subject to a CDSC. If there are not enough of these to meet your request, we will sell the shares in the order they were purchased. We will use this same method if you exchange your shares into another Franklin Templeton fund (please see "Exchanging Shares").

The **holding period for the CDSC** begins on the day you buy your shares. Your shares will age one month on that same date the next month and each following month. For example, if you buy shares on the 18th of the month, they will age one month on the 18th day of the next month and each following month.

Reinstatement Privilege

If you sell shares of a Franklin Templeton fund that were held indirectly for your benefit in an account with your investment representative's firm or your bank's trust department or that were registered to you directly by the Fund's transfer agent (or to an affiliated custodian or trustee of the Fund's transfer agent), you may reinvest all or a portion of the proceeds from that sale within 90 days of the sale without an initial sales charge. This Reinstatement Privilege does not apply to: (i) a purchase of Fund shares made through a regularly scheduled automatic investment plan such as a purchase by a regularly scheduled payroll deduction or transfer from a bank account, or (ii) a purchase of Fund shares with proceeds from the sale of Franklin Templeton fund shares that were held indirectly through a non-Franklin Templeton individual or employer sponsored IRA.

In order to take advantage of this Reinstatement Privilege, you must inform your investment representative or the Fund's transfer agent of this privilege at the time of your investment.

The proceeds from the earlier sale must also be invested within the same share class as that of the sold shares, with the following exceptions:

- Class C or Class R shares will be reinvested in Class A shares if at the time of investment you have not appointed an investment representative (financial advisor) of record for the Fund account(s) in which the purchased shares will be held.

Proceeds from the earlier sale of Class Z shares from another fund may also be invested in Class A shares under this Reinstatement Privilege.

Generally, if you paid a CDSC when you sold your shares, Franklin Templeton Distributors, Inc. (Distributors) will credit back to you the CDSC paid on the amount you are reinvesting within 90 days of the sale by adding it to the amount of your reinvestment. The new shares issued with your reinvestment WILL BE subject to any otherwise applicable CDSC. If, however, you (except Employer Sponsored Retirement Plans) paid a CDSC when you sold the following shares and you invest the proceeds from that sale in Class A shares within 90 days, you will not receive a credit for the CDSC and new Class A shares issued with your reinvestment WILL NOT BE subject to any otherwise applicable CDSC:

- Class C shares held at the time of sale in a Franklin Templeton fund account without an investment representative (financial advisor) appointed by you

This privilege does not apply to shares you buy and sell under our exchange program. Shares purchased with the proceeds from a money fund may be subject to a sales charge.

Qualified Investors - Class R6

Class R6 shares are available to the following investors:

- Employer Sponsored Retirement Plans where plan level or omnibus accounts are held on the books of Franklin Templeton Investor Services.
- Other Franklin Templeton funds.

Qualified Investors - Advisor Class

The following investors or investments qualify to buy Advisor Class shares of the Fund:

- Advisory Fee Programs. Shares acquired by an investor in connection with a comprehensive fee or other advisory fee arrangement between the investor and a registered broker-dealer or investment advisor, trust company or bank (referred to as the "Sponsor") in which the investor pays that Sponsor a fee for investment advisory services and the Sponsor or a broker-dealer through whom the shares are acquired has an agreement with Distributors authorizing the sale of Fund shares. No minimum initial investment.
- Governments, municipalities, and tax-exempt entities that meet the requirements for qualification under section 501 of the Internal Revenue Code when purchasing direct from the Fund. Minimum

initial investment: $1 million in Advisor Class or Class Z shares of any Franklin Templeton fund.

- Current and former officers, trustees, directors, full-time employees (and, in each case, their family members) of both Franklin Templeton Investments and Franklin Templeton funds, consistent with our then-current policies. Minimum initial investment: $1,000 ($50 for accounts with an automatic investment plan).
- Assets held in accounts managed by a subsidiary of Franklin Resources, Inc.: (1) under an advisory agreement (including sub-advisory agreements); and/or (2) as trustee of an inter vivos or testamentary trust.
- Assets held in accounts managed by a state or federally regulated trust company or bank (Trust Company) either as discretionary trustee of an inter vivos or testamentary trust or as investment manager under an advisory agreement (including sub-advisory) or other agreement that grants the Trust Company investment discretion over those assets (Trust Company Managed Assets) if (i) the aggregate value of Trust Company Managed Assets invested in Franklin Templeton funds at the time of purchase equals at least $1 million; and (ii) the purchased shares are registered directly to the Trust Company in its corporate capacity (not as trustee of an individual trust) and held solely as Trust Company Managed Assets.
- An Employer Sponsored Retirement Plan (Plan) if the employer sponsors one or more Plans with aggregate Plan assets of $1 million or more.
- Employer Sponsored Retirement Plans that invest indirectly in Fund shares through Fund omnibus accounts registered to a financial intermediary.
- Any trust or plan established as part of a qualified tuition program under Section 529 of the Internal Revenue Code, provided that Distributors or an affiliate of Distributors has entered into a contract with the state sponsor of the program or one of its service providers to provide certain services relating to the operation of the program or to provide Fund shares for purchase in connection with the program. No initial minimum investment.
- An individual or entity associated with a current customer of Franklin Templeton Institutional, LLC (FTI, LLC) if approved by FTI, LLC in consultation with its customer.

- Unaffiliated U.S. registered mutual funds, including those that operate as "fund of funds." Minimum initial investment: $1 million in Advisor Class or Class Z shares of any Franklin Templeton fund.
- Assets held in accounts under the recommendation of an investment consultant provided that (1) assets are held with a firm unaffiliated with the investment consultant's firm; (2) the investment consultant is under a retainer or other similar fee arrangement with its clients; (3) the client is not an individual; and (4) a subsidiary of Franklin Resources, Inc. approves the investment.

Buying Shares

MINIMUM INVESTMENTS - CLASS A, C & R

	Initial
Regular accounts, UGMA/UTMA accounts, current and former full-time employees, officers, trustees and directors of Franklin Templeton entities, and their family members	$1,000
Automatic investment plans	$50
Employer Sponsored Retirement Plans, SIMPLE-IRAs, SEP-IRAs, SARSEPs or 403(b) plan accounts	no minimum
IRAs, IRA rollovers, Coverdell Education Savings Plans or Roth IRAs	$250
Broker-dealer sponsored wrap account programs	no minimum

Please note that you may only buy shares of a fund eligible for sale in your state or jurisdiction.

Account Application

If you are opening a new account, please complete and sign the enclosed account application. Make sure you indicate the share class you have chosen. If you do not indicate a class, we will place your purchase in Class A shares. To save time, you can sign up now for services you may want on your account by completing the appropriate sections of the application (see "Investor Services"). For example, if you would like to link one of your bank accounts to your Fund account so that you may use electronic funds transfer to and from your bank account to buy and sell shares, please complete the bank information section of the application. We will keep your bank information on file for future purchases and redemptions. We do not accept cash, credit card convenience checks, non-bank money orders or travelers checks as forms of payment to purchase shares.

Franklin Templeton Investor Services
P.O. Box 997151, Sacramento, CA 95899-7151
Call toll-free: (800) 632-2301
(Monday through Friday
5:30 a.m. to 5:00 p.m., Pacific time)
or visit us online 24 hours a day, 7 days a week,
at franklintempleton.com

BUYING SHARES

	Opening an account	Adding to an account
Through your investment representative	Contact your investment representative	Contact your investment representative
By Phone/Online (Up to $100,000 per shareholder per day) (800) 632-2301 franklintempleton.com *Note: (1) certain account types are not available for online account access and (2) the amount may be higher for members of Franklin Templeton VIP Services®. Please see "Franklin Templeton VIP Services®" under "Investor Services" for more information regarding eligibility.*	If you have another Franklin Templeton fund account with your bank account information on file, you may open a new identically registered account by phone. At this time, a new account may not be opened online. To make a same day investment, your phone order must be received and accepted by us by 1:00 p.m. Pacific time or the close of the New York Stock Exchange, whichever is earlier.	Before requesting a telephone or online purchase into an existing account, please make sure we have your bank account information on file. If we do not have this information, you will need to send written instructions with your bank's name and address and a voided check or savings account deposit slip. If there is a difference between the Fund account owner(s) and the bank account owner(s), your written request must be signed by **all** Fund **and** bank account owners, and each individual must have his or her signature guaranteed. If the Fund account is registered to FTB&T as custodian/trustee for a retirement plan or education savings account, or as a custodial account for a minor (UGMA/UTMA) and there is at least one common owner on the Fund account and the bank account, signature guarantees are not required. To make a same day investment, your phone or online order must be received and accepted by us by 1:00 p.m. Pacific time or the close of the New York Stock Exchange, whichever is earlier.
By Mail	Make your check payable to the Fund. Mail the check and your signed application to Investor Services.	Make your check payable to the Fund. Include your account number on the check. Fill out the deposit slip from your account statement. If you do not have a slip, include a note with your name, the Fund name, and your account number. Mail the check and deposit slip or note to Investor Services.
By Wire (800) 632-2301 or (650) 312-2000 collect	Call to receive a wire control number and wire instructions. Wire the funds and mail your signed application to Investor Services. Please include the wire control number or your new account number on the application. To make a same day wire investment, the wired funds must be received and accepted by us by 1:00 p.m. Pacific time or the close of the New York Stock Exchange, whichever is earlier.	Call to receive a wire control number and wire instructions. To make a same day wire investment, the wired funds must be received and accepted by us by 1:00 p.m. Pacific time or the close of the New York Stock Exchange, whichever is earlier.
By Exchange franklintempleton.com	Call Shareholder Services at (800) 632-2301, or send signed written instructions. You also may place an online exchange order. (Please see "Exchanging Shares" for more information on exchanges.)	Call Shareholder Services at (800) 632-2301, or send signed written instructions. You also may place an online exchange order. (Please see "Exchanging Shares" for more information on exchanges.)

Investor Services

Automatic Investment Plan

This plan offers a convenient way for you to invest in the Fund by automatically transferring money from your checking or savings account each month to buy shares. To sign up, visit us online at franklintempleton.com or complete the appropriate section of your account application and mail it to Investor Services. If you are opening a new account, please include your minimum initial investment with your application.

Automated Telephone System

Our automated system offers around-the-clock access to information about your account or any Franklin Templeton fund. This service is available by dialing any of the following numbers from a touch-tone phone:

Shareholder Services	(800) 632-2301
Advisor Services	(800) 524-4040
Retirement Services	(800) 527-2020

Distribution Options

You may reinvest distributions you receive from the Fund in an existing account in the same share class* of the Fund or another Franklin Templeton fund. Initial sales charges and CDSCs will not apply to reinvested distributions. You also can have your distributions deposited in a bank account, or mailed by check. Deposits to a bank account may be made by electronic funds transfer.

*Class C shareholders may reinvest their distributions in Class A shares of any Franklin Templeton money fund. Advisor Class shareholders may reinvest in Advisor Class or Class A shares of another Franklin Templeton fund. To reinvest your distributions in Advisor Class shares of another Franklin Templeton fund, you must be a current shareholder in Advisor Class or otherwise qualify to buy that fund's Advisor Class shares.

If you received a distribution and chose to return it to purchase additional shares in Class A shares of another Franklin Templeton fund, you will not be charged an initial sales charge if you invest the distribution within 90 days of the distribution date.

Please indicate on your application the distribution option you have chosen, otherwise we will reinvest your distributions in the same share class of the Fund.

Retirement Plans

Franklin Templeton Investments offers a variety of retirement plans for individuals and businesses. These plans require separate applications, may require special forms for redemptions, and their policies and procedures may be different than those described in this prospectus. For more information, including a free retirement plan brochure or application, please call Retirement Services at (800) 527-2020.

Telephone/Online Privileges

You will automatically receive telephone/online privileges when you open your account, allowing you to obtain or view your account information, and conduct a number of transactions by phone or online, including: buy, sell, or exchange shares of most funds; use electronic funds transfer to buy or sell shares of most funds; change your address; and, add or change account services (including distribution options, systematic withdrawal plans and automatic investment plans).

To view your account information or request online transactions, you will first need to register for these services at the shareholder section of our website at franklintempleton.com. You will be asked to accept the terms of an online agreement(s) and establish a password for online services. If you are registered for online services, you may enroll online in Franklin Templeton's electronic delivery program for your shareholder documents. This will allow you to receive electronic delivery (through our website) of most Franklin Templeton funds' prospectuses, annual/semiannual reports to shareholders, and proxy statements, as well as your account(s) statements and trade confirmations, and discontinue receiving your paper copies through the U.S. mail. Using our shareholder website means you are consenting to sending and receiving personal financial information over the Internet, so you should be sure you are comfortable with the risks.

As long as we follow reasonable security procedures and act on instructions we reasonably believe are genuine, we will not be responsible for any losses that may occur from unauthorized requests. We will request passwords or other information, and also may record calls. To help safeguard your account, keep your password confidential, and verify the accuracy of your confirmation statements immediately after you receive them. Contact us immediately if you believe someone has obtained unauthorized access to your account or password. For transactions done over the Internet, we recommend the use of an Internet browser with 128-bit encryption. Certain methods of contacting us (such as by phone

or by Internet) may be unavailable or delayed during periods of unusual market activity. *Of course, you can decline telephone buy, sell, or exchange privileges on your account application, or choose not to register for online privileges. If you have telephone/online privileges on your account and want to discontinue them, please contact us for instructions.* You may reinstate these privileges at any time in writing, including online registration with respect to online privileges.

Note: We discourage you from including confidential or sensitive information in any Internet communication to us. If you do choose to send email (encrypted or not) to us over the Internet, you are accepting the associated risks of lack of confidentiality.

Systematic Withdrawal Plan

This plan allows you to automatically sell your shares and receive regular payments from your account. A CDSC may apply to withdrawals that exceed certain amounts. Certain terms and minimums apply. To sign up, visit us online at franklintempleton.com or complete the appropriate section of your application.

Franklin Templeton VIP Services®

You may be eligible for Franklin Templeton VIP Services® if you are currently eligible for the $250,000 sales charge breakpoint based solely on shares registered directly with the Franklin Templeton funds' transfer agent and excluding shares held indirectly through brokerage accounts. Franklin Templeton VIP Services® shareholders enjoy enhanced service and transaction capabilities. Please contact Shareholder Services at (800) 632-2301 for additional information on this program.

Selling Shares

You can sell your shares at any time. Please keep in mind that a contingent deferred sales charge (CDSC) may apply.

Selling Shares in Writing

Generally, requests to sell $100,000 or less can be made over the phone, online, or with a simple letter. Sometimes, however, to protect you and the Fund we will need written instructions signed by all registered owners, with a signature guarantee for each owner, if:

- you are selling more than $100,000 worth of shares
- you want your proceeds paid to someone who is not a registered owner
- you want to send your proceeds somewhere other than the address of record, or preauthorized bank or brokerage firm account

We also may require a signature guarantee when we receive instructions from an agent, not the registered owners; you want to send your proceeds to a bank account that was added or changed on your account without a signature guarantee within the last 15 days; you want to send proceeds to your address that was changed without a signature guarantee within the last 15 days; or we believe it would protect the Fund against potential claims based on the instructions received.

The amount may be higher for members of Franklin Templeton VIP Services®. Please see "Franklin Templeton VIP Services®" above for more information regarding eligibility.

A **signature guarantee** helps protect your account against fraud. You can obtain a signature guarantee at most banks and securities dealers.

A notary public CANNOT provide a signature guarantee.

Selling Recently Purchased Shares

If you sell shares recently purchased, we may delay sending you the proceeds until your check, draft or wire/electronic funds transfer has cleared, which may take seven business days.

Redemption Proceeds

Your redemption check will be sent within seven days after we receive your request in proper form. We are not able to receive or pay out cash in the form of currency.

Retirement Plans

You may need to complete additional forms to sell shares in a Franklin Templeton Bank & Trust retirement plan. For participants under the age of 59½, tax penalties may apply. Call Retirement Services at (800) 527-2020 for details.

SELLING SHARES

To sell some or all of your shares

Through your investment representative

Contact your investment representative

By Mail

Send written instructions and endorsed share certificates (if you hold share certificates) to Investor Services. Corporate, partnership or trust accounts may need to send additional documents.

Specify the Fund, the account number and the dollar value or number of shares you wish to sell. Be sure to include all necessary signatures and any additional documents, as well as signature guarantees if required.

A check will be mailed to the name(s) and address on the account, or otherwise according to your written instructions.

By Phone/Online

(800) 632-2301
franklintempleton.com

As long as your transaction is for $100,000 or less and you do not hold share certificates, you can sell your shares by phone or online. The amount may be higher for members of Franklin Templeton VIP Services®. Please see "Franklin Templeton VIP Services®" above for more information regarding eligibility.

A check will be mailed to the name(s) and address on the account, or a pre-authorized secondary address. Written instructions, with a signature guarantee, are required to send the check to another address or to make it payable to another person.

If you have changed your address within the last 15 days without a signature guarantee, requests to sell your shares and mail the check to the name(s) and address on the account must be in writing and we may require a signature guarantee. Requests to sell your shares and send the proceeds to a pre-authorized secondary address may be requested by phone or online.

By Electronic Funds Transfer (ACH)

You can call, write, or visit us online to have redemption proceeds sent to a bank account. See the policies at left for selling shares by mail, phone, or online.

Before requesting to have redemption proceeds sent to a bank account, please make sure we have your bank account information on file. If we do not have this information, you will need to send written instructions with your bank's name and a voided check or savings account deposit slip. If there is a difference between the Fund account owner(s) and the bank account owner(s), you must provide written instructions signed by **all** Fund **and** bank account owners, and each individual must have his or her signature guaranteed. If the Fund account is registered to FTB&T as custodian/trustee for a retirement plan or education savings account, or as a custodial account for a minor (UGMA/UTMA) and there is at least one common owner on the Fund account and the bank account, signature guarantees are not required.

If the bank account was added or changed without a signature guarantee within the last 15 days, you may be required to provide written instructions signed by all fund account owners, with a signature guarantee for each fund account owner.

If we receive your request in proper form by 1:00 p.m. Pacific time, proceeds sent by ACH generally will be available within two to three business days.

By Exchange

Obtain a current prospectus for the fund you are considering. Prospectuses are available online at franklintempleton.com.

Call Shareholder Services at the number below or send signed written instructions. You also may place an exchange order online. See the policies at left for selling shares by mail, phone, or online.

If you hold share certificates, you will need to return them to the Fund before your exchange can be processed.

Franklin Templeton Investor Services
P.O. Box 997151, Sacramento, CA 95899-7151
Call toll-free: (800) 632-2301
(Monday through Friday 5:30 a.m. to 5:00 p.m., Pacific time)
or visit us online 24 hours a day, 7 days a week, at franklintempleton.com

Exchanging Shares

Exchange Privilege

Class A, C & R

You can exchange shares between most Franklin Templeton funds within the same class,* generally without paying any additional sales charges. If you exchange shares from a money fund and those shares were not charged a sales charge previously, however, a sales charge may apply.

*Class Z shareholders of Franklin Mutual Series Funds may exchange into Class A without any sales charge. Advisor Class shareholders of another Franklin Templeton fund also may exchange into Class A without any sales charge. If you exchange into Class A shares and you later decide you would like to exchange into a fund that offers an Advisor Class or Class Z, you may exchange your Class A shares for Advisor Class or Class Z shares if you are a current shareholder in Advisor Class or Class Z or you otherwise qualify to buy the fund's Advisor Class or Class Z shares.

Any CDSC will continue to be calculated from the date of your initial investment and will not be charged at the time of the exchange. The purchase price for determining a CDSC on exchanged shares will be the price you paid for the original shares.

Class R6

You can exchange your Class R6 shares for Class R6 shares of other Franklin Templeton funds. You also may exchange your Class R6 shares for Advisor Class shares of a fund that does not currently offer Class R6 shares.

Advisor Class

You can exchange your Advisor Class shares for Advisor Class shares of other Franklin Templeton funds. You also may exchange your Advisor Class shares for Class A shares of a fund that does not currently offer an Advisor Class (without any sales charge)* or for Class Z shares of Franklin Mutual Series Funds.

*If you exchange into Class A shares and you later decide you would like to exchange into a fund that offers an Advisor Class, you may exchange your Class A shares for Advisor Class shares if you are a current shareholder in Advisor Class or you otherwise qualify to buy the fund's Advisor Class shares.

All Classes

The remainder of the "Exchanging Shares" section applies to all classes.

Generally exchanges may only be made between identically registered accounts, unless you send written instructions with a signature guarantee.

An **exchange** is really two transactions: a sale of one fund and the purchase of another. In general, the same policies that apply to purchases and sales

also apply to exchanges, including minimum investment amounts (except exchanges of an entire account balance). Exchanges also generally have the same tax consequences as ordinary sales and purchases.

Rejected exchanges. If the Fund rejects an exchange request involving the sale of Fund shares, the rejected exchange request will also mean rejection of the request to purchase shares of another fund with the proceeds of the sale. Of course, you may generally redeem shares of the Fund at any time.

Exchanges through financial intermediaries. If you are investing indirectly in the Fund through a financial intermediary such as a broker-dealer, a bank, an insurance company separate account, an investment advisor, an administrator or trustee of an IRS-recognized tax-deferred savings plan such as a 401(k) retirement plan and a 529 college savings plan that maintains a master account (an Omnibus Account) with the Fund for trading on behalf of its customers, different exchange and/or transfer limit guidelines and restrictions may apply. The financial intermediary through whom you are investing may choose to adopt different trading restrictions designed to discourage short-term or excessive trading. Consult with your financial intermediary (or in the case of a 401(k) retirement plan, your plan sponsor) to determine what trading restrictions, including exchange/transfer limitations, may be applicable to you.

Fund exchange privilege changes/waiver. The Fund may terminate or modify (temporarily or permanently) this exchange privilege in the future. You will receive 60 days' notice of any material changes, unless otherwise provided by law.

Other funds' exchange privileges. If there is a conflict between the exchange privileges of two funds involved in an exchange transaction, the stricter policy will apply to the transaction. Other Franklin Templeton funds may have different exchange restrictions. Check each fund's prospectus for details.

Frequent Trading Policy

The Fund's board of trustees has adopted the following policies and procedures with respect to frequent trading in Fund shares (Frequent Trading Policy).

The Fund does not intend to accommodate short-term or frequent purchases and redemptions of Fund shares that may be detrimental to the Fund. For example, this type of trading activity could interfere with the

efficient management of the Fund's portfolio or materially increase the Fund's transaction costs, administrative costs or taxes.

In addition, since some of the underlying funds may invest in foreign securities, they may be vulnerable to a form of short-term trading that is sometimes referred to as "time-zone arbitrage." Time-zone arbitrage occurs when an investor seeks to take advantage of delays between changes in the value of a mutual fund's portfolio holdings and the reflection of those changes in the fund's net asset value per share. These delays are more likely to occur in the case of foreign investments, due to differences between the times during which the underlying funds' international portfolio securities trade on foreign markets and the time as of which the underlying funds' NAVs are calculated (generally as of the close of the NYSE - please see "Account Policies - Calculating Share Price"). Time-zone arbitrage traders seek to purchase or redeem shares of a fund based on events occurring after foreign market closing prices are established, but before calculation of the fund's NAV. This can result in the value of the underlying funds' shares being diluted. One of the objectives of the underlying funds' fair value pricing procedures is to minimize the possibility of this type of arbitrage (please see "Account Policies - Security Valuation - Foreign Securities - Potential Impact of Time Zones and Market Holidays"); however, there can be no assurance that the underlying funds' valuation procedures will be successful in eliminating it.

Since some of the underlying funds may invest in securities that are, or may be, restricted, unlisted, traded infrequently, thinly traded, or relatively illiquid ("relatively illiquid securities"), they may be particularly vulnerable to arbitrage short-term trading. Such arbitrage traders may seek to take advantage of a possible differential between the last available market prices for one or more of those relatively illiquid securities that are used to calculate the underlying funds' NAV and the latest indications of market values for those securities. One of the objectives of the underlying funds' fair value pricing procedures is to minimize the possibilities of this type of arbitrage (please see "Account Policies - Valuation - Individual Securities"); however, there can be no assurance that the underlying funds' valuation procedures will be successful in eliminating it.

Through its transfer agent, the Fund performs ongoing monitoring of shareholder trading in shares of the Fund and other Franklin Templeton funds in order to try and identify shareholder trading patterns that suggest an ongoing short-term trading strategy. If shareholder trading patterns identified by the transfer agent through monitoring or from other

information regarding the shareholder's trading activity in non-Franklin Templeton funds leads the transfer agent to reasonably conclude that such trading may be detrimental to the Fund as described in this Frequent Trading Policy, the transfer agent, on behalf of the Fund, may temporarily or permanently bar future purchases into the Fund or, alternatively, may limit the amount, number or frequency of any future purchases and/or the method by which you may request future purchases and redemptions (including purchases and/or redemptions by an exchange or transfer between the Fund and any other mutual fund).

In considering an investor's trading patterns, the Fund may consider, among other factors, the investor's trading history both directly and, if known, through financial intermediaries, in the Fund, in other Franklin Templeton funds, in non-Franklin Templeton mutual funds, or in accounts under common control or ownership (see, for example, "Buying and Selling Shares - Investment by asset allocators and large shareholders" in the SAI). The transfer agent may also reject any purchase or redemption request, whether or not it represents part of any ongoing trading pattern, if the Fund's investment manager or transfer agent reasonably concludes that the amount of the requested transaction may disrupt or otherwise interfere with the efficient management of the Fund's portfolio. In determining what actions should be taken, the Fund's transfer agent may consider a variety of factors, including the potential impact of such remedial actions on the Fund and its shareholders. If the Fund is a "fund of funds," the Fund's transfer agent may take into account the impact of the trading activity and of any proposed remedial action on both the Fund and the underlying funds in which the Fund invests.

Frequent trading through financial intermediaries. You are an investor subject to this Frequent Trading Policy whether you are a direct shareholder of the Fund or you are investing indirectly in the Fund through a financial intermediary, such as a broker-dealer, bank, trust company, insurance company product such as an annuity contract, investment advisor, or an administrator or trustee of an IRS-recognized tax-deferred savings plan such as a 401(k) retirement plan and a 529 college savings plan.

Some financial intermediaries maintain master accounts with the Fund on behalf of their customers ("omnibus accounts"). The Fund has entered into "information sharing agreements" with these financial intermediaries, which permit the Fund to obtain, upon request, information about the trading activity of the intermediary's customers that invest in the Fund.

If the Fund's transfer agent identifies omnibus account level trading patterns that have the potential to be detrimental to the Fund, the transfer agent may, in its sole discretion, request from the financial intermediary information concerning the trading activity of its customers. Based upon its review of the information, if the transfer agent determines that the trading activity of any customer may be detrimental to the Fund, it may, in its sole discretion, request the financial intermediary to restrict or limit further trading in the Fund by that customer. There can be no assurance that the transfer agent's monitoring of omnibus account level trading patterns will enable it to identify all short-term trading by a financial intermediary's customers.

Revocation of trades. While the Fund reserves the right to reject any purchase order for any reason, the Fund may also revoke executed purchase orders that the transfer agent reasonably concludes in its sole discretion may have been contrary to the objectives of the Fund's Frequent Trading Policy.

Account Policies

Calculating Share Price

Class A, C & R

When you buy shares, you pay the "offering price" for the shares. The "offering price" is determined by dividing the NAV per share by an amount equal to 1 minus the sales charge applicable to the purchase (expressed in decimals), calculated to two decimal places using standard rounding criteria. The number of Fund shares you will be issued will equal the amount invested divided by the applicable offering price for those shares, calculated to three decimal places using standard rounding criteria. For example, if the NAV per share is $10.25 and the applicable sales charge for the purchase is 5.75%, the offering price would be calculated as follows: 10.25 divided by 1.00 minus 0.0575 [10.25/0.9425] equals 10.87533, which, when rounded to two decimal points, equals 10.88. The offering price per share would be $10.88.

When you sell shares, you receive the NAV minus any applicable CDSC.

All Classes

The value of a mutual fund is determined by deducting the fund's liabilities from the total assets of the portfolio. The NAV per share is determined by dividing the total net asset value of each fund's share class by the applicable number of shares outstanding per share class.

The Fund calculates the NAV per share each business day at 1 p.m. Pacific time which normally coincides with the close of trading on the New York Stock Exchange (NYSE). The Fund does not calculate the NAV on days the NYSE is closed for trading, which include New Year's Day, Martin Luther King Jr. Day, President's Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day. If the NYSE has a scheduled early close or unscheduled early close, the Fund's share price would still be determined as of 1 p.m. Pacific time/4 p.m. Eastern time.

When determining its NAV, the Fund values shares of the underlying funds at the underlying funds' respective NAV. The underlying funds value cash and receivables at their realizable amounts, and records interest as accrued and dividends on the ex-dividend date. The underlying funds generally utilize two independent pricing services to assist in determining a current market value for each security. If market quotations are readily available for portfolio securities listed on a securities exchange, the underlying funds value those securities at the last quoted sale price or the official closing

price of the day, respectively, or, if there is no reported sale, within the range of the most recent quoted bid and ask prices. The underlying funds value over-the-counter portfolio securities within the range of the most recent bid and ask prices. If portfolio securities trade both in the over-the-counter market and on a stock exchange, the fund values them according to the broadest and most representative market.

Requests to buy and sell shares are processed at the NAV next calculated after we or an approved financial intermediary receive your request in proper form.

Generally, trading in corporate bonds, U.S. government securities and money market instruments is substantially completed each day at various times before the close of the NYSE. The value of these securities used in computing the NAV is determined as of such times. Occasionally, events affecting the values of these securities may occur between the times at which they are determined and the close of the NYSE that will not be reflected in the computation of the NAV. The Fund relies on third-party pricing vendors to monitor for events materially affecting the value of these securities during this period. If an event occurs, the third-party pricing vendors will provide revised values to the Fund.

Fair Valuation – Individual Securities

Since some of the underlying funds may invest in securities that are restricted, unlisted, traded infrequently, thinly traded, or relatively illiquid, there is the possibility of a differential between the last available market prices for one or more of those securities and the latest indications of market values for those securities. The underlying funds have procedures, approved by their boards of trustees, to determine the fair value of individual securities and other assets for which market prices are not readily available (such as certain restricted or unlisted securities and private placements) or which may not be reliably priced (such as in the case of trade suspensions or halts, price movement limits set by certain foreign markets, and thinly traded or illiquid securities). Some methods for valuing these securities may include: fundamental analysis (earnings multiple, etc.), matrix pricing, discounts from market prices of similar securities, or discounts applied due to the nature and duration of restrictions on the disposition of the securities. The underlying funds' boards of trustees oversee the application of fair value pricing procedures.

The application of fair value pricing procedures represents a good faith determination based upon specifically applied procedures. There can be no

assurance that the underlying funds could obtain the fair value assigned to a security if they were able to sell the security at approximately the time at which the underlying funds determine their NAV per share.

Security Valuation – Pass-Through Securities, CMO, ABS, MBS

Mortgage pass-through securities (such as Ginnie Mae, Fannie Mae and Freddie Mac), other mortgage-backed securities (MBS), collateralized mortgage obligations (CMOs) and asset-backed securities (ABS), generally trade in the over-the-counter market rather than on a securities exchange. The underlying funds may value these portfolio securities by utilizing quotations from bond dealers, information with respect to bond and note transactions and may rely on independent pricing services. The underlying funds' pricing services use valuation models or matrix pricing to determine current value. In general, they use information with respect to comparable bond and note transactions, quotations from bond dealers or by reference to other securities that are considered comparable in such characteristics as rating, interest rate, maturity date, option adjusted spread models, prepayment projections, interest rate spreads and yield curves. Matrix pricing is considered a form of fair value pricing.

Security Valuation – Corporate Debt Securities

Corporate debt securities generally trade in the over-the-counter market rather than on a securities exchange. The underlying funds may value these portfolio securities by utilizing quotations from bond dealers, information with respect to bond and note transactions and may rely on independent pricing services to assist in determining a current market value for each security. The underlying funds' pricing services may utilize independent quotations from bond dealers and bond market activity to determine current value.

Security Valuation – Senior Secured Corporate Loans

Senior secured corporate loans with floating or variable interest rates generally trade in the over-the-counter market rather than on a securities exchange. The underlying funds may value these portfolio securities by utilizing quotations from loan dealers and other financial institutions, information with respect to bond and note transactions and may rely on independent pricing services to assist in determining a current market value for each security. These pricing services use independent market quotations from loan dealers or financial institutions and may incorporate valuation methodologies that incorporate multiple bond characteristics. These

characteristics may include dealer quotes, issuer type, coupon, maturity, weighted average maturity, interest rate spreads and yield curves, cash flow and credit risk/quality analysis.

Security Valuation – Options

The underlying funds value actively traded call options at their market price as determined above. The current market value of any option an underlying fund holds is its last sale price on the relevant exchange before the underlying fund values its assets. If there are no sales that day or if the last sale price is outside the bid and ask prices, the underlying fund values options within the range of the current closing bid and ask prices if the underlying fund believes the valuation fairly reflects the contract's market value.

Security Valuation – Foreign Securities – Computation of U.S. Equivalent Value

The underlying funds generally determine the value of a foreign security as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of the close of trading on the NYSE, if 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 (generally 1:00 p.m. Pacific time) on the day that the value of the foreign security is determined. If no sale is reported at that time, the foreign security will be valued within the range of the most recent quoted bid and ask prices. Occasionally events (such as repatriation limits or restrictions) 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 underlying fund's board of trustees.

Security Valuation – Foreign Securities – Potential Impact of Time Zones and Market Holidays

Trading in securities on foreign securities stock exchanges and over-the-counter markets, such as those in Europe and Asia, may be completed well before the close of business on the NYSE on each day that the NYSE is open. 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 availability (including the reliability) of the value of a foreign portfolio security held by an underlying fund. As a result, the underlying fund may be susceptible to what is referred to as "time zone arbitrage."

Certain investors in the underlying fund may seek to take advantage of discrepancies in the value of the underlying fund's portfolio securities as determined by the foreign market at its close and the latest indications of value attributable to the portfolio securities at the time the underlying fund's NAV is computed. Trading by these investors, often referred to as "arbitrage market timers," may dilute the value of the underlying fund's shares, if such discrepancies in security values actually exist. To attempt to minimize the possibilities for time zone arbitrage, and in accordance with procedures established and approved by the underlying fund's board of trustees, the investment manager 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 might call into question the availability (including the reliability) of the values of foreign securities between the times at which they are determined and the close of the NYSE. If such an event occurs, the foreign securities may be valued using fair value procedures established and approved by the underlying fund's board of trustees. In certain circumstances these procedures include the use of independent pricing services. The intended effect of applying fair value pricing is to compute an NAV that accurately reflects the value of an underlying fund's portfolio at the time that the NAV is calculated, to discourage potential arbitrage market timing in underlying fund shares, to mitigate the dilutive impact of such attempted arbitrage market timing and to be fair to purchasing, redeeming and existing shareholders. However, the application of fair value pricing procedures may, on occasion, worsen rather than mitigate the potential dilutive impact of shareholder trading.

In addition, trading in foreign portfolio securities generally, or in securities markets in a particular country or countries, may not take place on every NYSE business day. Furthermore, trading takes place in various foreign markets on days that are not business days for the NYSE, and on which the underlying fund's NAV is not calculated (in which case, the net asset value of the Fund's shares may change on days when shareholders will not be able to purchase or redeem Fund shares). Thus, the calculation of each underlying fund's NAV does not take place contemporaneously with the determination of the prices of many of the foreign portfolio securities used in the calculation. If events affecting the last determined values of

these foreign securities occur (determined through the monitoring process described above), the securities will be valued at fair value determined in good faith in accordance with the underlying fund's fair value procedures established and approved by the underlying fund's board of trustees.

Accounts with Low Balances

If your account has been open for more than one year and its value falls below $500, we will mail you a notice asking you to bring the account back up to its applicable minimum investment amount. If you choose not to do so within 30 days, we will close your account and mail the proceeds to the address of record. You will not be charged a CDSC if your account is closed for this reason. This policy does not apply to: (1) certain broker-controlled accounts established through the National Securities Clearing Corporation's Networking system; (2) Class A accounts established pursuant to a conversion from Class B; (3) tax-deferred retirement plan accounts; (4) active automatic investment plan accounts; (5) broker-dealer sponsored separately managed accounts (wrap accounts); (6) accounts held through a 529 college savings program; and (7) Coverdell Education Savings Plan accounts.

Statements, Reports and Prospectuses

You will receive quarterly account statements that show all your account transactions during the quarter. You also will receive written notification after each transaction affecting your account (except for distributions and transactions made through automatic investment or withdrawal programs, which will be reported on your quarterly statement).

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

If you choose, you may receive your statements, financial reports and prospectuses through electronic delivery (please see "Investor Services - Telephone/Online Privileges").

Investment Representative Account Access

If there is a dealer or other investment representative of record on your account, he or she will be able to obtain your account information, conduct transactions for your account, and also will receive copies of all notifications and statements and other information about your account directly from the Fund.

Street or Nominee Accounts

You may transfer your shares from the street or nominee name account of one dealer to another, as long as both dealers have an agreement with Distributors. We will process the transfer after we receive authorization in proper form from your delivering securities dealer.

Joint Accounts

Unless you specify a different registration, shares issued to two or more owners are registered as "joint tenants with rights of survivorship" (shown as "Jt Ten" on your account statement). To make any ownership changes to jointly owned shares, or to sever a joint tenancy in jointly owned shares, all owners must agree in writing.

Joint Account Risk with Telephone/Online Privileges

You will automatically receive telephone/online privileges when you open your account. If your account has more than one registered owner, telephone/online privileges allow the Fund to accept online registration for online services (including electronic delivery of shareholder documents) and transaction instructions online or by telephone from only one registered owner. This means that *any one registered owner on your account, acting alone and without the consent of any other registered owner*, may give the Fund instructions by telephone, online or in writing (subject to any limitations in telephone or online privileges) to:

- Exchange shares from a jointly registered Fund account requiring all registered owner signatures into an identically registered money fund account that only requires one registered owner's signature to redeem shares;
- Redeem Fund shares and direct the redemption proceeds to a pre-established bank account that may or may not be owned by you and, if owned by you jointly with someone else, only requires one person to withdraw funds by check or otherwise; and

- Purchase Fund shares by debiting a pre-established bank account that may be owned by you.

If you do NOT want another registered owner on your account to be able to issue these kinds of instructions to the Fund without your consent, you must instruct the Fund to deny/terminate online privileges and the ability to issue such instructions by telephone so that these types of instructions will only be accepted in writing signed by all account owners. This decision will apply to any other fund into which you may exchange your jointly owned Fund shares. Any later decision to permit these types of instructions by telephone and/or online will need to be given to the Fund in a written instruction signed by all registered owners.

Additional Policies

Please note that the Fund maintains additional policies and reserves certain rights, including:

- The Fund may restrict, reject or cancel any purchase orders, including an exchange request.
- The Fund may modify, suspend, or terminate telephone/online privileges at any time.
- The Fund may make material changes to or discontinue the exchange privilege on 60 days' notice or as otherwise provided by law.
- The Fund may stop offering shares completely or may offer shares only on a limited basis, for a period of time or permanently.
- Normally, redemptions are processed by the next business day, but may take up to seven days to be processed if making immediate payment would adversely affect the Fund.
- In unusual circumstances, we may temporarily suspend redemptions or postpone the payment of proceeds, as allowed by federal securities laws.
- For redemptions over a certain amount, the Fund may pay redemption proceeds in securities or other assets rather than cash if the investment manager determines it is in the best interest of the Fund, consistent with applicable law.
- You may only buy shares of a fund (including the purchase side of an exchange) eligible for sale in your state or jurisdiction.

- To permit investors to obtain the current price, dealers are responsible for transmitting all orders to the Fund promptly.

Dealer Compensation

Class A, C & R

Qualifying dealers who sell Fund shares may receive sales commissions and other payments. These are paid by Distributors from sales charges received from purchasing or redeeming shareholders, from distribution and service (12b-1) fees from the Fund and from Distributors' other financial resources. Dealers may also receive shareholder servicing fees for servicing investors who indirectly hold Franklin Templeton fund shares through dealer-maintained brokerage accounts as more fully described under "Shareholder servicing and transfer agent" of the "Management, Asset Allocation and Other Services" section in the SAI. These fees are paid by the Fund's transfer agent from payments it receives under its agreement with the Fund.

No dealer commission will be paid on Class A NAV purchases by Employer Sponsored Retirement Plans.

If any dealer commissions are paid in connection with a purchase which is subsequently rejected or results in any trading restriction placed on the purchaser as a result of a determination by the Fund's investment manager or transfer agent that the purchase may be connected with trading activity that may be detrimental to the Fund as described in the Fund's "Frequent Trading Policy," the dealer shall, upon demand, refund such commissions to Distributors.

	Class A	Class C	Class R
Commission (%)	—	1.00[1]	—
Investment under $50,000	5.00	—	—
$50,000 but under $100,000	3.75	—	—
$100,000 but under $250,000	2.80	—	—
$250,000 but under $500,000	2.00	—	—
$500,000 but under $1 million	1.60	—	—
$1 million or more	up to 1.00[2]	—	—
12b-1 fee to dealer	0.25[2, 3]	1.00[4]	0.50

1. Commission includes advance of the first year's 0.25% 12b-1 service fee. Distributors may pay a prepaid commission. However, Distributors does not pay a prepaid commission on any purchases by Employer Sponsored Retirement Plans.
2. For purchases at NAV where Distributors paid a prepaid commission, dealers may start to receive the 12b-1 fee in the 13th month after purchase. For purchases at NAV where Distributors did not pay a prepaid commission, dealers may start to receive the 12b-1 fee at the time of purchase.
3. Under the Distribution Plan for Class A, the Fund may pay up to 0.35% to Distributors or others, out of which 0.10% generally will be retained by Distributors for its distribution expenses. The board of trustees has currently determined to set such fees under the Plan at 0.30% (until further notice), thus reducing the amount that will be retained by Distributors.
4. Dealers may be eligible to receive up to 0.25% at the time of purchase and may be eligible to receive 1% starting in the 13th month. During the first 12 months, the full 12b-1 fee will be paid to Distributors to partially offset the commission and the prepaid service fee paid at the time of purchase. For purchases at NAV where Distributors did not pay a prepaid commission, dealers may start to receive the 12b-1 fee at the time of purchase.

Other dealer and financial intermediary compensation. Distributors may make payments (a portion of which may be reimbursable under the terms of the Fund's Rule 12b-1 distribution plans) to certain dealers who have sold shares of the Franklin Templeton mutual funds. In the case of any one dealer, marketing support payments will not exceed the sum of 0.08% of that dealer's current year's total sales of Franklin Templeton mutual funds, and 0.05% (or 0.03%) of the total assets of equity (or fixed income) funds attributable to that dealer, on an annual basis. Marketing support payments made to organizations located outside the U.S., with respect to investments in the Fund by non-U.S. persons, may exceed this limitation. Distributors makes these payments in connection with the qualifying dealers' efforts to educate financial advisors about the Franklin Templeton funds. Any current year sales to, or assets held on behalf of, Employer Sponsored Retirement Plans for which payment is made to a financial intermediary pursuant to the following paragraph will be excluded from the calculation of marketing support payments pursuant to this paragraph.

Except with respect to Class R6 shares, Distributors and/or its affiliates may also make payments (a portion of which may be reimbursable under the terms of the Fund's Rule 12b-1 distribution plans) to certain financial intermediaries in connection with their activities that are intended to assist in the sale of shares of the Franklin Templeton mutual funds, directly or indirectly, to certain Employer Sponsored Retirement Plans. In the case of any one financial intermediary, such payments will not exceed 0.10% of the total assets of Franklin Templeton mutual funds held, directly or indirectly, by such Employer Sponsored Retirement Plans, on an annual basis.

A number of factors will be considered in determining these payments, including the qualifying dealer or financial intermediary's sales, assets and redemption rates, the nature and quality of any servicing provided by the financial intermediary, and the quality of the dealer or financial intermediary's relationship with Distributors. Distributors will, on an annual basis, determine the advisability of continuing these payments. These payments may be in addition to any shareholder servicing fees paid by the Fund's transfer agent from payments it receives under its agreement with the Fund.

To the extent permitted by SEC and Financial Industry Regulatory Authority rules and other applicable laws and regulations, Distributors may pay or allow other promotional incentives or payments to dealers.

Sale of Fund shares, as well as shares of other funds in Franklin Templeton Investments, is not considered a factor in the selection of broker-dealers to execute the Fund's portfolio transactions. Accordingly, the allocation of portfolio transactions for execution by broker-dealers that sell Fund shares is not considered marketing support payments to such broker-dealers.

You can find further details in the SAI about the payments made by Distributors and the services provided by your financial advisor. Your financial advisor may charge you additional fees or commissions other than those disclosed in this prospectus. You should ask your financial advisor for information about any payments it receives from Distributors and any services it provides, as well as about fees and/or commissions it charges.

Questions

If you have any questions about the Fund or your account, you can write to us at P.O. Box 997151, Sacramento, CA 95899-7151. You also can call us at one of the following numbers. For your protection and to help ensure we provide you with quality service, all calls may be monitored or recorded.

Department Name	Telephone Number	Hours (Pacific time, Monday through Friday)
Shareholder Services	(800) 632-2301	5:30 a.m. to 5:00 p.m.
Fund Information	(800) DIAL BEN (800) 342-5236	5:30 a.m. to 5:00 p.m.
Retirement Services	(800) 527-2020	5:30 a.m. to 5:00 p.m.
Advisor Services	(800) 524-4040	5:30 a.m. to 5:00 p.m.
Hearing Impaired Assistance	For hearing impaired assistance, please contact us via a Relay Service.	
Automated Telephone System	(800) 632-2301 (800) 524-4040 (800) 527-2020	(around-the-clock access)

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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****. 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 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
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
Templeton Frontier Markets Fund

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

ASSET ALLOCATION
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 LifeSmart™ 2015 Retirement Target Fund[3]
Franklin LifeSmart™ 2025 Retirement Target Fund[3]
Franklin LifeSmart™ 2035 Retirement Target Fund[3]
Franklin LifeSmart™ 2045 Retirement Target Fund[3]
Franklin Templeton Global Allocation Fund
Franklin Templeton Multi-Asset Real Return Fund

FIXED INCOME
Franklin Adjustable U.S. Government Securities Fund[4]
Franklin Floating Rate Daily Access Fund
Franklin High Income Fund
Franklin Limited Maturity U.S. Government Securities Fund[4]
Franklin Low Duration Total Return Fund
Franklin Real Return Fund
Franklin Strategic Income Fund
Franklin Strategic Mortgage Portfolio
Franklin Templeton Hard Currency Fund
Franklin Total Return Fund
Franklin U.S. Government Securities Fund[4]
Templeton Emerging Markets Bond Fund
Templeton Global Bond Fund
Templeton Global Total Return Fund
Templeton International Bond Fund

TAX-FREE INCOME[5]
National
Double Tax-Free Income Fund[6]
Federal Tax-Free Income Fund
High Yield Tax-Free Income Fund
Insured Tax-Free Income Fund[7, 8]

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)[8]
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[9]

1. The fund is closed to new investors. Existing shareholders and select retirement plans can continue adding 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 May 1, 2013, 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.
4. An investment in the fund is neither insured nor guaranteed by the U.S. government or by any other entity or institution.
5. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.
6. The fund is closed to all new investments (other than reinvestment of dividends and capital gains distributions).
7. The fund invests primarily in insured municipal securities.
8. Effective at the close of market March 1, 2013, 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).
9. The funds of the Franklin Templeton Variable Insurance Products Trust are generally available only through insurance company variable contracts.

FOR MORE INFORMATION

You can learn more about the Fund in the following documents:

Annual/Semiannual Report to Shareholders

Includes a discussion of recent market conditions and Fund strategies that significantly affected Fund performance during its last fiscal year, financial statements, detailed performance information, portfolio holdings and, in the annual report only, the independent registered public accounting firm's report.

Statement of Additional Information (SAI)

Contains more information about the Fund, its investments and policies. It is incorporated by reference (is legally a part of this prospectus).

For a free copy of the current annual/semiannual report or the SAI, please contact your investment representative or call us at the number below. You also can view the current annual/semiannual report and the SAI online through franklintempleton.com.

You also can obtain information about the Fund by visiting the SEC's Public Reference Room in Washington, DC (phone (202) 551-8090) or the EDGAR Database on the SEC's Internet site at http://www.sec.gov. You can obtain copies of this information, after paying a duplicating fee, by writing to the SEC's Public Reference Section, Washington, DC 20549-1520 or by electronic request at the following email address: publicinfo@sec.gov.

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