JUNE 30, 2013

SEMIANNUAL REPORT AND SHAREHOLDER LETTER

Franklin LifeSmart™ 2015 Retirement Target Fund

Franklin LifeSmart™ 2025 Retirement Target Fund

Franklin LifeSmart™ 2035 Retirement Target Fund

Franklin LifeSmart™ 2045 Retirement Target Fund

(formerly, Franklin Templeton Retirement Target Funds)

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FRANKLIN TEMPLETON FUND ALLOCATOR SERIES



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Franklin Templeton Investments

Gain From Our Perspective®

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

SPECIALIZED EXPERTISE

Each of our portfolio management groups operates autonomously, relying on its own research and staying true to the unique investment disciplines that underlie its success.

Franklin. Founded in 1947, Franklin is a recognized leader in fixed income investing and also brings expertise in growth- and value-style U.S. equity investing.

Templeton. Founded in 1940, Templeton pioneered international investing and, in 1954, launched what has become the industry's oldest global fund. Today, with offices in over 25 countries, Templeton offers investors a truly global perspective.

Mutual Series. Founded in 1949, Mutual Series is dedicated to a unique style of value investing, searching aggressively for opportunity among what it believes are undervalued stocks, as well as arbitrage situations and distressed securities.

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Because our management groups work independently and adhere to different investment approaches, Franklin, Templeton and Mutual Series funds typically have distinct portfolios. That's why our funds can be used to build truly diversified allocation plans covering every major asset class.

RELIABILITY YOU CAN TRUST

At Franklin Templeton Investments, we seek to provide investors with strong risk-adjusted returns over the long term, as well as the reliable, accurate and personal service that has helped us become one of the most trusted names in financial services.

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



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Shareholder Letter

Dear Shareholder:

During the six-month period ended June 30, 2013, U.S. gross domestic product continued to grow as the drag of federal spending cuts and weak overseas demand was largely offset by the lift of encouraging trends in U.S. consumer spending, manufacturing, housing and employment. The growing U.S. economy enabled many companies to report record earnings. Although volatility arose late in the period when the Federal Reserve Board outlined plans to curtail Treasury purchases, U.S. stock and bond markets stabilized as investors refocused on positive economic and earnings reports. Amid rising investor and consumer confidence, certain U.S. stock indexes reached all-time high price levels in the second quarter of 2013.

We remain encouraged as the U.S. shows signs of continued economic expansion. With this positive economic environment, we believe companies generally should continue to deliver healthy earnings and cash flow, which have historically been favorable for stock prices. We also think equities look particularly interesting in an environment of low interest rates. Keep in mind in all economic environments we remain committed to our long-term perspective and disciplined investment approach. First and foremost for us, this means conducting rigorous, fundamental analysis of securities with a continual emphasis on investment risk management.

Franklin LifeSmart Retirement Target Funds' semiannual report goes into greater detail about prevailing conditions during the period under review. In addition, you will find Fund performance data, financial information and a discussion about our investments. Please remember all securities markets fluctuate, as do mutual fund share prices.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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

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

In our continuous effort to provide shareholders with the means to achieve their retirement goals, we are launching Franklin LifeSmart 2020, 2030, 2040 and 2050 Retirement Target Funds in July 2013 to reduce the gap between Funds from 10-year increments to five-year increments. To receive a summary prospectus and/or prospectus, please call (800) DIAL BEN/342-5236 or visit franklintempleton.com.

As a final note, after a distinguished career with Franklin Templeton Investments spanning six decades, Charles B. Johnson retired as chairman of the board of Franklin Templeton Fund Allocator Series in June 2013. Mr. Johnson oversaw the Trust as chairman and trustee for 18 years, as it sought to provide shareholders with a sound retirement planning tool through different economic and market cycles. We wish Charlie well on his retirement and thank him for his steady hand and long-term commitment to serving Franklin Templeton shareholders.

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

Sincerely,

Rupert H. Johnson, Jr.

Chairman

Franklin Templeton Fund Allocator Series

larger of Johnson

This letter reflects our analysis and opinions as of June 30, 2013. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.

Semiannual Report

Economic and Market Overview

Modest U.S. economic growth, as measured by gross domestic product, characterized the six-month period ended June 30, 2013. Increasing job creation helped lower the unemployment rate and absorb new job seekers, and consumer spending remained strong. Accelerating new and existing home sales accompanied record-low mortgage rates, affordable housing prices, low new-home inventories and a six-year low in U.S. foreclosures. Manufacturing, a mainstay of economic productivity, expanded every month except May.

Budgetary agreement between Congress and the President on January 1 preserved lower income tax rates for most U.S. households, but concerns remained about how the expired payroll tax cut, far-reaching federal spending cuts, and future federal debt ceiling negotiations could affect the U.S. economic recovery. Washington's lack of consensus on proposed expenditure reductions resulted in further across-the-board federal spending cuts starting in March. In May, Federal Reserve Board (Fed) Chairman Ben Bernanke said the Fed could gradually wind down its monthly purchases of mortgage-backed securities and Treasuries, assuming continued U.S. economic improvement. He clarified in June that such action could begin in the near future.

Amid these fiscal and monetary developments, a slow and steady U.S. recovery continued. U.S. stocks generated healthy returns as the Standard & Poor's® 500 Index and Dow Jones Industrial Average reached all-time highs during the period, even though Chairman Bernanke's statements sparked volatility. Rising corporate profits and generally favorable economic data bolstered investor confidence, but caution remained about the extent to which positive business and market results were dependent on continuation of the Fed's accommodative monetary policy.

The global economic recovery was mixed during the first half of 2013. Emerging markets continued to lead the recovery, although they showed signs of slowing. Growth in the U.S. and eurozone continued to be slow by the standards of previous recoveries. As fears eased surrounding the issues of sovereign debt in Europe, the possibility of another recession in the U.S., and a potential "hard landing" in China, financial market performance was positive. Improving sentiment, relatively strong fundamentals, and continued provision of global liquidity supported risk assets as equity markets performed well and

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bond prices generally declined. Policymakers in the largest developed economies increased their already unprecedented efforts to supply liquidity. Actions elsewhere in the world were mixed, with some policymakers less willing to reverse previous tightening efforts in response to the external environment.

Global developed and emerging market stocks, as measured by the MSCI All Country World Index, advanced during the first six months of 2013. Although emerging markets declined, the losses were more than offset by developed market gains. Regional performance was more consistent with local economic trends, although periodic volatility reflected the global economy's fragility. Given the rise in rates near period-end, longer duration U.S. Treasury and emerging market bond prices experienced meaningful price declines. In the second quarter, gold, traditionally a safe haven, posted its worst quarterly performance since 1974 as inflation expectations remained subdued and global commodities stayed under pressure. Investor sentiment improved in the last week of the period, and global stock prices rebounded from period lows after China's central bank intervened to calm the country's interbank market, positive economic reports helped stabilize Japanese government bond yields, and several Fed members reassured investors that the Fed's accommodative monetary policy would continue.

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Franklin LifeSmart 2015 Retirement Target Fund

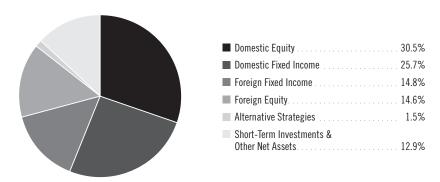
(formerly, Franklin Templeton 2015 Retirement Target Fund)

Your Fund's Goal and Main Investments: Franklin LifeSmart 2015 Retirement Target

Fund seeks the highest level of long-term total return, which consists of capital appreciation and income, consistent with the Fund's asset allocation. The Fund allocates among the broad asset classes of equity, fixed income and short-term (money market) investments by investing in a distinctly weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, with an increasing emphasis on income as the target date of 2015 approaches. The target date is the approximate retirement year of the investor.

Asset Allocation*

Franklin LifeSmart 2015 Retirement Target Fund Based on Total Net Assets as of 6/30/13



*The asset allocation is based on the Statement of Investments (SOI), which classifies each underlying fund and other fund investments into a broad asset class based on its predominant investments under normal market conditions.

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

This semiannual report for Franklin LifeSmart 2015 Retirement Target Fund covers the period ended June 30, 2013.

Performance Overview

Franklin LifeSmart 2015 Retirement Target Fund – Class A delivered a +2.55% cumulative total return for the six months ended June 30, 2013. By comparison,

1. Effective 7/1/13, the Fund will implement changes to its target allocations; short-term investment allocations will be combined into the fixed income fund target allocation. The Fund's investment goal will remain the same.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's SOI, which begins on page 43.

the Fund's equity benchmarks, the Standard & Poor's 500 Index (S&P 500®), a broad measure of U.S. stock performance, and the MSCI Europe, Australasia, Far East (EAFE) Index, which measures global stock performance for developed markets excluding the U.S. and Canada, generated total returns of +13.82% and +4.47%.2 The Fund's fixed income benchmark, the Barclays U.S. Aggregate Index, which tracks U.S. investment-grade bonds, had a -2.44% total return.² The Payden & Rygel 90 Day U.S. Treasury Bill Index, a proxy for short-term investments and other net assets, posted a +0.03% total return for the same period.² You can find the Fund's long-term performance data in the Performance Summary beginning on page 9.

Investment Strategy

When selecting equity funds, we consider the foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value) of the underlying Franklin Templeton funds and other fund investments (collectively, "fund investments"). When selecting fixed income funds, we focus primarily on maximizing income appropriate to the Fund's specific risk profile. In evaluating the risk level of the fund investments, we analyze such factors as: (a) relative and absolute performance, including correlations with other fund investments as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next). We attempt to invest the assets of each Target Fund in the same fund investments and will vary the fund investments' allocation percentages based upon each Fund's risk/return level. We change the Fund's target asset allocation over time, and it becomes increasingly conservative as the stated target date draws near. At the "landing point" (reached at the target date), the Fund reaches its most conservative asset allocation and thereafter, such strategic asset allocation will generally become fixed.

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Manager's Discussion

The Fund's performance can be attributed largely to its allocation among equities, fixed income securities, and short-term investments and other net assets, and to the actual performance of the fund investments. This allocation shifts every year, in accordance with the retirement date associated with the portfolio.

At period-end, Franklin LifeSmart 2015 Retirement Target Fund allocated 45.1% of total net assets to equity and 40.5% to fixed income. Domestic equity exposure was 67.6% of the total equity weighting, and foreign equity made up the balance. The portfolio was diversified across capitalization sizes and investment styles, and on June 30, 2013, we held shares in large-, midand small-capitalization equity funds, representing both growth and value styles. Franklin Rising Dividends Fund – Class R6, at 6.7% of the Fund's total net assets, was our largest equity fund weighting at period-end. On the fixed income side, domestic exposure was 63.5% of the Fund's total fixed income weighting, with the balance in foreign fixed income. Templeton Global Total Return Fund - Class R6 was our largest fixed income fund weighting at 12.4% of total net assets.

Our largest domestic growth fund holding, Franklin DynaTech Fund - Class R6, underperformed the S&P 500, while our largest domestic value fund holding, Franklin Rising Dividends Fund – Class R6, performed comparably to the index. Our largest foreign equity fund holding, Franklin International Small Cap Growth Fund - Class R6, outperformed the MSCI EAFE Index. On the fixed income side, Templeton Global Total Return Fund - Class R6 and Franklin U.S. Government Securities Fund - Class R6 performed better than the Barclays U.S. Aggregate Index.

Top 10 Fund Holdings

Franklin LifeSmart 2015 Retirement Target Fund 6/30/13

	% of Total Net Assets
Templeton Global Total Return Fund Class R6	- 12.4%
Franklin U.S. Government Securities Fund — Class R6	12.0%
Franklin Total Return Fund — Class F	8.6%
Franklin Rising Dividends Fund — Class R6	6.7%
Franklin DynaTech Fund — Class R6	6.6%
Franklin International Small Cap Gro Fund — Class R6	owth 5.6%
Franklin Growth Fund — Class R6	3.5%
iShares iBoxx \$ Investment Grade Corporate Bond Fund (Exchange	
Traded Fund)	3.4%
Franklin Utilities Fund — Class R6	3.0%
Mutual European Fund — Class R6	2.8%

Thank you for your continued participation in Franklin LifeSmart 2015 Retirement Target Fund. We look forward to serving your future investment needs.



T. Anthony Coffey, CFA



Thomas A. Nelson, CFA

Portfolio Managers Franklin LifeSmart 2015 Retirement Target Fund

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The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2013, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Performance Summary as of 6/30/13

Franklin LifeSmart 2015 Retirement Target Fund

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

Price and Distribution Information

Class A (Symbol: FTRAX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.10	\$11.77	\$11.67
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0529			
Long-Term Capital Gain	\$0.1447			
Total	\$0.1976			
Class C (Symbol: FRTCX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.08	\$11.65	\$11.57
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0345			
Long-Term Capital Gain	\$0.1447			
Total	\$0.1792			
Class R (Symbol: n/a)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.09	\$11.73	\$11.64
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0482			
Long-Term Capital Gain	\$0.1447			
Total	\$0.1929			
Class R6 (Symbol: n/a)		Change	6/30/13	5/1/13
Net Asset Value (NAV)		-\$0.36	\$11.81	\$12.17
Distributions (5/1/13-6/30/13)				
Long-Term Capital Gain	\$0.1447			
Advisor Class (Symbol: n/a)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.11	\$11.81	\$11.70
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0610			
Long-Term Capital Gain	\$0.1447			
Total	\$0.2057			

Performance Summary (continued)

Performance¹

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

Class A	6-Month	1-Year	5-Year	Inception (8/1/06)
Cumulative Total Return ²	+2.55%	+8.46%	+28.30%	+42.90%
Average Annual Total Return ³	-3.33%	+2.25%	+3.88%	+4.40%
Value of \$10,000 Investment ⁴	\$9,667	\$10,225	\$12,096	\$13,468
Total Annual Operating Expenses ⁵				
Without Waiver		1.41%		
With Waiver		0.89%		
Class C	6-Month	1-Year	5-Year	Inception (8/1/06)
Cumulative Total Return ²	+2.25%	+7.70%	+23.93%	+36.23%
Average Annual Total Return ³	+1.25%	+6.70%	+4.38%	+4.57%
Value of \$10,000 Investment ⁴	\$10,125	\$10,670	\$12,393	\$13,623
Total Annual Operating Expenses ⁵				
Without Waiver		2.11%		
With Waiver		1.59%		
Class R	6-Month	1-Year	5-Year	Inception (8/1/06)
Cumulative Total Return ²	+2.43%	+8.18%	+26.90%	+40.83%
Average Annual Total Return ³	+2.43%	+8.18%	+4.88%	+5.08%
Value of \$10,000 Investment ⁴	\$10,243	\$10,818	\$12,690	\$14,083
Total Annual Operating Expenses ⁵				
Without Waiver		1.61%		
With Waiver		1.09%		
Class R6				Inception (5/1/13)
Cumulative Total Return ²				-1.68%
Aggregate Total Return ⁶				-1.68%
Value of \$10,000 Investment ⁴				\$9,832
Total Annual Operating Expenses ⁵				
Without Waiver		0.99%		
With Waiver		0.54%		
Advisor Class	6-Month	1-Year	5-Year	Inception (8/1/06)
Cumulative Total Return ²	+2.70%	+8.76%	+30.22%	+45.96%
Average Annual Total Return ³	+2.70%	+8.76%	+5.42%	+5.62%
Value of \$10,000 Investment ⁴	\$10,270	\$10,876	\$13,022	\$14,596
Total Annual Operating Expenses ⁵				
Without Waiver		1.11%		
With Waiver		0.59%		

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

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 nonroutine expenses), until 4/30/14.

Performance Summary (continued)

Endnotes

All investments involve risks, including possible loss of principal. It is important to note that the principal value of the Fund will fluctuate and is not guaranteed at any time, including at or after the stated target date for the Fund, nor is there any guarantee that the Fund will provide sufficient income, at or through the investor's retirement. Generally, investors should be comfortable with fluctuation in the value of their investments, especially over the short term. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. Because the Fund invests in underlying funds, which may engage in a variety of investment strategies involving certain risks, the Fund may be subject to those same risks. These risks are described more fully in the Fund's prospectus. Investors should consult their financial advisors for help selecting the appropriate fund of funds, or fund combination, based on an evaluation of their investment objectives, retirement time horizons and risk tolerance. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

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

Class R: Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and

expenses than Class A shares.

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

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

- 1. Fund investment results reflect the expense reduction, without which the results would have been lower. As of 5/1/11, the Fund's glide path was modified, and among other changes, reflects a lower starting allocation to equity funds; such a change can impact performance.
- 2. Cumulative total return represents the change in value of an investment over the periods indicated.
- 3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
- 4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
- 5. Figures are as stated in the current prospectus and include the effect of acquired fund fees and expenses. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 6. Aggregate total return represents the change in value of an investment for the period indicated. Since Class R6 shares have existed for less than one year, average annual total return is not available.

Your Fund's Expenses

Franklin LifeSmart 2015 Retirement Target Fund

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

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

Actual Fund Expenses

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. Of course, your account value and expenses will differ from those in this illustration:

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

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

Hypothetical Example for Comparison with Other Funds

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

Your Fund's Expenses (continued)

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

Class A	Beginning Account Value 1/1/13	Ending Account Value 6/30/13	Expenses Paid During Period* 1/1/13-6/30/13	Expenses Paid During Period** 1/1/13-6/30/13
Actual	\$1,000	\$1,025.50	\$1.96	\$5.22
Hypothetical (5% return before expenses)	\$1,000	\$1,022.86	\$1.96	\$5.21
Class C				
Actual	\$1,000	\$1,022.50	\$5.47	\$8.73
Hypothetical (5% return before expenses)	\$1,000	\$1,019.39	\$5.46	\$8.70
Class R				
Actual	\$1,000	\$1,024.30	\$3.01	\$6.27
Hypothetical (5% return before expenses)	\$1,000	\$1,021.82	\$3.01	\$6.26
Class R6				
Actual (5/1/13-6/30/13)	\$1,000	\$ 983.20	\$0.00	\$1.08
Hypothetical (5% return before expenses)	\$1,000	\$1,024.30	\$0.00	\$3.26
Advisor Class				
Actual	\$1,000	\$1,027.00	\$0.50	\$3.77
Hypothetical (5% return before expenses)	\$1,000	\$1,024.30	\$0.50	\$3.76

^{*}Expenses are calculated using the most recent six-month expense ratio excluding expenses of the fund investments, net of expense waivers, annualized for each class (A: 0.39%; C: 1.09%; R: 0.60%; R6: 0.00%; and Advisor: 0.10%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period for Class R6 Hypothetical expenses and Actual and Hypothetical expenses for Classes A, C, R and Advisor. The multiplier is 61/365 for Actual Class R6 expenses to reflect the number of days since inception. Effective 5/1/13, the expense waivers for Classes A, C, R and Advisor changed and the new annualized net expense ratios excluding expenses of the fund investments for each class were: A: 0.35%; C: 1.05%, R: 0.55% and Advisor: 0.05%. Had such expense waivers been in effect for the full period, the expenses paid during the period would have been:

	Hypothetical		
	Actual	(5% return before expenses)	
Class A	\$1.76	\$1.76	
Class C	\$5.27	\$5.26	
Class R	\$2.76	\$2.76	
Advisor Class	\$0.25	\$0.25	

^{**}Expenses are calculated using the most recent six-month expense ratio including expenses of the fund investments, net of expense waivers, annualized for each class (A: 1.04%; C: 1.74%; R: 1.25%; R6: 0.65%; and Advisor: 0.75%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period for Class R6 Hypothetical expenses and Actual and Hypothetical expenses for Classes A, C, R and Advisor. The multiplier is 61/365 for Actual Class R6 expenses to reflect the number of days since inception. Effective 5/1/13, the expense waivers for Classes A, C, R and Advisor changed and the new annualized net expense ratios including expenses of the fund investments, which were also restated to reflect current fees and expenses for each class were: A: 0.94%; C: 1.64%, R: 1.14% and Advisor: 0.64%. Had such expense waivers been in effect for the full period, the expenses paid during the period would have been:

	Actual	Hypothetical (5% return before expenses)
Class A	\$4.72 \$8.22 \$5.72 \$3.22	\$4.71 \$8.20 \$5.71 \$3.21

Franklin LifeSmart 2025 Retirement Target Fund

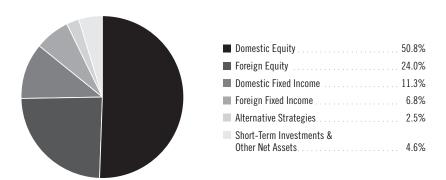
(formerly, Franklin Templeton 2025 Retirement Target Fund)

Your Fund's Goal and Main Investments: Franklin LifeSmart 2025 Retirement Target

Fund seeks the highest level of long-term total return, which consists of capital appreciation and income, consistent with the Fund's asset allocation. The Fund allocates among the broad asset classes of equity, fixed income and short-term (money market) investments by investing in a distinctly weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, with an increasing emphasis on income as the target date of 2025 approaches. The target date is the approximate retirement year of the investor.

Asset Allocation*

Franklin LifeSmart 2025 Retirement Target Fund Based on Total Net Assets as of 6/30/13



^{*}The asset allocation is based on the Statement of Investments (SOI), which classifies each underlying fund and other fund investments into a broad asset class based on its predominant investments under normal market conditions.

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

This semiannual report for Franklin LifeSmart 2025 Retirement Target Fund covers the period ended June 30, 2013.

Performance Overview

Franklin LifeSmart 2025 Retirement Target Fund – Class A delivered a +4.97% cumulative total return for the six months ended June 30, 2013. By comparison, the Fund's equity benchmarks, the Standard & Poor's 500 Index (S&P 500), a

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's SOI, which begins on page 50.

^{1.} Effective 7/1/13, the Fund will implement changes to its target allocations; short-term investment allocations will be combined into the fixed income fund target allocation. The Fund's investment goal will remain the same.

broad measure of U.S. stock performance, and the MSCI Europe, Australasia, Far East (EAFE) Index, which measures global stock performance for developed markets excluding the U.S. and Canada, generated total returns of +13.82% and +4.47%.2 The Fund's fixed income benchmark, the Barclays U.S. Aggregate Index, which tracks U.S. investment-grade bonds, had a -2.44% total return.² The Payden & Rygel 90 Day U.S. Treasury Bill Index, a proxy for short-term investments and other net assets, posted a +0.03% total return for the same period.² You can find the Fund's long-term performance data in the Performance Summary beginning on page 17.

Investment Strategy

When selecting equity funds, we consider the foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value) of the underlying Franklin Templeton funds and other fund investments (collectively, "fund investments"). When selecting fixed income funds, we focus primarily on maximizing income appropriate to the Fund's specific risk profile. In evaluating the risk level of the fund investments, we analyze such factors as: (a) relative and absolute performance, including correlations with other fund investments as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next). We attempt to invest the assets of each Target Fund in the same fund investments and will vary the fund investments' allocation percentages based upon each Fund's risk/return level. We change the Fund's target asset allocation over time, and it becomes increasingly conservative as the stated target date draws near. At the "landing point" (reached at the target date), the Fund reaches its most conservative asset allocation and thereafter, such strategic asset allocation will generally become fixed.

Manager's Discussion

The Fund's performance can be attributed largely to its allocation among equities, fixed income securities, and short-term investments and other net assets, and to the actual performance of the fund investments. This allocation shifts every year, in accordance with the retirement date associated with the portfolio.

At period-end, Franklin LifeSmart 2025 Retirement Target Fund allocated 74.8% of total net assets to equity and 18.1% to fixed income. Domestic equity exposure was 67.9% of the total equity weighting, and foreign equity made up the balance. The portfolio was diversified across capitalization sizes and investment styles, and on June 30, 2013, we held shares in large-, mid- and

Top 10 Fund Holdings

Franklin LifeSmart 2025 Retirement Target Fund 6/30/13

	% of Total Net Assets
Franklin DynaTech Fund — Class R6	11.6%
Franklin Rising Dividends Fund — Class R6	11.6%
Franklin International Small Cap Gro Fund — Class R6	wth 9.6%
Templeton Global Total Return Fund - Class R6	5.7%
Franklin Growth Fund — Class R6	5.5%
Franklin U.S. Government Securities Fund — Class R6	5.2%
Franklin Utilities Fund — Class R6	4.9%
Mutual European Fund — Class R6	4.9%
iShares Core S&P 500 (Exchange Trac Fund)	ded 4.0%
Franklin Total Return Fund — Class R	6 3.7%

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small-capitalization equity funds, representing both growth and value styles. Franklin DynaTech Fund - Class R6 and Franklin Rising Dividends Fund -Class R6, each at 11.6% of the Fund's total net assets, were our largest equity fund weightings at period-end. On the fixed income side, domestic exposure was 62.4% of the Fund's total fixed income weighting, with the balance in foreign fixed income. Templeton Global Total Return Fund – Class R6 was our largest fixed income fund weighting at 5.7% of total net assets.

Our largest domestic growth fund holding, Franklin DynaTech Fund – Class R6, underperformed the S&P 500, while our largest domestic value fund holding, Franklin Rising Dividends Fund – Class R6, performed comparably to the index. Our largest foreign equity fund holding, Franklin International Small Cap Growth Fund - Class R6, outperformed the MSCI EAFE Index. On the fixed income side, Templeton Global Total Return Fund - Class R6 and Franklin U.S. Government Securities Fund – Class R6 performed better than the Barclays U.S. Aggregate Index.

Thank you for your continued participation in Franklin LifeSmart 2025 Retirement Target Fund. We look forward to serving your future investment needs.



T. Anthony Coffey, CFA



Thomas A. Nelson, CFA

Portfolio Managers Franklin LifeSmart 2025 Retirement Target Fund

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2013, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Performance Summary as of 6/30/13

Franklin LifeSmart 2025 Retirement Target Fund

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

Price and Distribution Information

Class A (Symbol: FTRTX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.41	\$11.52	\$11.11
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0353			
Long-Term Capital Gain	\$0.1057			
Total	\$0.1410			
Class C (Symbol: FTTCX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.39	\$11.36	\$10.97
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0165			
Long-Term Capital Gain	\$0.1057			
Total	\$0.1222			
Class R (Symbol: n/a)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.41	\$11.48	\$11.07
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0300			
Long-Term Capital Gain	\$0.1057			
Total	\$0.1357			
Class R6 (Symbol: n/a)		Change	6/30/13	5/1/13
Net Asset Value (NAV)		-\$0.19	\$11.55	\$11.74
Distributions (5/1/13-6/30/13)				
Long-Term Capital Gain	\$0.1057			
Advisor Class (Symbol: n/a)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.43	\$11.55	\$11.12
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0431			
Long-Term Capital Gain	\$0.1057			
Total	\$0.1488			

Performance Summary (continued)

Performance¹

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

Class A	6-Month	1-Year	5-Year	Inception (8/1/06)
Cumulative Total Return ²	+4.97%	+12.05%	+25.71%	+38.74%
Average Annual Total Return ³	-1.09%	+5.64%	+3.45%	+3.96%
Value of \$10,000 Investment ⁴	\$9,891	\$10,564	\$11,851	\$13,076
Total Annual Operating Expenses ⁵				
Without Waiver		1.48%		
With Waiver		0.93%		
Class C	6-Month	1-Year	5-Year	Inception (8/1/06)
Cumulative Total Return ²	+4.68%	+11.24%	+21.28%	+32.22%
Average Annual Total Return ³	+3.68%	+10.24%	+3.93%	+4.12%
Value of \$10,000 Investment ⁴	\$10,368	\$11,024	\$12,128	\$13,222
Total Annual Operating Expenses ⁵				
Without Waiver		2.18%		
With Waiver		1.63%		
Class R	6-Month	1-Year	5-Year	Inception (8/1/06)
Cumulative Total Return ²	+4.94%	+11.86%	+24.37%	+36.84%
Average Annual Total Return ³	+4.94%	+11.86%	+4.46%	+4.64%
Value of \$10,000 Investment ⁴	\$10,494	\$11,186	\$12,437	\$13,684
Total Annual Operating Expenses ⁵				
Without Waiver		1.68%		
With Waiver		1.13%		
Class R6				Inception (5/1/13)
Cumulative Total Return ²				-0.71%
Aggregate Total Return ⁶				-0.71%
Value of \$10,000 Investment ⁴				\$9,929
Total Annual Operating Expenses ⁵				
Without Waiver		1.01%		
With Waiver		0.58%		
Advisor Class	6-Month	1-Year	5-Year	Inception (8/1/06)
Cumulative Total Return ²	+5.21%	+12.41%	+27.58%	+41.57%
Average Annual Total Return ³	+5.21%	+12.41%	+4.99%	+5.16%
Value of \$10,000 Investment ⁴	\$10,521	\$11,241	\$12,758	\$14,157
Total Annual Operating Expenses ⁵				
Without Waiver		1.18%		
With Waiver		0.63%		

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

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 nonroutine expenses) until 4/30/14.

Performance Summary (continued)

Endnotes

All investments involve risks, including possible loss of principal. It is important to note that the principal value of the Fund will fluctuate and is not guaranteed at any time, including at or after the stated target date for the Fund, nor is there any guarantee that the Fund will provide sufficient income, at or through the investor's retirement. Generally, investors should be comfortable with fluctuation in the value of their investments, especially over the short term. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. Because the Fund invests in underlying funds, which may engage in a variety of investment strategies involving certain risks, the Fund may be subject to those same risks. These risks are described more fully in the Fund's prospectus. Investors should consult their financial advisors for help selecting the appropriate fund of funds, or fund combination, based on an evaluation of their investment objectives, retirement time horizons and risk tolerance. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

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

Class R: Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and

expenses than Class A shares.

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

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

- 1. Fund investment results reflect the expense reduction, without which the results would have been lower. As of 5/1/11, the Fund's glide path was modified, and among other changes, reflects a lower starting allocation to equity funds; such a change can impact performance.
- 2. Cumulative total return represents the change in value of an investment over the periods indicated.
- 3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
- 4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
- 5. Figures are as stated in the current prospectus and include the effect of acquired fund fees and expenses. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 6. Aggregate total return represents the change in value of an investment for the period indicated. Since Class R6 shares have existed for less than one year, average annual total return is not available.

Your Fund's Expenses

Franklin LifeSmart 2025 Retirement Target Fund

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

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

Actual Fund Expenses

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. Of course, your account value and expenses will differ from those in this illustration:

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

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

Hypothetical Example for Comparison with Other Funds

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

Your Fund's Expenses (continued)

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

Class A	Beginning Account Value 1/1/13	Ending Account Value 6/30/13	Expenses Paid During Period* 1/1/13-6/30/13	Expenses Paid During Period** 1/1/13-6/30/13
Actual	\$1,000	\$1,049.70	\$2.08	\$5.71
Hypothetical (5% return before expenses)	\$1,000	\$1,022.76	\$2.06	\$5.62
Class C				
Actual	\$1,000	\$1,046.80	\$5.63	\$9.25
Hypothetical (5% return before expenses)	\$1,000	\$1,019.29	\$5.56	\$9.11
Class R				
Actual	\$1,000	\$1,049.40	\$3.10	\$6.72
Hypothetical (5% return before expenses)	\$1,000	\$1,021.77	\$3.06	\$6.62
Class R6				
Actual (5/1/13-6/30/13)	\$1,000	\$ 992.90	\$0.00	\$1.19
Hypothetical (5% return before expenses)	\$1,000	\$1,024.25	\$0.00	\$3.57
Advisor Class				
Actual	\$1,000	\$1,052.10	\$0.56	\$4.19
Hypothetical (5% return before expenses)	\$1,000	\$1,024.25	\$0.55	\$4.13

^{*}Expenses are calculated using the most recent six-month expense ratio excluding expenses of the fund investments, net of expense waivers, annualized for each class (A: 0.41%; C: 1.11%; R: 0.61%; R6: 0.00%; and Advisor: 0.11%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period for Class R6 Hypothetical expenses and Actual and Hypothetical expenses for Classes A, C, R and Advisor. The multiplier is 61/365 for Actual Class R6 expenses to reflect the number of days since inception. Effective 5/1/13, the expense waivers for Classes A, C, R and Advisor changed and the new annualized net expense ratios excluding expenses of the fund investments for each class were: A: 0.35%; C: 1.05%, R: 0.55% and Advisor: 0.05%. Had such expense waivers been in effect for the full period, the expenses paid during the period would have been:

	Actual	Hypothetical (5% return before expenses)
Class A	\$1.78	\$1.76
Class C	\$5.33	\$5.26
Class R	\$2.79	\$2.76
Advisor Class	\$0.25	\$0.25

^{**}Expenses are calculated using the most recent six-month expense ratio including expenses of the fund investments, net of expense waivers, annualized for each class (A: 1.12%; C: 1.82%; R: 1.32%; R6: 0.71%; and Advisor: 0.82%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period for Class R6 Hypothetical expenses and Actual and Hypothetical expenses for Classes A, C, R and Advisor. The multiplier is 61/365 for Actual Class R6 expenses to reflect the number of days since inception. Effective 5/1/13, the expense waivers for Classes A, C, R and Advisor changed and the new annualized net expense ratios including expenses of the fund investments, which were also restated to reflect current fees and expenses for each class were: A: 0.99%; C: 1.69%, R: 1.19% and Advisor: 0.69%. Had such expense waivers been in effect for the full period, the expenses paid during the period would have been:

	Hypothetical Actual (5% return before expenses		
Class A	\$5.03	\$4.96	
Class C	\$8.58	\$8.45	
Class R	\$6.05	\$5.96	
Advisor Class	\$3.51	\$3.46	

Franklin LifeSmart 2035 Retirement Target Fund

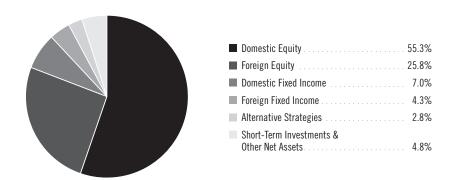
(formerly, Franklin Templeton 2035 Retirement Target Fund)

Your Fund's Goal and Main Investments: Franklin LifeSmart 2035 Retirement Target

Fund seeks the highest level of long-term total return, which consists of capital appreciation and income, consistent with the Fund's asset allocation. The Fund allocates among the broad asset classes of equity, fixed income and short-term (money market) investments by investing in a distinctly weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, with an increasing emphasis on income as the target date of 2035 approaches. The target date is the approximate retirement year of the investor.

Asset Allocation*

Franklin LifeSmart 2035 Retirement Target Fund Based on Total Net Assets as of 6/30/13



^{*}The asset allocation is based on the Statement of Investments (SOI), which classifies each underlying fund and other fund investments into a broad asset class based on its predominant investments under normal market conditions.

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

This semiannual report for Franklin LifeSmart 2035 Retirement Target Fund covers the period ended June 30, 2013.

Performance Overview

Franklin LifeSmart 2035 Retirement Target Fund – Class A delivered a +5.75% cumulative total return for the six months ended June 30, 2013. By comparison, the Fund's equity benchmarks, the Standard & Poor's 500 Index (S&P 500), a

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's SOI, which begins on page 57.

^{1.} Effective 7/1/13, the Fund will implement changes to its target allocations; short-term investment allocations will be combined into the fixed income fund target allocation. The Fund's investment goal will remain the same.

broad measure of U.S. stock performance, and the MSCI Europe, Australasia, Far East (EAFE) Index, which measures global stock performance for developed markets excluding the U.S. and Canada, generated total returns of +13.82% and +4.47%.² The Fund's fixed income benchmark, the Barclays U.S. Aggregate Index, which tracks U.S. investment-grade bonds, had a -2.44% total return.² The Payden & Rygel 90 Day U.S. Treasury Bill Index, a proxy for short-term investments and other net assets, posted a +0.03% total return for the same period.² You can find the Fund's long-term performance data in the Performance Summary beginning on page 25.

Investment Strategy

When selecting equity funds, we consider the foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value) of the underlying Franklin Templeton funds and other fund investments (collectively, "fund investments"). When selecting fixed income funds, we focus primarily on maximizing income appropriate to the Fund's specific risk profile. In evaluating the risk level of the fund investments, we analyze such factors as: (a) relative and absolute performance, including correlations with other fund investments as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next). We attempt to invest the assets of each Target Fund in the same fund investments and will vary the fund investments' allocation percentages based upon each Fund's risk/return level. We change the Fund's target asset allocation over time, and it becomes increasingly conservative as the stated target date draws near. At the "landing point" (reached at the target date), the Fund reaches its most conservative asset allocation and thereafter, such strategic asset allocation will generally become fixed.

Manager's Discussion

The Fund's performance can be attributed largely to its allocation among equities, fixed income securities, and short-term investments and other net assets, and to the actual performance of the fund investments. This allocation shifts every year, in accordance with the retirement date associated with the portfolio.

At period-end, Franklin LifeSmart 2035 Retirement Target Fund allocated 81.1% of total net assets to equity, and 11.3% to fixed income. Domestic equity exposure was 68.2% of the total equity weighting, and foreign equity made up the balance. The portfolio was diversified across capitalization sizes

Top 10 Fund Holdings

Franklin LifeSmart 2035 Retirement Target Fund 6/30/13

	% of Total Net Assets
Franklin DynaTech Fund — Class R6	12.5%
Franklin Rising Dividends Fund — Class R6	12.5%
Franklin International Small Cap Gro Fund — Class R6	owth 10.0%
Franklin Growth Fund — Class R6	6.4%
Franklin Utilities Fund — Class R6	5.5%
Mutual European Fund — Class R6	5.2%
iShares Core S&P 500 (Exchange Tra Fund)	ded 4.4%
Franklin Flex Cap Growth Fund — Class R6	4.0%
Templeton Global Total Return Fund Class R6	3.6%
Templeton Frontier Markets Fund — Class R6	3.0%

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and investment styles, and on June 30, 2013, we held shares in large-, mid- and small-capitalization equity funds, representing both growth and value styles. Franklin DynaTech Fund - Class R6 and Franklin Rising Dividends Fund -Class R6, each at 12.5% of the Fund's total net assets, were our largest equity fund weightings at period-end. On the fixed income side, domestic exposure was 61.9% of the Fund's total fixed income weighting, with the balance in foreign fixed income. Templeton Global Total Return Fund - Class R6 was our largest fixed income fund weighting at 3.6% of total net assets.

Our largest domestic growth fund holding, Franklin DynaTech Fund – Class R6, underperformed the S&P 500, while our largest domestic value fund holding, Franklin Rising Dividends Fund – Class R6, performed comparably to the index. Our largest foreign equity fund holding, Franklin International Small Cap Growth Fund - Class R6, outperformed the MSCI EAFE Index. On the fixed income side, Templeton Global Total Return Fund – Class R6 performed better than the Barclays U.S. Aggregate Index.

Thank you for your continued participation in Franklin LifeSmart 2035 Retirement Target Fund. We look forward to serving your future investment needs.



T. Anthony Coffey, CFA



Thomas A. Nelson, CFA

Portfolio Managers Franklin LifeSmart 2035 Retirement Target Fund

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2013, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Performance Summary as of 6/30/13

Franklin LifeSmart 2035 Retirement Target Fund

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

Price and Distribution Information

Net Asset Value (NAV)	Class A (Symbol: FRTAX)		Change	6/30/13	12/31/12
Dividend Income \$0.0007	Net Asset Value (NAV)		+\$0.48	\$11.49	\$11.01
Long-Term Capital Gain	Distributions (1/1/13-6/30/13)				
Total \$0.1522 Class C (Symbol: FTRCX) Change (5/30/13) 12/31/12 Net Asset Value (NAV) +\$0.42 \$11.27 \$10.85 Distributions (1/1/13-6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515 Total \$0.1522 Class R (Symbol: n/a) Change (6/30/13) 12/31/12 Net Asset Value (NAV) +\$0.46 \$11.47 \$11.01 Distributions (1/1/13-6/30/13) Class R6 (Symbol: n/a) Change (6/30/13) 5/11/13 Net Asset Value (NAV) -\$0.21 \$11.56 \$11.77 Distributions (5/1/13-6/30/13) Dividend Income \$0.0001 Long-Term Capital Gain \$0.1515 Change (6/30/13) 12/31/12 Net Asset Value (NAV) +\$0.49 \$11.56 \$11.07 Distributions (1/1/13-6/30/13) Change (6/30/13) \$11.07 Distributions (1/1/13-6/30/13) \$0.0007 \$0.0007 \$0.0007 Long-Term Capital Gain \$0.1515 \$0.0007	Dividend Income	\$0.0007			
Class C (Symbol: FTRCX) Change 6/30/13 12/31/12 Net Asset Value (NAV) +\$0.42 \$11.27 \$10.85 Distributions (1/1/13–6/30/13) 50.0007	Long-Term Capital Gain	\$0.1515			
Net Asset Value (NAV)	Total	\$0.1522			
Distributions (1/1/13–6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515 Total \$0.1522 Class R (Symbol: n/a) \$0.8007 Net Asset Value (NAV) \$0.466 \$11.47 \$11.01 Distributions (1/1/13–6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515 Total \$0.1522 Class R6 (Symbol: n/a) \$0.8007 Long-Term Capital Gain \$0.1515 Total \$0.1522 Class R6 (Symbol: n/a) \$0.0007 Long-Term Capital Gain \$0.1515 Total \$0.1515 Total \$0.1516 Advisor Class (Symbol: n/a) \$0.1516 Total \$0.1516 Advisor Class (Symbol: n/a) \$0.1516 Distributions (1/1/13–6/30/13) Dividend Income \$0.0001 Long-Term Capital Gain \$0.1516 Advisor Class (Symbol: n/a) \$0.1516 Distributions (1/1/13–6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515	Class C (Symbol: FTRCX)		Change	6/30/13	12/31/12
Dividend Income \$0.0007	Net Asset Value (NAV)		+\$0.42	\$11.27	\$10.85
Class R (Symbol: n/a) So.1515 Total So.1522 Class R (Symbol: n/a) Change 6/30/13 12/31/12 Net Asset Value (NAV) +\$0.46 \$11.47 \$11.01 Distributions (1/1/13–6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515 Total So.1522 Class R6 (Symbol: n/a) Change 6/30/13 5/1/13 Net Asset Value (NAV) -\$0.21 \$11.56 \$11.77 Distributions (5/1/13–6/30/13) Dividend Income \$0.0001 Long-Term Capital Gain \$0.1515 Total \$0.1516 Advisor Class (Symbol: n/a) Change 6/30/13 12/31/12 Net Asset Value (NAV) +\$0.49 \$11.56 \$11.07 Distributions (1/1/13–6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515 Change 6/30/13 12/31/12 Net Asset Value (NAV) +\$0.49 \$11.56 \$11.07 Distributions (1/1/13–6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515	Distributions (1/1/13-6/30/13)				
Total \$0.1522 Class R (Symbol: n/a) Change (30/13) 12/31/12 Net Asset Value (NAV) +\$0.46 \$11.47 \$11.01 Distributions (1/1/13-6/30/13) " **1.47 \$11.01 Dividend Income \$0.0007 **2.20 Long-Term Capital Gain \$0.1515 **2.20 <th< td=""><td>Dividend Income</td><td>\$0.0007</td><td></td><td></td><td></td></th<>	Dividend Income	\$0.0007			
Class R (Symbol: n/a) Change (6/30/13) 12/31/12 Net Asset Value (NAV) +\$0.46 \$11.47 \$11.01 Distributions (1/1/13-6/30/13) Dividend Income \$0.0007	Long-Term Capital Gain	\$0.1515			
Net Asset Value (NAV)	Total	\$0.1522			
Distributions (1/1/13–6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515 Total \$0.1522 Class R6 (Symbol: n/a) Change 6/30/13 5/1/13 Net Asset Value (NAV) -\$0.21 \$11.56 \$11.77 Distributions (5/1/13–6/30/13) 5/1/13	Class R (Symbol: n/a)		Change	6/30/13	12/31/12
Dividend Income \$0.0007	Net Asset Value (NAV)		+\$0.46	\$11.47	\$11.01
Total \$0.1515 Total \$0.1522 Class R6 (Symbol: n/a) Change 6/30/13 5/1/13 Net Asset Value (NAV) -\$0.21 \$11.56 \$11.77 Distributions (5/1/13-6/30/13) Dividend Income \$0.0001 Long-Term Capital Gain \$0.1515 Total \$0.1516 Advisor Class (Symbol: n/a) Change 6/30/13 12/31/12 Net Asset Value (NAV) +\$0.49 \$11.56 \$11.07 Distributions (1/1/13-6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515	Distributions (1/1/13-6/30/13)				
Total \$0.1522 Class R6 (Symbol: n/a) Change 6/30/13 5/1/13 Net Asset Value (NAV) -\$0.21 \$11.56 \$11.77 Distributions (5/1/13-6/30/13) Dividend Income \$0.0001 Long-Term Capital Gain \$0.1515 Total \$0.1516 Advisor Class (Symbol: n/a) Change 6/30/13 12/31/12 Net Asset Value (NAV) +\$0.49 \$11.56 \$11.07 Distributions (1/1/13-6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515	Dividend Income	\$0.0007			
Class R6 (Symbol: n/a) Change 6/30/13 5/1/13 Net Asset Value (NAV) -\$0.21 \$11.56 \$11.77 Distributions (5/1/13–6/30/13) Dividend Income \$0.0001 Long-Term Capital Gain \$0.1515 Total \$0.1516 Advisor Class (Symbol: n/a) Change 6/30/13 12/31/12 Net Asset Value (NAV) +\$0.49 \$11.56 \$11.07 Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515	Long-Term Capital Gain	\$0.1515			
Net Asset Value (NAV) -\$0.21 \$11.56 \$11.77 Distributions (5/1/13–6/30/13) Dividend Income \$0.0001	Total	\$0.1522			
Distributions (5/1/13–6/30/13) Dividend Income \$0.0001 Long-Term Capital Gain \$0.1515 Total \$0.1516 Advisor Class (Symbol: n/a) Change 6/30/13 12/31/12 Net Asset Value (NAV) +\$0.49 \$11.56 \$11.07 Distributions (1/1/13–6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515	Class R6 (Symbol: n/a)		Change	6/30/13	5/1/13
Dividend Income \$0.0001 Long-Term Capital Gain \$0.1515 Total Advisor Class (Symbol: n/a) Change 6/30/13 12/31/12 Net Asset Value (NAV) +\$0.49 \$11.56 \$11.07 Distributions (1/1/13-6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515	Net Asset Value (NAV)		-\$0.21	\$11.56	\$11.77
Long-Term Capital Gain \$0.1515 Total \$0.1516 Advisor Class (Symbol: n/a) Change 6/30/13 12/31/12 Net Asset Value (NAV) +\$0.49 \$11.56 \$11.07 Distributions (1/1/13–6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515	Distributions (5/1/13-6/30/13)				
Total \$0.1516 Advisor Class (Symbol: n/a) Change 6/30/13 12/31/12 Net Asset Value (NAV) +\$0.49 \$11.56 \$11.07 Distributions (1/1/13-6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515	Dividend Income	\$0.0001			
Advisor Class (Symbol: n/a) Change 6/30/13 12/31/12 Net Asset Value (NAV) +\$0.49 \$11.56 \$11.07 Distributions (1/1/13–6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515	Long-Term Capital Gain	\$0.1515			
Net Asset Value (NAV) +\$0.49 \$11.56 \$11.07 Distributions (1/1/13–6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515		\$0.1516			
Distributions (1/1/13–6/30/13) Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515	Advisor Class (Symbol: n/a)		Change	6/30/13	12/31/12
Dividend Income \$0.0007 Long-Term Capital Gain \$0.1515	Net Asset Value (NAV)		+\$0.49	\$11.56	\$11.07
Long-Term Capital Gain \$0.1515	Distributions (1/1/13-6/30/13)				
	Dividend Income	\$0.0007			
	Long-Term Capital Gain	\$0.1515			
Total \$0.1522	Total	\$0.1522			

Performance Summary (continued)

Performance¹

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

Cumulative Total Return ² Average Annual Total Return ³	+5.75%	+13.09%	0.4.600/	
Average Annual Total Return ³		+13.03/6	+24.63%	+37.80%
	-0.32%	+6.56%	+3.27%	+3.85%
Value of \$10,000 Investment ⁴	\$9,968	\$10,656	\$11,745	\$12,987
Total Annual Operating Expenses ⁵				
Without Waiver		1.63%		
With Waiver		0.95%		
Class C	6-Month	1-Year	5-Year	Inception (8/1/06)
Cumulative Total Return ²	+5.28%	+12.24%	+20.36%	+31.23%
Average Annual Total Return ³	+4.28%	+11.24%	+3.78%	+4.01%
Value of \$10,000 Investment ⁴	\$10,428	\$11,124	\$12,036	\$13,123
Total Annual Operating Expenses ⁵				
Without Waiver		2.33%		
With Waiver		1.65%		
Class R	6-Month	1-Year	5-Year	Inception (8/1/06)
Cumulative Total Return ²	+5.57%	+12.91%	+23.52%	+35.99%
Average Annual Total Return ³	+5.57%	+12.91%	+4.31%	+4.55%
Value of \$10,000 Investment ⁴	\$10,557	\$11,291	\$12,352	\$13,599
Total Annual Operating Expenses ⁵				
Without Waiver		1.83%		
With Waiver		1.15%		
Class R6				Inception (5/1/13)
Cumulative Total Return ²				-0.49%
Aggregate Total Return ⁶				-0.49%
Value of \$10,000 Investment ⁴				\$9,951
Total Annual Operating Expenses ⁵				
Without Waiver		1.10%		
With Waiver		0.60%		
Advisor Class	6-Month	1-Year	5-Year	Inception (8/1/06)
Cumulative Total Return ²	+5.81%	+13.42%	+26.50%	+40.74%
Average Annual Total Return ³	+5.81%	+13.42%	+4.81%	+5.07%
Value of \$10,000 Investment ⁴	\$10,581	\$11,342	\$12,650	\$14,074
Total Annual Operating Expenses ⁵				
Without Waiver		1.33%		
		0.65%		

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

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 nonroutine expenses) until 4/30/14.

Performance Summary (continued)

Endnotes

All investments involve risks, including possible loss of principal. It is important to note that the principal value of the Fund will fluctuate and is not guaranteed at any time, including at or after the stated target date for the Fund, nor is there any guarantee that the Fund will provide sufficient income, at or through the investor's retirement. Generally, investors should be comfortable with fluctuation in the value of their investments, especially over the short term. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. Because the Fund invests in underlying funds, which may engage in a variety of investment strategies involving certain risks, the Fund may be subject to those same risks. These risks are described more fully in the Fund's prospectus. Investors should consult their financial advisors for help selecting the appropriate fund of funds, or fund combination, based on an evaluation of their investment objectives, retirement time horizons and risk tolerance. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

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

Class R: Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and

expenses than Class A shares.

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

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

- 1. Fund investment results reflect the expense reduction, without which the results would have been lower. As of 5/1/11, the Fund's glide path was modified, and among other changes, reflects a lower starting allocation to equity funds; such a change can impact performance.
- 2. Cumulative total return represents the change in value of an investment over the periods indicated.
- 3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
- 4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
- 5. Figures are as stated in the current prospectus and include the effect of acquired fund fees and expenses. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 6. Aggregate total return represents the change in value of an investment for the period indicated. Since Class R6 shares have existed for less than one year, average annual total return is not available.

Your Fund's Expenses

Franklin LifeSmart 2035 Retirement Target Fund

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

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

Actual Fund Expenses

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. Of course, your account value and expenses will differ from those in this illustration:

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

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

Hypothetical Example for Comparison with Other Funds

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

Your Fund's Expenses (continued)

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

Class A	Beginning Account Value 1/1/13	Ending Account Value 6/30/13	Expenses Paid During Period* 1/1/13-6/30/13	Expenses Paid During Period** 1/1/13-6/30/13
Actual	\$1,000	\$1,057.50	\$2.14	\$5.87
Hypothetical (5% return before expenses)	\$1,000	\$1,022.71	\$2.11	\$5.76
Class C				
Actual	\$1,000	\$1,052.80	\$5.70	\$9.42
Hypothetical (5% return before expenses)	\$1,000	\$1,019.24	\$5.61	\$9.25
Class R				
Actual	\$1,000	\$1,055.70	\$3.16	\$6.88
Hypothetical (5% return before expenses)	\$1,000	\$1,021.72	\$3.11	\$6.76
Class R6				
Actual (5/1/13-6/30/13)	\$1,000	\$ 995.10	\$0.00	\$1.22
Hypothetical (5% return before expenses)	\$1,000	\$1,024.20	\$0.00	\$3.66
Advisor Class				
Actual	\$1,000	\$1,058.10	\$0.61	\$4.34
Hypothetical (5% return before expenses)	\$1,000	\$1,024.20	\$0.60	\$4.26

^{*}Expenses are calculated using the most recent six-month expense ratio excluding expenses of the fund investments, net of expense waivers, annualized for each class (A: 0.42%; C: 1.12%; R: 0.62%; R6: 0.00%; and Advisor: 0.12%), multiplied by the average account value over the period, multiplied 181/365 to reflect the one-half year period for Class R6 Hypothetical expenses and Actual and Hypothetical expenses for Classes A, C, R and Advisor. The multiplier is 61/365 for Actual Class R6 expenses to reflect the number of days since inception. Effective 5/1/13, the expense waivers for Classes A, C, R and Advisor changed and the new annualized net expense ratios excluding expenses of the fund investments for each class were: A: 0.35%; C: 1.05%, R: 0.55% and Advisor: 0.05%. Had such expense waivers been in effect for the full period, the expenses paid during the period would have been:

	Actual	Hypothetical (5% return before expenses) \$1.76 \$5.26 \$2.76 \$0.25	
Class A	\$1.79	\$1.76	
Class C	\$5.34	\$5.26	
Class R	\$2.80	\$2.76	
Advisor Class	\$0.26	\$0.25	

^{**}Expenses are calculated using the most recent six-month expense ratio including expenses of the fund investments, net of expense waivers, annualized for each class (A: 1.15%; C: 1.85%; R: 1.35%; R6: 0.73%; and Advisor: 0.85%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period for Class R6 Hypothetical expenses and Actual and Hypothetical expenses for Classes A, C, R and Advisor. The multiplier is 61/365 for Actual Class R6 expenses to reflect the number of days since inception. Effective 5/1/13, the expense waivers for Classes A, C, R and Advisor changed and the new annualized net expense ratios including expenses of the fund investments, which were also restated to reflect current fees and expenses for each class were: A: 1.01%; C: 1.71%, R: 1.21% and Advisor: 0.71%. Had such expense waivers been in effect for the full period, the expenses paid during the period would have been:

	Hypothetical		
	Actual	(5% return before expenses)	
Class A	\$5.15 \$8.70 \$6.17 \$3.62	\$5.06 \$8.55 \$6.06 \$3.56	

Franklin LifeSmart 2045 Retirement Target Fund

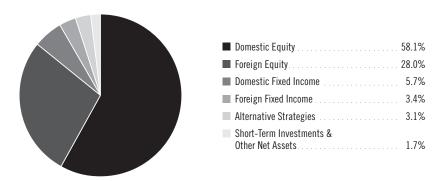
(formerly, Franklin Templeton 2045 Retirement Target Fund)

Your Fund's Goal and Main Investments: Franklin LifeSmart 2045 Retirement Target

Fund seeks the highest level of long-term total return, which consists of capital appreciation and income, consistent with the Fund's asset allocation. The Fund allocates among the broad asset classes of equity, fixed income and short-term (money market) investments by investing in a distinctly weighted combination of underlying funds, predominantly other Franklin Templeton mutual funds, with an increasing emphasis on income as the target date of 2045 approaches. The target date is the approximate retirement year of the investor.

Asset Allocation*

Franklin LifeSmart 2045 Retirement Target Fund Based on Total Net Assets as of 6/30/13



*The asset allocation is based on the Statement of Investments (SOI), which classifies each underlying fund and other fund investments into a broad asset class based on its predominant investments under normal market conditions.

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

This semiannual report for Franklin LifeSmart 2045 Retirement Target Fund covers the period ended June 30, 2013.

Performance Overview

Franklin LifeSmart 2045 Retirement Target Fund – Class A delivered a +5.85% cumulative total return for the six months ended June 30, 2013. By comparison, the Fund's equity benchmarks, the Standard & Poor's 500 Index (S&P 500), a

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's SOI, which begins on page 64.

^{1.} Effective 7/1/13, the Fund will implement changes to its target allocations; short-term investment allocations will be combined into the fixed income fund target allocation. The Fund's investment goal will remain the same.

broad measure of U.S. stock performance, and the MSCI Europe, Australasia, Far East (EAFE) Index, which measures global stock performance for developed markets excluding the U.S. and Canada, generated total returns of +13.82% and +4.47%.² The Fund's fixed income benchmark, the Barclays U.S. Aggregate Index, which tracks U.S. investment-grade bonds, had a -2.44% total return.² The Payden & Rygel 90 Day U.S. Treasury Bill Index, a proxy for short-term investments and other net assets, posted a +0.03% total return for the same period.² You can find the Fund's long-term performance data in the Performance Summary beginning on page 33.

Investment Strategy

When selecting equity funds, we consider the foreign and domestic exposure, market capitalization ranges, and investment style (growth vs. value) of the underlying Franklin Templeton funds and other fund investments (collectively, "fund investments"). When selecting fixed income funds, we focus primarily on maximizing income appropriate to the Fund's specific risk profile. In evaluating the risk level of the fund investments, we analyze such factors as: (a) relative and absolute performance, including correlations with other fund investments as well as corresponding benchmarks, and (b) their volatility (the variability of returns from one period to the next). We attempt to invest the assets of each Target Fund in the same fund investments and will vary the fund investments' allocation percentages based upon each Fund's risk/return level. We change the Fund's target asset allocation over time, and it becomes increasingly conservative as the stated target date draws near. At the "landing point" (reached at the target date), the Fund reaches its most conservative asset allocation and thereafter, such strategic asset allocation will generally become fixed.

Manager's Discussion

The Fund's performance can be attributed largely to its allocation among equities, fixed income securities, and short-term investments and other net assets, and to the actual performance of the fund investments. This allocation shifts every year, in accordance with the retirement date associated with the portfolio.

At period-end, Franklin LifeSmart 2045 Retirement Target Fund allocated 86.1% of total net assets to equity and 9.1% to fixed income. Domestic equity exposure was 67.5% of the total equity weighting, and foreign equity made up the balance. The portfolio was diversified across capitalization sizes

Top 10 Fund Holdings

Franklin LifeSmart 2045 Retirement Target Fund 6/30/13

	% of Total Net Assets
Franklin Rising Dividends Fund — Class R6	14.0%
Franklin DynaTech Fund — Class R6	13.6%
Franklin International Small Cap Gr Fund — Class R6	owth 10.7%
Franklin Growth Fund — Class R6	6.9%
Franklin Utilities Fund — Class R6	6.0%
Mutual European Fund — Class R6	5.5%
iShares Core S&P 500 (Exchange Tra Fund)	aded 4.6%
Templeton Foreign Fund — Class R6	3.9%
Franklin Flex Cap Growth Fund — Class R6	3.4%
Templeton Frontier Markets Fund — Class R6	3.1%

^{2.} Source: © 2013 Morningstar. All Rights Reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. The indexes are unmanaged and include reinvestment of any income or distributions. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

and investment styles, and on June 30, 2013, we held shares in large-, mid- and small-capitalization equity funds, representing both growth and value styles. Franklin Rising Dividends Fund – Class R6, at 14.0% of the Fund's total net assets, was our largest equity fund weighting at period-end. On the fixed income side, domestic exposure was 62.6% of the Fund's total fixed income weighting, with the balance in foreign fixed income. Templeton Global Total Return Fund – Class R6 was our largest fixed income fund weighting at 2.8% of total net assets.

Our largest domestic value fund holding, Franklin Rising Dividends Fund – Class R6, performed comparably to the S&P 500, while our largest domestic growth fund holding, Franklin DynaTech Fund – Class R6, underperformed the index. Our largest foreign equity fund holding, Franklin International Small Cap Growth Fund – Class R6, outperformed the MSCI EAFE Index. On the fixed income side, Templeton Global Total Return Fund – Class R6 performed better than the Barclays U.S. Aggregate Index.

Thank you for your continued participation in Franklin LifeSmart 2045 Retirement Target Fund. We look forward to serving your future investment needs.



T. Anthony Coffey, CFA



Thomas A. Nelson, CFA

Portfolio Managers Franklin LifeSmart 2045 Retirement Target Fund

The foregoing information reflects our analysis, opinions and portfolio holdings as of June 30, 2013, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Performance Summary as of 6/30/13

Franklin LifeSmart 2045 Retirement Target Fund

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

Price and Distribution Information

Class A (Symbol: FTTAX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.48	\$11.40	\$10.92
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0007			
Long-Term Capital Gain	\$0.1572			
Total	\$0.1579			
Class C (Symbol: n/a)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.42	\$11.15	\$10.73
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0007			
Long-Term Capital Gain	\$0.1572			
Total	\$0.1579			
Class R (Symbol: n/a)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.46	\$11.34	\$10.88
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0007			
Long-Term Capital Gain	\$0.1572			
Total	\$0.1579			
Class R6 (Symbol: n/a)		Change	6/30/13	5/1/13
Net Asset Value (NAV)		-\$0.20	\$11.47	\$11.67
Distributions (5/1/13-6/30/13)				
Long-Term Capital Gain	\$0.1572			
Advisor Class (Symbol: n/a)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.50	\$11.46	\$10.96
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0007			
Long-Term Capital Gain	\$0.1572			
Total	\$0.1579			

Performance Summary (continued)

Performance¹

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

Class A	6-Month	1-Year	5-Year	Inception (8/1/06)
Cumulative Total Return ²	+5.85%	+13.35%	+25.01%	+38.62%
Average Annual Total Return ³	-0.27%	+6.84%	+3.34%	+3.94%
Value of \$10,000 Investment ⁴	\$9,973	\$10,684	\$11,786	\$13,065
Total Annual Operating Expenses ⁵				
Without Waiver		1.88%		
With Waiver		0.95%		
Class C	6-Month	1-Year	5-Year	Inception (8/1/06)
Cumulative Total Return ²	+5.40%	+12.58%	+20.55%	+32.01%
Average Annual Total Return ³	+4.40%	+11.58%	+3.81%	+4.10%
Value of \$10,000 Investment ⁴	\$10,440	\$11,158	\$12,055	\$13,201
Total Annual Operating Expenses ⁵				
Without Waiver		2.58%		
With Waiver		1.65%		
Class R	6-Month	1-Year	5-Year	Inception (8/1/06)
Cumulative Total Return ²	+5.69%	+13.12%	+23.60%	+36.64%
Average Annual Total Return ³	+5.69%	+13.12%	+4.33%	+4.62%
Value of \$10,000 Investment ⁴	\$10,569	\$11,312	\$12,360	\$13,664
Total Annual Operating Expenses ⁵				
Without Waiver		2.08%		
With Waiver		1.15%		
Class R6				Inception (5/1/13)
Cumulative Total Return ²				-0.44%
Aggregate Total Return ⁶				-0.44%
Value of \$10,000 Investment ⁴				\$9,956
Total Annual Operating Expenses ⁵				
Without Waiver		1.22%		
With Waiver		0.60%		
Advisor Class	6-Month	1-Year	5-Year	Inception (8/1/06)
Cumulative Total Return ²	+6.01%	+13.68%	+26.75%	+41.47%
Average Annual Total Return ³	+6.01%	+13.68%	+4.85%	+5.15%
Value of \$10,000 Investment ⁴	\$10,601	\$11,368	\$12,675	\$14,147
Total Annual Operating Expenses ⁵				
Without Waiver		1.58%		
With Waiver		0.65%		

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

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 nonroutine expenses) until 4/30/14.

Performance Summary (continued)

Endnotes

All investments involve risks, including possible loss of principal. It is important to note that the principal value of the Fund will fluctuate and is not guaranteed at any time, including at or after the stated target date for the Fund, nor is there any guarantee that the Fund will provide sufficient income, at or through the investor's retirement. Generally, investors should be comfortable with fluctuation in the value of their investments, especially over the short term. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. Because the Fund invests in underlying funds, which may engage in a variety of investment strategies involving certain risks, the Fund may be subject to those same risks. These risks are described more fully in the Fund's prospectus. Investors should consult their financial advisors for help selecting the appropriate fund of funds, or fund combination, based on an evaluation of their investment objectives, retirement time horizons and risk tolerance. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

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

Class R: Shares are available to certain eligible investors as described in the prospectus. These shares have higher annual fees and

expenses than Class A shares.

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

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

- 1. Fund investment results reflect the expense reduction, without which the results would have been lower. As of 5/1/11, the Fund's glide path was modified, and among other changes, reflects a lower starting allocation to equity funds; such a change can impact performance.
- 2. Cumulative total return represents the change in value of an investment over the periods indicated.
- 3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
- 4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
- 5. Figures are as stated in the current prospectus and include the effect of acquired fund fees and expenses. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 6. Aggregate total return represents the change in value of an investment for the period indicated. Since Class R6 shares have existed for less than one year, average annual total return is not available.

Your Fund's Expenses

Franklin LifeSmart 2045 Retirement Target Fund

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

- Transaction costs, including sales charges (loads) on Fund purchases; and
- Ongoing Fund costs, including management fees, distribution and service (12b-1) fees, and other Fund expenses. All mutual funds have ongoing costs, sometimes referred to as operating expenses.

The following table shows ongoing costs of investing in the Fund and can help you understand these costs and compare them with those of other mutual funds. The table assumes a \$1,000 investment held for the six months indicated.

Actual Fund Expenses

The first line (Actual) for each share class listed in the table provides actual account values and expenses. The "Ending Account Value" is derived from the Fund's actual return, which includes the effect of Fund expenses.

You can estimate the expenses you paid during the period by following these steps. Of course, your account value and expenses will differ from those in this illustration:

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

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

Hypothetical Example for Comparison with Other Funds

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

Your Fund's Expenses (continued)

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

Class A	Beginning Account Value 1/1/13	Ending Account Value 6/30/13	Expenses Paid During Period* 1/1/13-6/30/13	Expenses Paid During Period** 1/1/13-6/30/13
Actual	\$1,000	\$1,058.50	\$2.09	\$5.87
Hypothetical (5% return before expenses)	\$1,000	\$1,022.76	\$2.06	\$5.76
Class C				
Actual	\$1,000	\$1,054.00	\$5.65	\$9.42
Hypothetical (5% return before expenses)	\$1,000	\$1,019.29	\$5.56	\$9.25
Class R				
Actual	\$1,000	\$1,056.90	\$3.11	\$6.88
Hypothetical (5% return before expenses)	\$1,000	\$1,021.77	\$3.06	\$6.76
Class R6				
Actual (5/1/13-6/30/13)	\$1,000	\$ 995.60	\$0.00	\$1.23
Hypothetical (5% return before expenses)	\$1,000	\$1,024.25	\$0.00	\$3.71
Advisor Class				
Actual	\$1,000	\$1,060.10	\$0.56	\$4.34
Hypothetical (5% return before expenses)	\$1,000	\$1,024.25	\$0.55	\$4.26

^{*}Expenses are calculated using the most recent six-month expense ratio excluding expenses of the fund investments, net of expense waivers, annualized for each class (A: 0.41%; C: 1.11%; R: 0.61%; R6: 0.00%; and Advisor: 0.11%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period for Class R6 Hypothetical expenses and Actual and Hypothetical expenses for Classes A, C, R and Advisor. The multiplier is 61/365 for Actual Class R6 expenses to reflect the number of days since inception. Effective 5/1/13, the expense waivers for Classes A, C, R and Advisor changed and the new annualized net expense ratios excluding expenses of the fund investments for each class were: A: 0.35%; C: 1.05%, R: 0.55% and Advisor: 0.05%. Had such expense waivers been in effect for the full period, the expenses paid during the period would have been:

	Actual	Hypothetical (5% return before expenses)
Class A	\$1.79	\$1.76
Class C	\$5.35	\$5.26
Class R	\$2.80	\$2.76
Advisor Class	\$0.26	\$0.25

^{**}Expenses are calculated using the most recent six-month expense ratio including expenses of the fund investments, net of expense waivers, annualized for each class (A: 1.15%; C: 1.85%; R: 1.35%; R6: 0.74%; and Advisor: 0.85%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period for Class R6 Hypothetical expenses and Actual and Hypothetical expenses for Classes A, C, R and Advisor. The multiplier is 61/365 for Actual Class R6 expenses to reflect the number of days since inception. Effective 5/1/13, the expense waivers for Classes A, C, R and Advisor changed and the new annualized net expense ratios including expenses of the fund investments, which were also restated to reflect current fees and expenses for each class were: A: 1.01%; C: 1.71%, R: 1.21% and Advisor: 0.71%. Had such expense waivers been in effect for the full period, the expenses paid during the period would have been:

		Hypothetical
	Actual	(5% return before expenses)
Class A	\$5.51 \$8.71 \$6.17 \$3.63	\$5.06 \$8.55 \$6.06 \$3.56

Financial Highlights

	Six Months Ende June 30, 2013		Year Ended December 31,			
Class A	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.67	\$10.92	\$11.25	\$10.17	\$ 8.14	\$11.35
Income from investment operations ^a :						
Net investment income ^{b,c}	0.07	0.24	0.24	0.24	0.19	0.23
Net realized and unrealized gains (losses)	0.22	0.76	(0.33)	1.05	2.09	(3.08)
Total from investment operations	0.29	1.00	(0.09)	1.29	2.28	(2.85)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.05)	(0.25)	(0.24)	(0.21)	(0.20)	(0.19)
Net realized gains	(0.14)	_			(0.05)	(0.17)
Total distributions	(0.19)	(0.25)	(0.24)	(0.21)	(0.25)	(0.36)
Redemption feesd						е
Net asset value, end of period	\$11.77	\$11.67	\$10.92	\$11.25	\$10.17	\$ 8.14
Total return ^f	2.55%	9.20%	(0.82)%	12.77%	28.50%	(25.55)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates ^h	0.87%	0.71%	0.80%	0.80%	1.00%	1.36%
Expenses net of waiver and payments by affiliates ^h	0.39%	0.45%	0.45%	0.45%	0.46%	0.51%
Net investment income ^c	1.12%	2.13%	2.09%	2.30%	2.11%	2.25%
Supplemental data						
Net assets, end of period (000's)	\$41,765	\$37,507	\$31,073	\$27,230	\$17,108	\$9,407
Portfolio turnover rate	48.42%	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 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.

^bBased on average daily shares outstanding.

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.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

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 0.65% for the period ended June 30, 2013.

Financial Highlights (continued)

	Six Months Ended June 30, 2013		Year Ended December 31,			
Class C	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.57	\$10.83	\$11.16	\$10.10	\$ 8.08	\$11.28
Income from investment operations ^a :						
Net investment income ^{b,c}	0.02	0.16	0.16	0.16	0.13	0.14
Net realized and unrealized gains (losses)	0.23	0.75	(0.33)	1.04	2.09	(3.04)
Total from investment operations	0.25	0.91	(0.17)	1.20	2.22	(2.90)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.03)	(0.17)	(0.16)	(0.14)	(0.15)	(0.13)
Net realized gains	(0.14)	_	_	_	(0.05)	(0.17)
Total distributions	(0.17)	(0.17)	(0.16)	(0.14)	(0.20)	(0.30)
Redemption feesd	_	_	_	_	_	е
Net asset value, end of period	\$11.65	\$11.57	\$10.83	\$11.16	\$10.10	\$ 8.08
Total return ^f	2.25%	8.44%	(1.51)%	11.91%	27.75%	(26.09)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates ^h	1.57%	1.41%	1.50%	1.50%	1.70%	2.04%
Expenses net of waiver and payments by affiliates ^h	1.09%	1.15%	1.15%	1.15%	1.16%	1.19%
Net investment income ^c	0.42%	1.43%	1.39%	1.60%	1.41%	1.57%
Supplemental data						
Net assets, end of period (000's)	\$18,288	\$16,912	\$14,217	\$12,133	\$8,357	\$4,621
Portfolio turnover rate	48.42%	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 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.

^bBased on average daily shares outstanding.

eRecognition 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.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

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 0.65% for the period ended June 30, 2013.

Financial Highlights (continued)

	Six Months Ended June 30, 2013		Year Ended December 31,			
Class R	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.64	\$10.89	\$11.22	\$10.15	\$ 8.12	\$11.32
Income from investment operations ^a :						
Net investment income ^{b,c}	0.06	0.22	0.21	0.20	0.16	0.18
Net realized and unrealized gains (losses)	0.22	0.75	(0.32)	1.06	2.11	(3.05)
Total from investment operations	0.28	0.97	(0.11)	1.26	2.27	(2.87)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.05)	(0.22)	(0.22)	(0.19)	(0.19)	(0.16)
Net realized gains	(0.14)				(0.05)	(0.17)
Total distributions	(0.19)	(0.22)	(0.22)	(0.19)	(0.24)	(0.33)
Redemption feesd			_	_		е
Net asset value, end of period	\$11.73	\$11.64	\$10.89	\$11.22	\$10.15	\$ 8.12
Total return ^f	2.43%	8.96%	(1.02)%	12.46%	28.32%	(25.70)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates ^h	1.08%	0.91%	1.00%	1.00%	1.20%	1.56%
Expenses net of waiver and payments by affiliates ^h	0.60%	0.65%	0.65%	0.65%	0.66%	0.71%
Net investment income ^c	0.91%	1.93%	1.89%	2.10%	1.91%	2.05%
Supplemental data						
Net assets, end of period (000's)	\$2,449	\$1,862	\$1,815	\$1,401	\$1,365	\$821
Portfolio turnover rate	48.42%	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 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.

^bBased on average daily shares outstanding.

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.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

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 0.65% for the period ended June 30, 2013.

Financial Highlights (continued)

	Period Ended June 30, 2013 ^a
Class R6	(unaudited)
Per share operating performance (for a share outstanding throughout the period)	
Net asset value, beginning of period	\$12.17
Income from investment operations ^b :	
Net investment income ^{c,d}	0.03
Net realized and unrealized gains (losses)	(0.25)
Total from investment operations	(0.22)
Less distributions from net realized gains	(0.14)
Net asset value, end of period	\$11.81
Total returne	(1.68)%
Ratios to average net assets ^f	
Expenses before waiver and payments by affiliates ^g	0.52%
Expenses net of waiver and payments by affiliates ^g	0.00%
Net investment incomed	1.47%
Supplemental data	
Net assets, end of period (000's)	\$5
Portfolio turnover rate	48.42%

^aFor the period May 1, 2013 (effective date) to June 30, 2013.

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

^cBased on average daily shares outstanding.

[&]quot;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.

eTotal return is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

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 0.65% for the period ended June 30, 2013.

Financial Highlights (continued)

	Six Months Ended June 30, 2013	d	Year	Ended Decem	ıber 31,	
Advisor Class	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.70	\$10.94	\$11.28	\$10.19	\$ 8.15	\$11.37
Income from investment operations ^a :						
Net investment income ^{b,c}	0.08	0.28	0.26	0.39	0.20	0.25
Net realized and unrealized gains (losses)	0.23	0.76	(0.33)	0.94	2.12	(3.09)
Total from investment operations	0.31	1.04	(0.07)	1.33	2.32	(2.84)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.06)	(0.28)	(0.27)	(0.24)	(0.23)	(0.21)
Net realized gains	(0.14)				(0.05)	(0.17)
Total distributions	(0.20)	(0.28)	(0.27)	(0.24)	(0.28)	(0.38)
Redemption feesd			_	_		е
Net asset value, end of period	\$11.81	\$11.70	\$10.94	\$11.28	\$10.19	\$ 8.15
Total return ^f	2.70%	9.59%	(0.61)%	13.16%	28.94%	(25.39)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates ^h	0.58%	0.41%	0.50%	0.50%	0.70%	1.06%
Expenses net of waiver and payments by affiliates ^h	0.10%	0.15%	0.15%	0.15%	0.16%	0.21%
Net investment income ^c	1.41%	2.43%	2.39%	2.60%	2.41%	2.55%
Supplemental data						
Net assets, end of period (000's)	\$2,269	\$1,840	\$1,501	\$1,571	\$199	\$164
Portfolio turnover rate	48.42%	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 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.

^bBased on average daily shares outstanding.

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.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

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 0.65% for the period ended June 30, 2013.

Statement of Investments, June 30, 2013 (unaudited)

Franklin LifeSmart 2015 Retirement Target Fund	Shares/Units	Value
Investments in Underlying Funds and Exchange Traded Funds		
Alternative Strategies 1.5%		
^a Franklin Pelagos Commodities Strategy Fund	107,255	\$ 959,934
^a Franklin Pelagos Managed Futures Strategy Fund	3,280	26,599
		986,533
D 11 F 11 20 F0/		
Domestic Equity 30.5%	0.655	0.45 500
^a Franklin Biotechnology Discovery Fund, Class R6	8,655	945,520
a,b Franklin DynaTech Fund, Class R6	114,758	4,288,496
^a Franklin Flex Cap Growth Fund, Class R6	27,105	1,441,463
^a Franklin Growth Fund, Class R6	40,756	2,266,043
a,b Franklin Growth Opportunities Fund, Class R6	36,591	936,369
^a Franklin MicroCap Value Fund, Class R6	11,287	417,166
^a Franklin Real Estate Securities Fund, Class R6	42,997	767,495
^a Franklin Rising Dividends Fund, Class R6	101,217	4,342,199
^a Franklin Small Cap Growth Fund, Class R6	54,194	881,730
^a Franklin Utilities Fund, Class R6	131,231	1,948,776
iShares Core S&P 500, ETF	9,486	1,526,801
		19,762,058
Domestic Fixed Income 25.7%		
^a Franklin Limited Maturity U.S. Government Securities Fund, Class R6	113,008	1,137,989
^a Franklin Total Return Fund, Class R6	558,242	5,554,513
^a Franklin U.S. Government Securities Fund, Class R6	1,184,002	7,755,216
iShares iBoxx \$ Investment Grade Corp. Bond Fund, ETF	19,100	2,170,715
		16,618,433
F ' F ' 14.00'		_10,010,400
Foreign Equity 14.6%	10.650	105.040
^a Franklin International Growth Fund, Class R6	18,650	185,942
^a Franklin International Small Cap Growth Fund, Class R6	198,811	3,624,329
^a Mutual European Fund, Class R6	81,534	1,833,699
^a Templeton China World Fund, Class R6	18,738	658,654
^a Templeton Foreign Fund, Class R6	173,560	1,221,865
^a Templeton Frontier Markets Fund, Class R6	72,802 15,700	1,207,056
WisdomTree Japan Hedged Equity Fund (Japan)	15,700	716,077
		9,447,622
Foreign Fixed Income 14.8%		
^a Franklin Templeton Emerging Market Debt Opportunities Fund	128,800	1,541,731
^a Templeton Global Total Return Fund, Class R6	606,449	8,047,582
		9,589,313
		<u> </u>
Total Investments in Underlying Funds and Exchange Traded Funds before		
Short Term Investments (Cost \$52,682,463) 87.1%		56,403,959
Short Term Investments 12.9%		
Money Market Funds (Cost \$6,474,375) 10.0%		
a,b Institutional Fiduciary Trust Money Market Portfolio	6,474,375	6,474,375
	0, 1, 4,0,0	

Statement of Investments, June 30, 2013 (unaudited) (continued)

Franklin LifeSmart 2015 Retirement Target Fund	Principal Amount	Value
Short Term Investments (continued)		
Repurchase Agreements (Cost \$1,864,349) 2.9%		
^c Joint Repurchase Agreement, 0.088%, 7/01/13 (Maturity Value \$1,864,362)	\$1,864,349	\$ 1,864,349
Barclays Capital Inc. (Maturity Value \$212,500)		
BNP Paribas Securities Corp. (Maturity Value \$236,121)		
Credit Suisse Securities (USA) LLC (Maturity Value \$295,147)		
Deutsche Bank Securities Inc. (Maturity Value \$235,133)		
HSBC Securities (USA) Inc. (Maturity Value \$501,757)		
Merrill Lynch, Pierce, Fenner & Smith Inc. (Maturity Value \$236,121)		
Morgan Stanley & Co. LLC (Maturity Value \$147,583)		
Collateralized by U.S. Government Agency Securities, 0.13% - 4.625%, 7/09/13 - 8/07/17;d		
U.S. Government Agency Discount Notes, 8/01/13 - 4/21/14;d U.S. Treasury Bills,		
7/11/13 - 5/01/14; U.S. Treasury Notes, 0.125% - 4.625%, 6/30/13 - 4/30/20;		
U.S. Treasury Notes, Index Linked, 1.875% - 2.00%, 7/15/13 - 1/15/14; and U.S.		
Treasury Bonds, 8.75%, 5/15/17 (valued at \$1,903,218)		
Total Investments (Cost \$61,021,187) 100.0%		64,742,683
Other Assets, less Liabilities 0.0% [†]		32,438
Net Assets 100.0%		\$64,775,121

See Abbreviations on page 87.

[†]Rounds to less than 0.1% of net assets.

 $^{{}^{\}mathrm{a}}\mathrm{See}$ Note 7 regarding investments in Underlying Funds.

^bNon-income producing.

^cSee Note 1(b) regarding joint repurchase agreement.

^dThe security is traded on a discount basis with no stated coupon rate.

Financial Highlights

	Six Months Ended June 30, 2013		Year Ended December 31,			
Class A	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.11	\$10.22	\$10.70	\$ 9.54	\$7.47	\$11.45
Income from investment operations ^a :						
Net investment income ^{b,c}	0.03	0.17	0.17	0.22	0.16	0.14
Net realized and unrealized gains (losses)	0.53	0.88	(0.48)	1.13	2.15	(3.71)
Total from investment operations	0.56	1.05	(0.31)	1.35	2.31	(3.57)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.04)	(0.16)	(0.17)	(0.19)	(0.14)	(0.14)
Net realized gains	(0.11)			_	(0.10)	(0.27)
Total distributions	(0.15)	(0.16)	(0.17)	(0.19)	(0.24)	(0.41)
Redemption feesd						е
Net asset value, end of period	\$11.52	\$11.11	\$10.22	\$10.70	\$9.54	\$ 7.47
Total return ^f	4.97%	10.30%	(2.86)%	14.14%	31.34%	(31.74)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates ^h	0.86%	0.71%	0.80%	0.85%	1.09%	1.50%
Expenses net of waiver and payments by affiliates ^h	0.41%	0.45%	0.45%	0.45%	0.46%	0.49%
Net investment income ^c	0.44%	1.55%	1.64%	2.25%	1.88%	1.53%
Supplemental data						
Net assets, end of period (000's)	\$51,463	\$45,299	\$36,506	\$30,983	\$19,725	\$9,918
Portfolio turnover rate	35.76%	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 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.

^bBased on average daily shares outstanding.

eRecognition 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.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

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 0.71% for the period ended June 30, 2013.

Financial Highlights (continued)

	Six Months Ended June 30, 2013		Year Ended December 31,			
Class C	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$10.97	\$10.11	\$10.59	\$ 9.45	\$7.43	\$11.40
Income from investment operations ^a :						
Net investment income (loss) b,c	(0.02)	0.09	0.10	0.16	0.10	0.10
Net realized and unrealized gains (losses)	0.54	0.86	(0.48)	1.11	2.12	(3.70)
Total from investment operations	0.52	0.95	(0.38)	1.27	2.22	(3.60)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.02)	(0.09)	(0.10)	(0.13)	(0.10)	(0.10)
Net realized gains	(0.11)		_		(0.10)	(0.27)
Total distributions	(0.13)	(0.09)	(0.10)	(0.13)	(0.20)	(0.37)
Redemption feesd				_	_	е
Net asset value, end of period	\$11.36	\$10.97	\$10.11	\$10.59	\$9.45	\$ 7.43
Total return ^f	4.68%	9.42%	(3.54)%	13.41%	30.18%	(32.16)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates ^h	1.56%	1.41%	1.50%	1.55%	1.79%	2.20%
Expenses net of waiver and payments by affiliates ^h	1.11%	1.15%	1.15%	1.15%	1.16%	1.19%
Net investment income (loss) ^c	(0.26)%	0.85%	0.94%	1.55%	1.18%	0.83%
Supplemental data						
Net assets, end of period (000's)	\$20,023	\$18,312	\$14,309	\$11,194	\$6,308	\$2,551
Portfolio turnover rate	35.76%	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 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.

^bBased on average daily shares outstanding.

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.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

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 0.71% for the period ended June 30, 2013.

Financial Highlights (continued)

	Six Months Ende June 30, 2013	d	Year	Ended Decem	ıber 31,	
Class R	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.07	\$10.19	\$10.68	\$ 9.53	\$7.47	\$11.44
Income from investment operations ^a :						
Net investment income ^{b,c}	0.01	0.15	0.16	0.22	0.17	0.10
Net realized and unrealized gains (losses)	0.54	0.87	(0.50)	1.10	2.12	(3.68)
Total from investment operations	0.55	1.02	(0.34)	1.32	2.29	(3.58)
Less distributions from:						
Net investment income and short term gains						
received from Underlying Funds	(0.03)	(0.14)	(0.15)	(0.17)	(0.13)	(0.12)
Net realized gains	(0.11)			_	(0.10)	(0.27)
Total distributions	(0.14)	(0.14)	(0.15)	(0.17)	(0.23)	(0.39)
Redemption feesd				_		е
Net asset value, end of period	\$11.48	\$11.07	\$10.19	\$10.68	\$9.53	\$ 7.47
Total return ^f	4.94%	10.05%	(3.14)%	13.92%	31.03%	(31.90)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates ^h	1.06%	0.91%	1.00%	1.05%	1.29%	1.70%
Expenses net of waiver and payments by affiliates ^h	0.61%	0.65%	0.65%	0.65%	0.66%	0.69%
Net investment income ^c	0.24%	1.35%	1.44%	2.05%	1.68%	1.33%
Supplemental data						
Net assets, end of period (000's)	\$3,806	\$3,442	\$1,780	\$995	\$460	\$155
Portfolio turnover rate	35.76%	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 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.

^bBased on average daily shares outstanding.

eRecognition 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.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

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 0.71% for the period ended June 30, 2013.

Financial Highlights (continued)

	Period Ended June 30, 2013 ^a
Class R6	(unaudited)
Per share operating performance	
(for a share outstanding throughout the period)	
Net asset value, beginning of period	\$11.74
Income from investment operations ^b :	
Net investment income ^{c,d}	0.02
Net realized and unrealized gains (losses)	(0.10)
Total from investment operations	(0.08)
Less distributions from net realized gains	(0.11)
Net asset value, end of period	\$11.55
Total returne	(0.71)%
Ratios to average net assets ^f	
Expenses before waiver and payments by affiliates ^g	0.48%
Expenses net of waiver and payments by affiliates ^g	0.00%
Net investment incomed	0.81%
Supplemental data	
Net assets, end of period (000's)	\$5
Portfolio turnover rate	35.76%

^aFor the period May 1, 2013 (effective date) to June 30, 2013.

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

cBased on average daily shares outstanding.

dRecognition 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.

eTotal return is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

[©]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 0.71% for the period ended June 30, 2013.

Financial Highlights (continued)

	Six Months Ende June 30, 2013	d	Year	Ended Decem	ıber 31,	
Advisor Class	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.12	\$10.23	\$10.72	\$ 9.55	\$7.48	\$11.46
Income from investment operations ^a :						
Net investment income ^{b,c}	0.04	0.20	0.21	0.31	0.17	0.16
Net realized and unrealized gains (losses)	0.54	0.88	(0.50)	1.07	2.17	(3.70)
Total from investment operations	0.58	1.08	(0.29)	1.38	2.34	(3.54)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.04)	(0.19)	(0.20)	(0.21)	(0.17)	(0.17)
Net realized gains	(0.11)	_	_	_	(0.10)	(0.27)
Total distributions	(0.15)	(0.19)	(0.20)	(0.21)	(0.27)	(0.44)
Redemption feesd	_	_	_	_		e
Net asset value, end of period	\$11.55	\$11.12	\$10.23	\$10.72	\$9.55	\$ 7.48
Total return ^f	5.21%	10.59%	(2.65)%	14.53%	31.61%	(31.49)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates ^h	0.56%	0.41%	0.50%	0.55%	0.79%	1.20%
Expenses net of waiver and payments by affiliates ^h	0.11%	0.15%	0.15%	0.15%	0.16%	0.19%
Net investment income ^c	0.74%	1.85%	1.94%	2.55%	2.18%	1.83%
Supplemental data						
Net assets, end of period (000's)	\$2,201	\$1,873	\$1,847	\$1,530	\$463	\$322
Portfolio turnover rate	35.76%	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 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.

^bBased on average daily shares outstanding.

eRecognition 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.

dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

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 0.71% for the period ended June 30, 2013.

Statement of Investments, June 30, 2013 (unaudited)

Franklin LifeSmart 2025 Retirement Target Fund	Shares/Units	Value
Investments in Underlying Funds and Exchange Traded Funds		
Alternative Strategies 2.5%		
^a Franklin Pelagos Commodities Strategy Fund	205,432	\$ 1,838,618
^a Franklin Pelagos Managed Futures Strategy Fund	15,664	127,032
		1,965,650
Domestic Equity 50.8%		
^a Franklin Biotechnology Discovery Fund, Class R6	16,245	1,774,591
a,b Franklin DynaTech Fund, Class R6	240,186	8,975,765
^a Franklin Flex Cap Growth Fund, Class R6	50,174	2,668,268
^a Franklin Growth Fund, Class R6	76,511	4,254,037
a,b Franklin Growth Opportunities Fund, Class R6	64,500	1,650,563
^a Franklin MicroCap Value Fund, Class R6	18,480	683,017
^a Franklin Real Estate Securities Fund, Class R6	77,286	1,379,554
^a Franklin Rising Dividends Fund, Class R6	208,838	8,959,157
^a Franklin Small Cap Growth Fund, Class R6	130,420	2,121,936
^a Franklin Utilities Fund, Class R6	255,698	3,797,111
iShares Core S&P 500, ETF	19,130	3,079,356
		39,343,355
Domestic Fixed Income 11.3%		
^a Franklin Limited Maturity U.S. Government Securities Fund, Class R6	55,913	563,042
^a Franklin Total Return Fund, Class R6	291,687	2,902,289
^a Franklin U.S. Government Securities Fund, Class R6	611,727	4,006,810
iShares iBoxx \$ Investment Grade Corp. Bond Fund, ETF	11,300	1,284,245
		8,756,386
Foreign Equity 24.0%		
^a Franklin International Growth Fund, Class R6	43,989	438,566
^a Franklin International Small Cap Growth Fund, Class R6	406,502	7,410,532
^a Mutual European Fund, Class R6	168,807	3,796,459
^a Templeton China World Fund, Class R6	37,793	1,328,429
^a Templeton Foreign Fund, Class R6	295,261	2,078,636
^a Templeton Frontier Markets Fund, Class R6	131,150	2,174,475
WisdomTree Japan Hedged Equity Fund (Japan)	30,500	1,391,105
		18,618,202
Foreign Fixed Income 6.8%		
^a Franklin Templeton Emerging Market Debt Opportunities Fund	71,607	857,135
^a Templeton Global Total Return Fund, Class R6	335,487	4,451,910
		5,309,045
Total Investments in Underlying Funds and Exchange Traded Funds before		
Short Term Investments (Cost \$66,439,009) 95.4%		73,992,638
Chort term intestinents (605t \$605,755,005) 55.7%		13,332,030

Statement of Investments, June 30, 2013 (unaudited) (continued)

Franklin LifeSmart 2025 Retirement Target Fund	Shares/Units	Value
Short Term Investments (Cost \$3,385,799) 4.4% Money Market Funds 4.4% a.b Institutional Fiduciary Trust Money Market Portfolio	3,385,799	\$ 3,385,799
Total Investments in Underlying Funds and Exchange Traded Funds (Cost \$69,824,808) 99.8%		77,378,437
Other Assets, less Liabilities 0.2%		120,760
Net Assets 100.0%		\$77,499,197

See Abbreviations on page 87.

^aSee Note 7 regarding investments in Underlying Funds.

^bNon-income producing.

Financial Highlights

	Six Months Ende June 30, 2013	d	Year	Ended Decen	nber 31,	
Class A	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.01	\$10.13	\$10.59	\$ 9.36	\$7.12	\$11.61
Income from investment operations ^a :						
Net investment income ^{b,c}	0.02	0.15	0.15	0.20	0.13	0.08
Net realized and unrealized gains (losses)	0.61	0.89	(0.46)	1.18	2.34	(4.16)
Total from investment operations	0.63	1.04	(0.31)	1.38	2.47	(4.08)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(—) ^d	(0.16)	(0.15)	(0.15)	(0.13)	(0.09)
Net realized gains	(0.15)	(—) ^d		_	(0.10)	(0.32)
Total distributions	(0.15)	(0.16)	(0.15)	(0.15)	(0.23)	(0.41)
Redemption feese		_				d
Net asset value, end of period	\$11.49	\$11.01	\$10.13	\$10.59	\$9.36	\$ 7.12
Total return ^f	5.75%	10.33%	(2.97)%	14.78%	35.04%	(35.97)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates ^h	1.01%	0.83%	0.97%	1.12%	1.51%	2.14%
Expenses net of waiver and payments by affiliates ^h	0.42%	0.45%	0.45%	0.45%	0.45%	0.49%
Net investment income ^c	0.29%	1.45%	1.44%	2.06%	1.65%	0.87%
Supplemental data						
Net assets, end of period (000's)	\$36,645	\$32,095	\$24,328	\$19,677	\$10,391	\$5,349
Portfolio turnover rate	38.10%	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 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.

bBased on average daily shares outstanding.

eRecognition 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.

dAmount rounds to less than \$0.01 per share.

eEffective September 1, 2008, the redemption fee was eliminated.

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

gRatios are annualized for periods less than one year.

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 period ended June 30, 2013.

Financial Highlights (continued)

	Six Months Ended June 30, 2013 Year Ended December 31,			ıber 31,		
Class C	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$10.85	\$ 9.98	\$10.45	\$ 9.25	\$7.06	\$11.52
Income from investment operations ^a :						
Net investment income (loss) ^{b,c}	(0.02)	0.08	0.08	0.12	0.09	0.03
Net realized and unrealized gains (losses)	0.59	0.89	(0.47)	1.18	2.28	(4.13)
Total from investment operations	0.57	0.97	(0.39)	1.30	2.37	(4.10)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(—) ^d	(0.10)	(80.0)	(0.10)	(0.08)	(0.04)
Net realized gains	(0.15)	(—) ^d			(0.10)	(0.32)
Total distributions	(0.15)	(0.10)	(0.08)	(0.10)	(0.18)	(0.36)
Redemption feese					_	d
Net asset value, end of period	\$11.27	\$10.85	\$ 9.98	\$10.45	\$9.25	\$ 7.06
Total return ^f	5.28%	9.72%	(3.70)%	14.04%	34.00%	(36.34)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates ^h	1.71%	1.53%	1.67%	1.82%	2.21%	2.84%
Expenses net of waiver and payments by affiliates ^h	1.12%	1.15%	1.15%	1.15%	1.15%	1.19%
Net investment income (loss) ^c	(0.42)%	0.75%	0.74%	1.36%	0.95%	0.17%
Supplemental data						
Net assets, end of period (000's)	\$12,738	\$11,124	\$8,300	\$6,669	\$3,980	\$1,522
Portfolio turnover rate	38.10%	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 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.

bBased on average daily shares outstanding.

eRecognition 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.

dAmount rounds to less than \$0.01 per share.

eEffective September 1, 2008, the redemption fee was eliminated.

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

gRatios are annualized for periods less than one year.

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 period ended June 30, 2013.

Financial Highlights (continued)

	Six Months Ended June 30, 2013	i	Year	Ended Decem	ber 31,	
Class R	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.01	\$10.12	\$10.59	\$ 9.37	\$7.13	\$11.59
Income from investment operations ^a :						
Net investment income ^{b,c}	d	0.14	0.14	0.21	0.12	0.03
Net realized and unrealized gains (losses)	0.61	0.89	(0.48)	1.15	2.33	(4.12)
Total from investment operations	0.61	1.03	(0.34)	1.36	2.45	(4.09)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(—)d	(0.14)	(0.13)	(0.14)	(0.11)	(0.05)
Net realized gains	(0.15)	(—)d			(0.10)	(0.32)
Total distributions	(0.15)	(0.14)	(0.13)	(0.14)	(0.21)	(0.37)
Redemption feese		_	_	_	_	d
Net asset value, end of period	\$11.47	\$11.01	\$10.12	\$10.59	\$9.37	\$ 7.13
Total return ^f	5.57%	10.24%	(3.21)%	14.55%	34.79%	(36.05)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates ^h	1.21%	1.03%	1.17%	1.32%	1.71%	2.34%
Expenses net of waiver and payments by affiliates ^h	0.62%	0.65%	0.65%	0.65%	0.65%	0.69%
Net investment income ^c	0.09%	1.25%	1.24%	1.86%	1.45%	0.67%
Supplemental data						
Net assets, end of period (000's)	\$3,228	\$3,035	\$1,724	\$1,038	\$368	\$172
Portfolio turnover rate	38.10%	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 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.

^bBased on average daily shares outstanding.

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.

dAmount rounds to less than \$0.01 per share.

eEffective September 1, 2008, the redemption fee was eliminated.

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

gRatios are annualized for periods less than one year.

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 period ended June 30, 2013.

Financial Highlights (continued)

	Period Ended June 30, 2013 ^a
Class R6	(unaudited)
Per share operating performance (for a share outstanding throughout the period)	
Net asset value, beginning of period	\$11.77
Income from investment operations ^b :	
Net investment income ^{c,d}	0.02
Net realized and unrealized gains (losses)	(80.0)
Total from investment operations	(0.06)
Less distributions from:	
Net investment income	()e
Net realized gains	(0.15)
Total distributions	(0.15)
Net asset value, end of period	\$11.56
Total return ^f	(0.49)%
Ratios to average net assets ^g	
Expenses before waiver and payments by affiliates ^h	0.58%
Expenses net of waiver and payments by affiliates ^h	0.00%
Net investment income ^d	0.71%
Supplemental data	
Net assets, end of period (000's)	\$5
Portfolio turnover rate	38.10%

^aFor the period May 1, 2013 (effective date) to June 30, 2013.

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

^cBased on average daily shares outstanding.

dRecognition 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.

eAmount rounds to less than \$0.01 per share.

fTotal return is not annualized for periods less than one year.

gRatios are annualized for periods less than one year.

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 period ended June 30, 2013.

Financial Highlights (continued)

	Six Months Ended June 30, 2013	d	Year	Ended Decem	ıber 31,	
Advisor Class	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$11.07	\$10.17	\$10.63	\$ 9.39	\$7.14	\$11.64
Income from investment operations ^a :						
Net investment income ^{b,c}	0.03	0.18	0.17	0.23	0.16	0.11
Net realized and unrealized gains (losses)	0.61	0.91	(0.46)	1.19	2.34	(4.18)
Total from investment operations	0.64	1.09	(0.29)	1.42	2.50	(4.07)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(—)d	(0.19)	(0.17)	(0.18)	(0.15)	(0.11)
Net realized gains	(0.15)	(—)d	_	_	(0.10)	(0.32)
Total distributions	(0.15)	(0.19)	(0.17)	(0.18)	(0.25)	(0.43)
Redemption feese			_	_		d
Net asset value, end of period	\$11.56	\$11.07	\$10.17	\$10.63	\$9.39	\$ 7.14
Total return ^f	5.81%	10.79%	(2.69)%	15.09%	35.42%	(35.72)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates ^h	0.71%	0.53%	0.67%	0.82%	1.21%	1.84%
Expenses net of waiver and payments by affiliates ^h	0.12%	0.15%	0.15%	0.15%	0.15%	0.19%
Net investment income ^c	0.59%	1.75%	1.74%	2.36%	1.95%	1.17%
Supplemental data						
Net assets, end of period (000's)	\$1,528	\$1,077	\$817	\$840	\$493	\$213
Portfolio turnover rate	38.10%	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 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.

bBased on average daily shares outstanding.

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.

dAmount rounds to less than \$0.01 per share.

eEffective September 1, 2008, the redemption fee was eliminated.

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

gRatios are annualized for periods less than one year.

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 period ended June 30, 2013.

Statement of Investments, June 30, 2013 (unaudited)

Franklin LifeSmart 2035 Retirement Target Fund	Shares/Units	Value
Investments in Underlying Funds and Exchange Traded Funds		
Alternative Strategies 2.8%		
^a Franklin Pelagos Commodities Strategy Fund	156,466	\$ 1,400,375
^a Franklin Pelagos Managed Futures Strategy Fund	13,316	107,989
		1,508,364
Domestic Equity 55.3%		
^a Franklin Biotechnology Discovery Fund, Class R6	13,165	1,438,187
a,b Franklin DynaTech Fund, Class R6	181,424	6,779,829
^a Franklin Flex Cap Growth Fund, Class R6	40,351	2,145,878
^a Franklin Growth Fund, Class R6	61,958	3,444,888
a,b Franklin Growth Opportunities Fund, Class R6	41,775	1,069,026
^a Franklin MicroCap Value Fund, Class R6	12,546	463,680
^a Franklin Real Estate Securities Fund, Class R6	57,720	1,030,307
^a Franklin Rising Dividends Fund, Class R6	158,035	6,779,706
^a Franklin Small Cap Growth Fund, Class R6	86,637	1,409,584
^a Franklin Utilities Fund, Class R6	201,353	2,990,095
iShares Core S&P 500, ETF	14,810	2,383,966
		29,935,146
Domestic Fixed Income 7.0%		
^a Franklin Limited Maturity U.S. Government Securities Fund, Class R6	23,214	233,765
^a Franklin Total Return Fund, Class R6	131,006	1,303,506
^a Franklin U.S. Government Securities Fund, Class R6	249,761	1,635,933
iShares iBoxx \$ Investment Grade Corp. Bond Fund, ETF	5,500	625,075
		3,798,279
Foreign Equity 25.8%		
^a Franklin International Growth Fund, Class R6	30,385	302,934
^a Franklin International Small Cap Growth Fund, Class R6	295,920	5,394,622
^a Mutual European Fund, Class R6	126,368	2,842,023
^a Templeton China World Fund, Class R6	28,699	1,008,752
^a Templeton Foreign Fund, Class R6	233,287	1,642,338
^a Templeton Frontier Markets Fund, Class R6	99,500	1,649,718
WisdomTree Japan Hedged Equity Fund (Japan)	24,300	1,108,323
		13,948,710
Foreign Fixed Income 4.3%		
^a Franklin Templeton Emerging Market Debt Opportunities Fund	32,659	390,924
^a Templeton Global Total Return Fund, Class R6	145,942	1,936,647
		2,327,571
Total Investments in Underlying Funds and Exchange Traded Funds before		· · · · · · · · · · · · · · · · · · ·
Short Term Investments (Cost \$45,873,939) 95.2%		51,518,070

Statement of Investments, June 30, 2013 (unaudited) (continued)

Franklin LifeSmart 2035 Retirement Target Fund	Shares/Units	Value
Short Term Investments (Cost \$2,442,134) 4.5% Money Market Funds 4.5% a.b Institutional Fiduciary Trust Money Market Portfolio	2,442,134	\$ 2,442,134
Total Investments in Underlying Funds and Exchange Traded Funds (Cost \$48,316,073) 99.7%		53,960,204
Other Assets, less Liabilities 0.3% Net Assets 100.0%		182,858 \$54,143,062

See Abbreviations on page 87.

^aSee Note 7 regarding investments in Underlying Funds.

^bNon-income producing.

Financial Highlights

	Six Months Ended June 30, 2013		Year Ended December 31,			
Class A	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$10.92	\$10.01	\$10.44	\$ 9.13	\$6.89	\$11.57
Income from investment operations ^a :						
Net investment income ^{b,c}	0.01	0.15	0.15	0.16	0.12	0.06
Net realized and unrealized gains (losses)	0.63	0.91	(0.44)	1.29	2.36	(4.29)
Total from investment operations	0.64	1.06	(0.29)	1.45	2.48	(4.23)
Less distributions from:						
Net investment income and short term gains						
received from Underlying Funds	(—) ^d	(0.15)	(0.14)	(0.14)	(0.10)	(80.0)
Net realized gains	(0.16)				(0.14)	(0.37)
Total distributions	(0.16)	(0.15)	(0.14)	(0.14)	(0.24)	(0.45)
Redemption feese		_	_	_	_	d
Net asset value, end of period	\$11.40	\$10.92	\$10.01	\$10.44	\$9.13	\$ 6.89
Total return ^f	5.85%	10.61%	(2.81)%	15.92%	36.53%	(37.46)%
Ratios to average net assets ^g						
Expenses before waiver and payments by						
affiliates ^h	1.25%	1.05%	1.30%	1.56%	2.03%	3.12%
Expenses net of waiver and payments by affiliates ^h	0.41%	0.45%	0.45%	0.45%	0.45%	0.47%
Net investment income ^c	0.22%	1.41%	1.43%	1.80%	1.53%	0.66%
Supplemental data						
Net assets, end of period (000's)	\$24,139	\$20,765	\$14,762	\$10,090	\$6,943	\$3,389
Portfolio turnover rate	36.18%	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 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.

bBased on average daily shares outstanding.

eRecognition 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.

dAmount rounds to less than \$0.01 per share.

eEffective September 1, 2008, the redemption fee was eliminated.

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

gRatios are annualized for periods less than one year.

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 0.74% for the period ended June 30, 2013.

Financial Highlights (continued)

	Six Months Ended June 30, 2013		Year Ended December 31,			
Class C	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$10.73	\$ 9.84	\$10.28	\$ 9.01	\$6.81	\$11.48
Income from investment operations ^a :						
Net investment income (loss) b,c	(0.03)	0.07	0.07	0.11	0.07	0.02
Net realized and unrealized gains (losses)	0.61	0.90	(0.43)	1.25	2.33	(4.27)
Total from investment operations	0.58	0.97	(0.36)	1.36	2.40	(4.25)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(—) ^d	(0.08)	(0.08)	(0.09)	(0.06)	(0.05)
Net realized gains	(0.16)				(0.14)	(0.37)
Total distributions	(0.16)	(80.0)	(0.08)	(0.09)	(0.20)	(0.42)
Redemption feese		_	_	_	_	d
Net asset value, end of period	\$11.15	\$10.73	\$ 9.84	\$10.28	\$9.01	\$ 6.81
Total return ^f	5.40%	9.85%	(3.54)%	15.13%	35.77%	(37.95)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates ^h	1.95%	1.74%	2.00%	2.26%	2.73%	3.82%
Expenses net of waiver and payments by affiliates ^h	1.11%	1.14%	1.15%	1.15%	1.15%	1.17%
Net investment income (loss) ^c	(0.48)%	0.72%	0.73%	1.10%	0.83%	(0.04)%
Supplemental data						
Net assets, end of period (000's)	\$7,757	\$6,680	\$5,869	\$4,157	\$2,264	\$958
Portfolio turnover rate	36.18%	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 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.

bBased on average daily shares outstanding.

eRecognition 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.

dAmount rounds to less than \$0.01 per share.

eEffective September 1, 2008, the redemption fee was eliminated.

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

gRatios are annualized for periods less than one year.

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 0.74% for the period ended June 30, 2013.

Financial Highlights (continued)

	Six Months Ended June 30, 2013		Year Ended December 31,			
Class R	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$10.88	\$ 9.99	\$10.42	\$ 9.12	\$6.88	\$11.54
Income from investment operations ^a :						
Net investment income ^{b,c}	d	0.16	0.12	0.16	0.12	0.02
Net realized and unrealized gains (losses)	0.62	0.87	(0.43)	1.27	2.35	(4.25)
Total from investment operations	0.62	1.03	(0.31)	1.43	2.47	(4.23)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(—)d	(0.14)	(0.12)	(0.13)	(0.09)	(0.06)
Net realized gains	(0.16)	_	_	_	(0.14)	(0.37)
Total distributions	(0.16)	(0.14)	(0.12)	(0.13)	(0.23)	(0.43)
Redemption feese	_	_	_	_	_	d
Net asset value, end of period	\$11.34	\$10.88	\$ 9.99	\$10.42	\$9.12	\$ 6.88
Total return ^f	5.69%	10.35%	(3.01)%	15.66%	36.45%	(37.64)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates ^h	1.45%	1.25%	1.50%	1.76%	2.23%	3.32%
Expenses net of waiver and payments by affiliates ^h	0.61%	0.65%	0.65%	0.65%	0.65%	0.67%
Net investment income ^c	0.02%	1.21%	1.23%	1.60%	1.33%	0.46%
Supplemental data						
Net assets, end of period (000's)	\$3,694	\$3,336	\$860	\$663	\$394	\$156
Portfolio turnover rate	36.18%	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 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.

bBased on average daily shares outstanding.

eRecognition 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.

dAmount rounds to less than \$0.01 per share.

eEffective September 1, 2008, the redemption fee was eliminated.

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

gRatios are annualized for periods less than one year.

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 0.74% for the period ended June 30, 2013.

Financial Highlights (continued)

	Period Ended June 30, 2013 ^a
Class R6	(unaudited)
Per share operating performance	
(for a share outstanding throughout the period)	
Net asset value, beginning of period	\$11.67
Income from investment operations ^b :	
Net investment income ^{c,d}	0.02
Net realized and unrealized gains (losses)	(0.06)
Total from investment operations	(0.04)
Less distributions from net realized gains	(0.16)
Net asset value, end of period	\$11.47
Total returne	(0.44)%
Ratios to average net assets ^f	
Expenses before waiver and payments by affiliates ^g	0.72%
Expenses net of waiver and payments by affiliates ^g	0.00%
Net investment incomed	0.74%
Supplemental data	
Net assets, end of period (000's)	\$5
Portfolio turnover rate	36.18%

^aFor the period May 1, 2013 (effective date) to June 30, 2013.

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

^cBased on average daily shares outstanding.

[&]quot;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.

eTotal return is not annualized for periods less than one year.

^fRatios are annualized for periods less than one year.

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 0.74% for the period ended June 30, 2013.

Financial Highlights (continued)

	Six Months Ended	d	Year Ended December 31,			
Advisor Class	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$10.96	\$10.05	\$10.48	\$ 9.16	\$6.89	\$11.59
Income from investment operations ^a :						
Net investment income ^{b,c}	0.03	0.16	0.17	0.25	0.14	0.06
Net realized and unrealized gains (losses)	0.63	0.93	(0.44)	1.24	2.39	(4.29)
Total from investment operations	0.66	1.09	(0.27)	1.49	2.53	(4.23)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(—)d	(0.18)	(0.16)	(0.17)	(0.12)	(0.10)
Net realized gains	(0.16)				(0.14)	(0.37)
Total distributions	(0.16)	(0.18)	(0.16)	(0.17)	(0.26)	(0.47)
Redemption feese		_	_	_		d
Net asset value, end of period	\$11.46	\$10.96	\$10.05	\$10.48	\$9.16	\$ 6.89
Total return ^f	6.01%	10.86%	(2.55)%	16.26%	37.27%	(37.39)%
Ratios to average net assets ^g						
Expenses before waiver and payments by affiliates ^h	0.95%	0.75%	1.00%	1.26%	1.73%	2.82%
Expenses net of waiver and payments by affiliates ^h	0.11%	0.15%	0.15%	0.15%	0.15%	0.17%
Net investment income ^c	0.52%	1.71%	1.73%	2.10%	1.83%	0.96%
Supplemental data						
Net assets, end of period (000's)	\$879	\$709	\$642	\$499	\$205	\$105
Portfolio turnover rate	36.18%	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 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.

bBased on average daily shares outstanding.

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.

dAmount rounds to less than \$0.01 per share.

eEffective September 1, 2008, the redemption fee was eliminated.

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

gRatios are annualized for periods less than one year.

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 0.74% for the period ended June 30, 2013.

Statement of Investments, June 30, 2013 (unaudited)

Franklin LifeSmart 2045 Retirement Target Fund	Shares/Units	Value
Investments in Underlying Funds and Exchange Traded Funds		
Alternative Strategies 3.1%		
^a Franklin Pelagos Commodities Strategy Fund	118,178	\$ 1,057,697
^a Franklin Pelagos Managed Futures Strategy Fund	10,517	85,290
		1,142,987
Domestic Equity 58.1%		
^a Franklin Biotechnology Discovery Fund, Class R6	9,548	1,043,053
a,b Franklin DynaTech Fund, Class R6	133,162	4,976,263
^a Franklin Flex Cap Growth Fund, Class R6	23,536	1,251,656
^a Franklin Growth Fund, Class R6	44,955	2,499,472
a,b Franklin Growth Opportunities Fund, Class R6	23,813	609,363
^a Franklin MicroCap Value Fund, Class R6	7,402	273,562
^a Franklin Real Estate Securities Fund, Class R6	33,747	602,388
^a Franklin Rising Dividends Fund, Class R6	118,657	5,090,383
^a Franklin Small Cap Growth Fund, Class R6	60,001	976,219
^a Franklin Utilities Fund, Class R6	146,782	2,179,708
iShares Core S&P 500, ETF	10,385	1,671,673
		21,173,740
Domestic Fixed Income 5.7%		
^a Franklin Limited Maturity U.S. Government Securities Fund, Class R6	15,213	153,198
^a Franklin Total Return Fund, Class R6	71,595	712,369
^a Franklin U.S. Government Securities Fund, Class R6	128,599	842,322
iShares iBoxx \$ Investment Grade Corp. Bond Fund, ETF	3,400	386,410
		2,094,299
Foreign Equity 28.0%		
^a Franklin International Growth Fund, Class R6	21,715	216,495
^a Franklin International Small Cap Growth Fund, Class R6	214,035	3,901,864
^a Mutual European Fund, Class R6	89,094	2,003,724
^a Templeton China World Fund, Class R6	21,790	765,929
^a Templeton Foreign Fund, Class R6	201,097	1,415,724
^a Templeton Frontier Markets Fund, Class R6	69,211	1,147,516
WisdomTree Japan Hedged Equity Fund (Japan)	17,000	775,370
		10,226,622
Foreign Fixed Income 3.4%		
^a Franklin Templeton Emerging Market Debt Opportunities Fund	16,397	196,275
^a Templeton Global Total Return Fund, Class R6	78,104	1,036,444
		1,232,719
Total Investments in Underlying Funds and Exchange Traded Funds before		
Short Term Investments (Cost \$32,190,682) 98.3%		35,870,367

Statement of Investments, June 30, 2013 (unaudited) (continued)

Franklin LifeSmart 2045 Retirement Target Fund	Shares/Units	Value
Short Term Investments (Cost \$546,693) 1.5% Money Market Funds 1.5% a,b Institutional Fiduciary Trust Money Market Portfolio	546,693	\$ 546,693
Total Investments in Underlying Funds and Exchange Traded Funds (Cost \$32,737,375) 99.8%		36,417,060
Other Assets, less Liabilities 0.2% Net Assets 100.0%		\$56,282 \$36,473,342

See Abbreviations on page 87.

^aSee Note 7 regarding investments in Underlying Funds.

^bNon-income producing.

Financial Statements

Statements of Assets and Liabilities

June 30, 2013 (unaudited)

	Franklin LifeSmart 2015 Retirement Target Fund	Franklin LifeSmart 2025 Retirement Target Fund	Franklin LifeSmart 2035 Retirement Target Fund	Franklin LifeSmart 2045 Retirement Target Fund
Assets:	6	8	6	8
Investments in securities:				
Cost - Underlying Funds (Note 7)	\$54,625,475	\$64,269,445	\$44,346,264	\$29,998,779
Cost - Exchange traded funds	4,531,363	5,555,363	3,969,809	2,738,596
Cost - Repurchase agreements	1,864,349	_		
Total cost of investments	\$61,021,187	\$69,824,808	\$48,316,073	\$32,737,375
Value - Underlying Funds (Note 7)	\$58,464,741	\$71,623,731	\$49,842,840	\$33,583,607
Value - Exchange traded funds	4,413,593	5,754,706	4,117,364	2,833,453
Value - Repurchase agreements	1,864,349	_	_	_
Total value of investments	64,742,683	77,378,437	53,960,204	36,417,060
Receivables:				
Capital shares sold	69,973	195,410	214,871	87,376
Dividends	7,642	15,109	11,974	8,308
Affiliates	2,622	_	30,869	62,342
Other assets	16	19	12	9
Total assets	64,822,936	77,588,975	54,217,930	36,575,095
Liabilities:				
Payables:				
Capital shares redeemed	24,132	57,703	49,350	77,080
Affiliates	_	6,217	_	_
Reports to shareholders	6,340	9,163	7,802	6,939
Professional fees	14,901	14,098	14,510	14,340
Accrued expenses and other liabilities	2,442	2,597	3,206	3,394
Total liabilities	47,815	89,778	74,868	101,753
Net assets, at value	\$64,775,121	\$77,499,197	\$54,143,062	\$36,473,342
Net assets consist of:				
Paid-in capital	\$59,288,412	\$68,664,054	\$47,672,129	\$32,372,381
Undistributed net investment income				
(distributions in excess of net investment				
income)	109,998	(9,120)	28,893	10,064
Net unrealized appreciation (depreciation)	3,721,496	7,553,629	5,644,131	3,679,685
Accumulated net realized gain (loss)	1,655,215	1,290,634	797,909	411,212
Net assets, at value	\$64,775,121	\$77,499,197	\$54,143,062	\$36,473,342

Financial Statements (continued)

Statements of Assets and Liabilities (continued)

June 30, 2013 (unaudited)

	Franklin LifeSmart 2015 Retirement Target Fund	Franklin LifeSmart 2025 Retirement Target Fund	Franklin LifeSmart 2035 Retirement Target Fund	Franklin LifeSmart 2045 Retirement Target Fund
Class A:	0.00	3	3.4	0.00
Net assets, at value	\$41,764,653	\$51,463,416	\$36,644,925	\$24,139,446
Shares outstanding	3,548,558	4,466,362	3,189,784	2,118,263
Net asset value per sharea	\$11.77	\$11.52	\$11.49	\$11.40
Maximum offering price per share (net asset value per share ÷ 94.25%)	\$12.49	\$12.22	\$12.19	\$12.10
Class C:				
Net assets, at value	\$18,288,195	\$20,023,117	\$12,737,619	\$ 7,756,633
Shares outstanding	1,570,354	1,762,088	1,129,981	695,580
Net asset value and maximum offering price per share ^a	\$11.65	\$11.36	\$11.27	\$11.15
Class R:				
Net assets, at value	\$ 2,448,565	\$ 3,806,349	\$ 3,228,050	\$ 3,693,641
Shares outstanding	208,681	331,539	281,463	325,680
Net asset value and maximum offering price per share	\$11.73	\$11.48	\$11.47	\$11.34
Class R6				
Net assets, at value	\$ 4,855	\$ 4,920	\$ 4,911	\$ 4,911
Shares outstanding	411	426	425	428
Net asset value and maximum offering price per share	\$11.81	\$11.55	\$11.56	\$11.47
Advisor Class:				
Net assets, at value	\$ 2,268,853	\$ 2,201,395	\$ 1,527,557	\$ 878,711
Shares outstanding	192,090	190,646	132,096	76,686
Net asset value and maximum offering	¢11 01	¢11 55	¢11 50	¢11 4C
price per share	\$11.81	\$11.55	\$11.56	\$11.46

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

Financial Statements (continued)

Statements of Operations

for the six months ended June 30, 2013 (unaudited)

	Franklin LifeSmart 2015 Retirement Target Fund	Franklin LifeSmart 2025 Retirement Target Fund	Franklin LifeSmart 2035 Retirement Target Fund	Franklin LifeSmart 2045 Retirement Target Fund
Investment income:	6			
Dividends:				
Underlying Funds (Note 7)	\$ 420,807	\$ 261,013	\$ 140,976	\$ 83,641
Exchange traded funds	46,276	55,188	38,738	26,400
Interest	1,187	_	_	
Total investment income	468,270	316,201	179,714	110,041
Expenses:				
Asset allocation fees (Note 3a)	77,184	92,841	64,353	43,292
Class A	57,696	73,624	52,214	34,375
Class C	88,976	96,849	60,949	36,840
Class R	5,491	9,328	7,899	8,807
Class A	24,501	40,142	37,399	37,821
Class C	11,069	15,839	13,097	12,202
Class R	1,357	3,053	3,395	5,815
Advisor Class	1,237	1,729	1,444	1,349
Custodian fees (Note 4)	27	25	18	11
Reports to shareholders	8,077	10,594	9,101	8,460
Registration and filing fees	62,414	61,200	61,043	59,946
Professional fees	13,090	13,407	13,272	13,572
Trustees' fees and expenses	199	255	_	_
Other Expenses borne by Underlying Funds	2,132	2,151	2,071	2,027
(Note 8)	(19,611)	(32,920)	(24,166)	(19,636)
Total expenses Expenses waived/paid by affiliates	333,839	388,117	302,089	244,881
(Note 3f)	(146,409)	(165,843)	(151,631)	(145,122)
Net expenses	187,430	222,274	150,458	99,759
Net investment income	280,840	93,927	29,256	10,282
Realized and unrealized gains (losses): Net realized gain (loss) from: Sale of investments:				
Underlying Funds (Note 7)	1,624,069	1,645,937	1,059,781	654,325
Exchange traded funds	388,549	200,731	124,647	90,764
Net realized gain (loss)	2,012,618	1,846,668	1,184,428	745,089
Net change in unrealized appreciation (depreciation) on investments	(911,613)	1,481,186	1,470,131	1,076,353
Net realized and unrealized gain (loss)	1,101,005	3,327,854	2,654,559	1,821,442
Net increase (decrease) in net assets	1,101,005	3,327,034	2,004,009	1,021,442
resulting from operations	\$1,381,845	\$3,421,781	\$2,683,815	\$1,831,724

Financial Statements (continued)

Statements of Changes in Net Assets

		Smart 2015 Target Fund	Franklin LifeSmart 2025 Retirement Target Fund		
	Six Months Ended June 30, 2013 (unaudited)	Year Ended December 31, 2012	Six Months Ended June 30, 2013 (unaudited)	Year Ended December 31, 2012	
Increase (decrease) in net assets:					
Operations:	¢ 000.040	ф 1 OFC 041	¢ 02.007	Φ 055.014	
Net investment income	\$ 280,840	\$ 1,056,241	\$ 93,927	\$ 855,814	
Net realized gain (loss) from Underlying Funds and exchange traded funds	2,012,618	1,352,802	1,846,668	1,569,750	
Net change in unrealized appreciation	2,012,016	1,332,002	1,840,008	1,309,730	
(depreciation) on investments	(911,613)	2,169,621	1,481,186	3,355,752	
Net increase (decrease) in net	(311,010)	2,100,021	1,101,100	0,000,00	
assets resulting from					
operations	1,381,845	4,578,664	3,421,781	5,781,316	
Distributions to shareholders from:		, , , , , ,			
Net investment income:					
Class A	(171,673)	(776,737)	(148,866)	(642,992)	
Class C	(52,438)	(246,119)	(27,596)	(149,407)	
Class R	(8,735)	(38,107)	(9,937)	(43,450)	
Advisor Class	(10,145)	(43,748)	(8,062)	(31,514)	
Net realized gains:					
Class A	(507,207)	_	(467,131)	_	
Class C	(224,392)	_	(183,516)	_	
Class R	(29,809)	_	(34,752)	_	
Class R6	(59)	_	(45)	_	
Advisor Class	(27,400)	_	(19,893)		
Total distributions to shareholders	(1,031,858)	(1,104,711)	(899,798)	(867,363)	
Capital share transactions: (Note 2)					
Class A	4,001,844	4,253,720	4,486,658	5,509,087	
Class C	1,289,828	1,644,241	1,065,407	2,710,878	
Class R	587,521	(84,604)	239,709	1,469,187	
Class R6	5,000		5,000	(110.105)	
Advisor Class	420,307	228,119	254,225	(119,195)	
Total capital share transactions	6,304,500	6,041,476	6,050,999	9,569,957	
Net increase (decrease) in					
net assets	6,654,487	9,515,429	8,572,982	14,483,910	
Net assets:					
Beginning of period	58,120,634	48,605,205	68,926,215	54,442,305	
End of period	\$64,775,121	\$58,120,634	\$77,499,197	\$68,926,215	
Undistributed net investment income (distributions in excess of net investment income) included in net assets:					
End of period	\$ 109,998	\$ 72,149	\$ (9,120)	\$ 91,414	

Financial Statements (continued)

Statements of Changes in Net Assets (continued)

Page Page			eSmart 2035 : Target Fund		eSmart 2045 : Target Fund
Operations: Net investment income \$ 29,256 \$ 542,745 \$ 10,282 \$ 340,670 Net realized gain (loss) from Underlying Funds and exchange traded funds 1,184,428 1,226,691 745,089 713,283 Net change in unrealized appreciation (depreciation) on investments 1,470,131 2,178,026 1,076,353 1,479,660 Net increase (decrease) in net assets resulting from operations 2,683,815 3,947,462 1,831,724 2,533,613 Distributions to shareholders from: Net investment income: 460,557 1,412 (278,948) Class A (1,886) (460,557) (1,412) (278,948) Class C (792) (95,736) (469) (48,340) Class R (192) (38,346) (223) (41,987) Advisor Class (82) (18,270) (52) (11,453) Net realized gains: (475,197) (8,255) (328,163) — Class A (475,197) (8,325) (328,163) — Class A (41,467) (788) (50,488) — <t< th=""><th></th><th>June 30, 2013</th><th></th><th>June 30, 2013</th><th></th></t<>		June 30, 2013		June 30, 2013	
Net realized gain (loss) from Underlying Funds and exchange traded funds. 1,184,428 1,226,691 745,089 713,283 Net change in unrealized appreciation (depreciation) on investments 1,470,131 2,178,026 1,076,353 1,479,660 Net increase (decrease) in net assets resulting from operations 2,683,815 3,947,462 1,831,724 2,533,613 Distributions to shareholders from: Net investment income: Class C (1,886) (460,557) (1,412) (278,948) Class C (792) (95,736) (469) (48,340) Class R (192) (38,346) (223) (41,987) Advisor Class (82) (18,270) (52) (11,453) Net realized gains: Class A (475,197) (8,325) (328,163) — Class A (475,197) (8,325) (328,163) — Class R (41,467) (788) (50,488) — Class R (19,679) (276) (11,797) — Total distributi					
Net change in unrealized appreciation (depreciation) on investments 1,470,131 2,178,026 1,076,353 1,479,660 Net increase (decrease) in net assets resulting from operations 2,683,815 3,947,462 1,831,724 2,533,613 Distributions to shareholders from: Net investment income: Class A		\$ 29,256	\$ 542,745	\$ 10,282	\$ 340,670
Net increase (decrease) in net assets resulting from operations 2,683,815 3,947,462 1,831,724 2,533,613 Distributions to shareholders from:		1,184,428	1,226,691	745,089	713,283
assets resulting from operations 2,683,815 3,947,462 1,831,724 2,533,613 Distributions to shareholders from: Net investment income: Section 1,886 (460,557) (1,412) (278,948) Class A (1,886) (460,557) (1,412) (278,948) Class C (792) (95,736) (469) (48,340) Class R (192) (38,346) (223) (41,987) Advisor Class (82) (18,270) (52) (11,453) Net realized gains: (475,197) (8,325) (328,163) — Class A (475,197) (8,325) (328,163) — Class C (169,354) (2,946) (108,135) — Class R (41,467) (788) (50,488) — Class R (64) — (67) — Advisor Class A (19,679) (276) (11,797) — Total distributions to shareholders (708,713) (625,244) (500,806) (380,728) Class A 3,174,948<	(depreciation) on investments	1,470,131	2,178,026	1,076,353	1,479,660
Net investment income:					
Net investment income: (1,886) (460,557) (1,412) (278,948) Class A (792) (95,736) (469) (48,340) Class R (192) (38,346) (223) (41,987) Advisor Class (82) (18,270) (52) (11,453) Net realized gains: Class A (475,197) (8,325) (328,163) — Class A (169,354) (2,946) (108,135) — Class R (41,467) (788) (50,488) — Class R6 (64) — (67) — Advisor Class (19,679) (276) (11,797) — Total distributions to shareholders (708,713) (625,244) (500,806) (380,728) Capital share transactions: (Note 2) (11,87906) 2,051,813 815,402 292,321 Class A 3,174,948 5,467,708 2,471,953 4,535,889 Class R6 5,000 — 5,000 — Class R6 5,00	operations	2,683,815	3,947,462	1,831,724	2,533,613
Class C (792) (95,736) (469) (48,340) Class R (192) (38,346) (223) (41,987) Advisor Class (82) (18,270) (52) (11,453) Net realized gains: Total capital share transactions: (475,197) (8,325) (328,163) — Class A (475,197) (8,325) (328,163) — Class C (169,354) (2,946) (108,135) — Class R (41,467) (788) (50,488) — Class R6 (64) — (67) — Advisor Class (19,679) (276) (11,797) — Total distributions to shareholders (708,713) (625,244) (500,806) (380,728) Capital share transactions: (Note 2) (1,187,906) 2,051,813 815,402 292,321 Class C 1,187,906 2,051,813 815,402 292,321 Class R6 5,000 — 5,000 — Advisor Class 402,826 180					
Class R (192) (38,346) (223) (41,987) Advisor Class (82) (18,270) (52) (11,453) Net realized gains: Class A (475,197) (8,325) (328,163) — Class C (169,354) (2,946) (108,135) — Class R (41,467) (788) (50,488) — Class R6 (64) — (67) — Advisor Class (19,679) (276) (11,797) — Total distributions to shareholders (708,713) (625,244) (500,806) (380,728) Capital share transactions: (Note 2) Class A 3,174,948 5,467,708 2,471,953 4,535,889 Class C 1,187,906 2,051,813 815,402 292,321 Class R 65,907 1,140,735 222,325 2,373,540 Class R6 5,000 — 5,000 — Advisor Class 402,826 180,901 137,745 1,805 Total capital share tra	Class A	(1,886)		(1,412)	·
Advisor Class (82) (18,270) (52) (11,453) Net realized gains: 8 (475,197) (8,325) (328,163) — Class C (169,354) (2,946) (108,135) — Class R (41,467) (788) (50,488) — Class R6 (64) — (67) — Advisor Class (19,679) (276) (11,797) — Total distributions to shareholders (708,713) (625,244) (500,806) (380,728) Capital share transactions: (Note 2) (10,877) 1,187,906 2,051,813 815,402 292,321 Class R 65,907 1,140,735 222,325 2,373,540 Class R6 5,000 — 5,000 — Advisor Class 402,826 180,901 137,745 1,805 Total capital share transactions 4,836,587 8,841,157 3,652,425 7,203,555 Net increase (decrease) in net assets: 6,811,689 12,163,375 4,983,343 9,356,440 <t< td=""><td></td><td></td><td></td><td></td><td></td></t<>					
Net realized gains: Class A (475,197) (8,325) (328,163) — Class C (169,354) (2,946) (108,135) — Class R (41,467) (788) (50,488) — Class R6 (64) — (67) — Advisor Class (19,679) (276) (11,797) — Total distributions to shareholders (708,713) (625,244) (500,806) (380,728) Capital share transactions: (Note 2) (19,679) 2,051,813 815,402 292,321 Class A 3,174,948 5,467,708 2,471,953 4,535,889 Class C 1,187,906 2,051,813 815,402 292,321 Class R6 5,000 — 5,000 — Advisor Class 402,826 180,901 137,745 1,805 Total capital share transactions 4,836,587 8,841,157 3,652,425 7,203,555 Net increase (decrease) in net assets 6,811,689 12,163,375 4,983,343 9,356,440					
Class C (169,354) (2,946) (108,135) — Class R (41,467) (788) (50,488) — Class R6 (64) — (67) — Advisor Class (19,679) (276) (11,797) — Total distributions to shareholders (708,713) (625,244) (500,806) (380,728) Capital share transactions: (Note 2) (11,797) — — (500,806) (380,728) Class A 3,174,948 5,467,708 2,471,953 4,535,889 Class R 65,907 1,140,735 222,325 2,373,540 Class R6 5,000 — 5,000 — Advisor Class 402,826 180,901 137,745 1,805 Total capital share transactions 4,836,587 8,841,157 3,652,425 7,203,555 Net increase (decrease) in net assets 6,811,689 12,163,375 4,983,343 9,356,440 Net assets: Beginning of period 47,331,373 35,167,998 31,489,999 22,133,559	Net realized gains:				(11,453)
Class R (141,467) (788) (50,488) — Class R6 (64) — (67) — Advisor Class (19,679) (276) (11,797) — Total distributions to shareholders (708,713) (625,244) (500,806) (380,728) Capital share transactions: (Note 2) — — — — Class A (1,187,906) 2,051,813 815,402 292,321 Class C (1,187,906) 2,051,813 815,402 292,321 Class R (6) 65,907 1,140,735 222,325 2,373,540 Class R (6) 5,000 — 5,000 — Advisor Class 402,826 180,901 137,745 1,805 Total capital share transactions 4,836,587 8,841,157 3,652,425 7,203,555 Net increase (decrease) in net assets 6,811,689 12,163,375 4,983,343 9,356,440 Net assets 8eginning of period 47,331,373 35,167,998 31,489,999 22,133,559 End of period \$54,143,062 \$47,331,373 \$36,473,342 <t< td=""><td></td><td>•</td><td></td><td>•</td><td>_</td></t<>		•		•	_
Class R6 (64) — (67) — Advisor Class (19,679) (276) (11,797) — Total distributions to shareholders (708,713) (625,244) (500,806) (380,728) Capital share transactions: (Note 2) (138,708) 2,471,953 4,535,889 Class A 3,174,948 5,467,708 2,471,953 4,535,889 Class C 1,187,906 2,051,813 815,402 292,321 Class R 65,907 1,140,735 222,325 2,373,540 Class R6 5,000 — 5,000 — Advisor Class 402,826 180,901 137,745 1,805 Total capital share transactions 4,836,587 8,841,157 3,652,425 7,203,555 Net increase (decrease) in net assets 6,811,689 12,163,375 4,983,343 9,356,440 Net assets: Beginning of period 47,331,373 35,167,998 31,489,999 22,133,559 End of period \$54,143,062 \$47,331,373 \$36,473,342 \$31,489,999					_
Advisor Class (19,679) (276) (11,797) — Total distributions to shareholders (708,713) (625,244) (500,806) (380,728) Capital share transactions: (Note 2) Start (19,679) (625,244) (500,806) (380,728) Class A 3,174,948 5,467,708 2,471,953 4,535,889 Class C 1,187,906 2,051,813 815,402 292,321 Class R 65,907 1,140,735 222,325 2,373,540 Class R6 5,000 — 5,000 — Advisor Class 402,826 180,901 137,745 1,805 Total capital share transactions 4,836,587 8,841,157 3,652,425 7,203,555 Net increase (decrease) in net assets 6,811,689 12,163,375 4,983,343 9,356,440 Net assets: Beginning of period 47,331,373 35,167,998 31,489,999 22,133,559 End of period \$54,143,062 \$47,331,373 \$36,473,342 \$31,489,999 Undistributed net investment income included in net assets:		,	(788)	,	_
Total distributions to shareholders (708,713) (625,244) (500,806) (380,728) Capital share transactions: (Note 2) (21,471,953) 4,535,889 Class A 3,174,948 5,467,708 2,471,953 4,535,889 Class C 1,187,906 2,051,813 815,402 292,321 Class R 65,907 1,140,735 222,325 2,373,540 Class R6 5,000 — 5,000 — Advisor Class 402,826 180,901 137,745 1,805 Total capital share transactions 4,836,587 8,841,157 3,652,425 7,203,555 Net increase (decrease) in net assets 6,811,689 12,163,375 4,983,343 9,356,440 Net assets: 8eginning of period 47,331,373 35,167,998 31,489,999 22,133,559 End of period \$54,143,062 \$47,331,373 \$36,473,342 \$31,489,999 Undistributed net investment income included in net assets: 10,200,000 \$47,331,373 \$36,473,342 \$31,489,999			(276)		_
Capital share transactions: (Note 2) Class A 3,174,948 5,467,708 2,471,953 4,535,889 Class C 1,187,906 2,051,813 815,402 292,321 Class R 65,907 1,140,735 222,325 2,373,540 Class R6 5,000 — 5,000 — Advisor Class 402,826 180,901 137,745 1,805 Total capital share transactions 4,836,587 8,841,157 3,652,425 7,203,555 Net increase (decrease) in net assets 6,811,689 12,163,375 4,983,343 9,356,440 Net assets: Beginning of period 47,331,373 35,167,998 31,489,999 22,133,559 End of period \$54,143,062 \$47,331,373 \$36,473,342 \$31,489,999 Undistributed net investment income included in net assets: \$47,331,373 \$36,473,342 \$31,489,999					(200 720)
Class A 3,174,948 5,467,708 2,471,953 4,535,889 Class C 1,187,906 2,051,813 815,402 292,321 Class R 65,907 1,140,735 222,325 2,373,540 Class R6 5,000 — 5,000 — Advisor Class 402,826 180,901 137,745 1,805 Total capital share transactions 4,836,587 8,841,157 3,652,425 7,203,555 Net increase (decrease) in net assets 6,811,689 12,163,375 4,983,343 9,356,440 Net assets: Beginning of period 47,331,373 35,167,998 31,489,999 22,133,559 End of period \$54,143,062 \$47,331,373 \$36,473,342 \$31,489,999 Undistributed net investment income included in net assets: 10,100,000 \$47,331,373 \$36,473,342 \$31,489,999		(706,713)	(023,244)	(300,806)	(360,726)
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Class R 65,907 1,140,735 222,325 2,373,540 Class R6 5,000 — 5,000 — Advisor Class 402,826 180,901 137,745 1,805 Total capital share transactions 4,836,587 8,841,157 3,652,425 7,203,555 Net increase (decrease) in net assets 6,811,689 12,163,375 4,983,343 9,356,440 Net assets: 8eginning of period 47,331,373 35,167,998 31,489,999 22,133,559 End of period \$54,143,062 \$47,331,373 \$36,473,342 \$31,489,999 Undistributed net investment income included in net assets: *** *** ***				, ,	
Class R6 5,000 — 5,000 — Advisor Class 402,826 180,901 137,745 1,805 Total capital share transactions 4,836,587 8,841,157 3,652,425 7,203,555 Net increase (decrease) in net assets 6,811,689 12,163,375 4,983,343 9,356,440 Net assets: 8eginning of period 47,331,373 35,167,998 31,489,999 22,133,559 End of period \$54,143,062 \$47,331,373 \$36,473,342 \$31,489,999 Undistributed net investment income included in net assets: 6,811,689 12,163,375 4,983,343 9,356,440					
Advisor Class 402,826 180,901 137,745 1,805 Total capital share transactions 4,836,587 8,841,157 3,652,425 7,203,555 Net increase (decrease) in net assets 6,811,689 12,163,375 4,983,343 9,356,440 Net assets: 8eginning of period 47,331,373 35,167,998 31,489,999 22,133,559 End of period \$54,143,062 \$47,331,373 \$36,473,342 \$31,489,999 Undistributed net investment income included in net assets: 10,000					
Total capital share transactions 4,836,587 8,841,157 3,652,425 7,203,555 Net increase (decrease) in net assets 6,811,689 12,163,375 4,983,343 9,356,440 Net assets: 8eginning of period 47,331,373 35,167,998 31,489,999 22,133,559 End of period \$54,143,062 \$47,331,373 \$36,473,342 \$31,489,999 Undistributed net investment income included in net assets: *** ***			180,901		1,805
Net increase (decrease) in net assets 6,811,689 12,163,375 4,983,343 9,356,440 Net assets: 8eginning of period 47,331,373 35,167,998 31,489,999 22,133,559 End of period \$54,143,062 \$47,331,373 \$36,473,342 \$31,489,999 Undistributed net investment income included in net assets: 847,331,373 846,473,342 847,489,999			·	,	7,203,555
assets 6,811,689 12,163,375 4,983,343 9,356,440 Net assets: 8eginning of period 47,331,373 35,167,998 31,489,999 22,133,559 End of period \$54,143,062 \$47,331,373 \$36,473,342 \$31,489,999 Undistributed net investment income included in net assets: 6,811,689 12,163,375 4,983,343 9,356,440		· · · · · · · · · · · · · · · · · · ·	, , , , , , , , , , , , , , , , , , ,		<u> </u>
Beginning of period 47,331,373 35,167,998 31,489,999 22,133,559 End of period \$54,143,062 \$47,331,373 \$36,473,342 \$31,489,999 Undistributed net investment income included in net assets: Included in net assets:	assets	6,811,689	12,163,375	4,983,343	9,356,440
Undistributed net investment income included in net assets:		47,331,373	35,167,998	31,489,999	22,133,559
included in net assets:	End of period	\$54,143,062	\$47,331,373	\$36,473,342	\$31,489,999
		\$ 28,893	\$ 2,589	\$ 10,064	\$ 1,938

Notes to Financial Statements (unaudited)

1. Organization and Significant Accounting Policies

Franklin Templeton Fund Allocator Series (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of ten separate funds, four of which are included in this report (Funds). The financial statements of the remaining funds in the Trust are presented separately. The Funds invest primarily in Franklin Templeton mutual funds (Underlying Funds). The Funds offer five classes of shares: Class A, Class C, Class R, Class R6, and Advisor Class. Effective May 1, 2013, the Funds began offering a new class of shares, Class R6. Each class of shares differs by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees primarily due to differing arrangements for distribution and transfer agent fees.

The accounting policies of the Underlying Funds are outlined in their respective shareholder reports. A copy of the Underlying Funds' shareholder reports, in which each fund invests, are available on the U.S. Securities and Exchange Commission (SEC) website at sec.gov or at the SEC's Public Reference Room in Washington, D.C. The Underlying Funds' shareholder reports are not covered by this report.

The following summarizes the Funds' significant accounting policies.

Effective May 1, 2013, the following name changes occurred:

Former Name	New Name
Franklin Templeton 2015 Retirement Target Fund	Franklin LifeSmart 2015 Retirement Target Fund
Franklin Templeton 2025 Retirement Target Fund	Franklin LifeSmart 2025 Retirement Target Fund
Franklin Templeton 2035 Retirement Target Fund	Franklin LifeSmart 2035 Retirement Target Fund
Franklin Templeton 2045 Retirement Target Fund	Franklin LifeSmart 2045 Retirement Target Fund

a. Financial Instrument Valuation

The Funds' investments in financial instruments are carried at fair value daily. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. Under procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Funds' valuation policies and procedures, which are approved annually by the Board. Investments in the Underlying Funds are valued at their closing net asset value each trading day. Exchange traded funds (ETFs) listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively.

Notes to Financial Statements (unaudited) (continued)

1. Organization and Significant Accounting Policies (continued)

b. Joint Repurchase Agreement

The Franklin LifeSmart 2015 Retirement Target Fund enters into a joint repurchase agreement whereby its uninvested cash balance is deposited into a joint cash account with other funds managed by the investment manager or an affiliate of the investment manager and is used to invest in one or more repurchase agreements. The value and face amount of the joint repurchase agreement are allocated to the funds based on their pro-rata interest. A repurchase agreement is accounted for as a loan by the fund to the seller, collateralized by securities which are delivered to the fund's custodian. The market value, including accrued interest, of the initial collateralization is required to be at least 102% of the dollar amount invested by the funds, with the value of the underlying securities marked to market daily to maintain coverage of at least 100%. Repurchase agreements are subject to the terms of Master Repurchase Agreements (MRAs) with approved counterparties (sellers). The MRAs contain various provisions, including but not limited to events of default and maintenance of collateral for repurchase agreements. In the event of default by either the seller or the Fund, certain MRAs may permit the non-defaulting party to net and close-out all transactions, if any, traded under such agreements. The fund may sell securities it holds as collateral and apply the proceeds towards the repurchase price and any other amounts owed by the seller to the fund in the event of default by the seller. This could involve costs or delays in addition to a loss on the securities if their value falls below the repurchase price owed by the seller. The joint repurchase agreement held by the Fund at period end, as indicated in the Statement of Investments, had been entered into on June 28, 2013.

c. Income Taxes

It is each fund's policy to qualify as a regulated investment company under the Internal Revenue Code. Each fund intends to distribute to shareholders substantially all of its taxable income and net realized gains to relieve it from federal income and excise taxes. As a result, no provision for U.S. federal income taxes is required.

Each fund recognizes the tax benefits of uncertain tax positions only when the position is "more likely than not" to be sustained upon examination by the tax authorities based on the technical merits of the tax position. As of June 30, 2013, and for all open tax years, each fund has determined that no liability for unrecognized tax benefits is required in each fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

d. Security Transactions, Investment Income, Expenses and Distributions

Security transactions are accounted for on trade date. Realized gains and losses on security transactions are determined on a specific identification basis. Estimated expenses are accrued daily. Dividend income and realized gain distributions by Underlying Funds and ETFs are recorded on

Notes to Financial Statements (unaudited) (continued)

1. Organization and Significant Accounting Policies (continued)

d. Security Transactions, Investment Income, Expenses and Distributions (continued)

the ex-dividend date. Distributions to shareholders are recorded on the ex-dividend date and are determined according to income tax regulations (tax basis). Distributable earnings determined on a tax basis may differ from earnings recorded in accordance with accounting principles generally accepted in the United States of America. These differences may be permanent or temporary. Permanent differences are reclassified among capital accounts to reflect their tax character. These reclassifications have no impact on net assets or the results of operations. Temporary differences are not reclassified, as they may reverse in subsequent periods.

Common expenses incurred by the Trust are allocated among the funds based on the ratio of net assets of each fund to the combined net assets of the Trust. Fund specific expenses are charged directly to the fund that incurred the expense.

The Funds indirectly bear their proportionate share of expenses from the Underlying Funds and ETFs. Since the Underlying Funds and ETFs have varied expense levels and the Funds may own different proportions of the Underlying Funds and ETFs at different times, the amount of expenses incurred indirectly by the Funds will vary.

Realized and unrealized gains and losses and net investment income, not including class specific expenses, are allocated daily to each class of shares based upon the relative proportion of net assets of each class. Differences in per share distributions, by class, are generally due to differences in class specific expenses.

e. Accounting Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

f. Guarantees and Indemnifications

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

Notes to Financial Statements (unaudited) (continued)

2. SHARES OF BENEFICIAL INTEREST

At June 30, 2013, there were an unlimited number of shares authorized (without par value). Transactions in the Funds' shares were as follows:

	2015 R	LifeSmart etirement et Fund	2025	n LifeSmart Retirement get Fund
	Shares	Amount	Shares	Amount
Class A Shares:				
Six Months ended June 30, 2013				
Shares sold	728,863	\$ 8,738,830	770,374	\$ 8,955,837
distributions	57,139	672,778	53,117	610,097
Shares redeemed	(451,168)	(5,409,764)	(435,877)	(5,079,276)
Net increase (decrease)	334,834	\$ 4,001,844	387,614	\$ 4,486,658
Year ended December 31, 2012				
Shares sold	969,314	\$11,089,653	1,271,041	\$13,714,708
Shares issued in reinvestment of				
distributions	66,616	766,694	57,842	636,260
Shares redeemed	(668,631)	(7,602,627)	(821,845)	(8,841,881)
Net increase (decrease)	367,299	\$ 4,253,720	507,038	\$ 5,509,087
Class C Shares:				
Six Months ended June 30, 2013				
Shares sold	215,786	\$ 2,571,985	316,565	\$ 3,625,686
Shares issued in reinvestment of	00 E7C	220 400	16 402	105 770
distributions	20,576	239,486	16,423	185,778
Shares redeemed	(127,364)	(1,521,643)	(239,513)	(2,746,057)
Net increase (decrease)	108,998	\$ 1,289,828	93,475	\$ 1,065,407
Year ended December 31, 2012	4CO 00E	ф E 017 0E0	E40.070	ф E 77E 1CO
Shares sold	462,895	\$ 5,217,258	540,872	\$ 5,775,168
distributions	18,585	212,526	12,080	131,301
Shares redeemed	(332,874)	(3,785,543)	(299,941)	(3,195,591)
Net increase (decrease)	148,606	\$ 1,644,241	253,011	\$ 2,710,878
Class R Shares:				
Six Months ended June 30, 2013				
Shares sold	101,284	\$ 1,218,591	128,044	\$ 1,480,189
Shares issued in reinvestment of				
distributions	3,068	35,985	3,185	36,442
Shares redeemed	(55,560)	(667,055)	(110,527)	(1,276,922)
Net increase (decrease)	48,792	\$ 587,521	20,702	\$ 239,709
Year ended December 31, 2012	400	.	40	
Shares sold	106,024	\$ 1,215,770	195,078	\$ 2,113,064
Shares issued in reinvestment of distributions	3,045	34,911	3,250	35,619
Shares redeemed	(115,833)	(1,335,285)	(62,141)	(679,496)
Net increase (decrease)	(6,764)	\$ (84,604)	136,187	\$ 1,469,187
Net increase (uecrease)	(0,704)	ψ (04,004)	130,167	ψ 1,403,10/

Notes to Financial Statements (unaudited) (continued)

2. Shares of Beneficial Interest (continued)

	Franklin 2015 R Targe	ement	Franklin LifeSmart 2025 Retirement Target Fund			
	Shares Amount			Shares		Amount
Class R6 Shares ^a :						
Six Months ended June 30, 2013						
Shares sold	411	\$	5,000	426	\$	5,000
Net increase (decrease)	411	\$	5,000	426	\$	5,000
Advisor Class Shares:						
Six Months ended June 30, 2013						
Shares sold	35,138	\$	423,869	29,455	\$	341,468
Shares issued in reinvestment of						
distributions	3,100		36,634	2,305		26,532
Shares redeemed	(3,359)		(40,196)	(9,570)		(113,775)
Net increase (decrease)	34,879	\$	420,307	22,190	\$	254,225
Year ended December 31, 2012						
Shares sold	37,163	\$	424,132	43,287	\$	467,259
Shares issued in reinvestment of						
distributions	3,739		43,102	2,701		29,743
Shares redeemed	(20,814)		(239,115)	(58,092)		(616,197)
Net increase (decrease)	20,088	\$	228,119	(12,104)	\$	(119,195)
				<u> </u>		

^aFor the Period May 1, 2013 (effective date) to June 30, 2013.

	2035 R	LifeSmart etirement tt Fund	2045	n LifeSmart Retirement get Fund	
	Shares	Amount	Shares	Amount	
Class A Shares:					
Six Months ended June 30, 2013					
Shares sold	482,880	\$ 5,589,727	407,273	\$ 4,659,067	
Shares issued in reinvestment of					
distributions	41,629	475,441	28,775	325,752	
Shares redeemed	(248,923)	(2,890,220)	(219,146)	(2,512,866)	
Net increase (decrease)	275,586	\$ 3,174,948	216,902	\$ 2,471,953	
Year ended December 31, 2012					
Shares sold	915,145	\$ 9,802,361	729,972	\$ 7,736,453	
Shares issued in reinvestment of					
distributions	42,782	466,426	25,592	276,441	
Shares redeemed	(446,223)	(4,801,079)	(328,318)	(3,477,005)	
Net increase (decrease)	511,704	\$ 5,467,708	427,246	\$ 4,535,889	

Notes to Financial Statements (unaudited) (continued)

2. SHARES OF BENEFICIAL INTEREST (continued)

	2035 R	Franklin LifeSmart 2035 Retirement Target Fund				ifeSmart irement Fund
	Shares		Amount	Shares		Amount
Class C Shares:						
Six Months ended June 30, 2013						
Shares sold	198,240	\$	2,254,987	147,128	\$	1,653,903
distributions	12,968		145,252	8,036		89,046
Shares redeemed	(106,767)	((1,212,333)	(82,300)		(927,547)
Net increase (decrease)	104,441	\$	1,187,906	72,864	\$	815,402
Year ended December 31, 2012						
Shares sold	324,592	\$	3,418,634	248,172	\$	2,572,583
Shares issued in reinvestment of						
distributions	7,821		83,955	3,729		39,577
Shares redeemed	(138,121)		(1,450,776)	(225,513)		(2,319,839)
Net increase (decrease)	194,292	\$	2,051,813	26,388	\$	292,321
Class R Shares:						
Six Months ended June 30, 2013						
Shares sold	49,997	\$	576,363	68,083	\$	781,030
Shares issued in reinvestment of distributions	2,450		27,934	3,845		43,337
Shares redeemed	(46,775)		(538,390)	(52,871)		(602,042)
Net increase (decrease)	5,672	\$	65,907	19.057	\$	222,325
Year ended December 31, 2012	3,072	Ψ	03,907	19,037	Ψ	222,323
Shares sold	189,898	\$	2,044,258	256,693	\$	2,753,768
Shares issued in reinvestment of	105,050	Ψ	2,044,230	230,033	Ψ	2,733,700
distributions	2,390		26,036	3,247		34,940
Shares redeemed	(86,795)		(929,559)	(39,444)		(415,168)
Net increase (decrease)	105,493	\$	1,140,735	220,496	\$	2,373,540
Class R6 Sharesa:						
Six Months ended June 30, 2013						
Shares sold	425	\$	5,000	428	\$	5,000
Net increase (decrease)	425	\$	5,000	428	\$	5,000
Advisor Class Shares:						
Six Months ended June 30, 2013						
Shares sold	37,586	\$	435,050	16,789	\$	192,679
Shares issued in reinvestment of						
distributions	1,720		19,760	1,040		11,849
Shares redeemed	(4,461)		(51,984)	(5,778)		(66,783)
Net increase (decrease)	34,845	\$	402,826	12,051	\$	137,745
Year ended December 31, 2012						
Shares sold	31,436	\$	339,280	23,620	\$	250,400
Shares issued in reinvestment of	1 600		10.546	1 055		11 450
distributions	1,693		18,546	1,055		11,453
Shares redeemed	(16,215)	ф.	(176,925)	(23,964)	φ.	(260,048)
Net increase (decrease)	16,914	\$	180,901	711	\$	1,805

^aFor the Period May 1, 2013 (effective date) to June 30, 2013.

Notes to Financial Statements (unaudited) (continued)

3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton Investments. Certain officers and trustees of the Funds are also officers and/or directors/trustees of certain of the Underlying Funds and of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

a. Asset Allocation Fees

The Funds pay an asset allocation fee to Advisers of 0.25% per year of the average daily net assets of each of the Funds for investment advisory services, consisting principally of determining the allocation of assets of the Funds among the designated Underlying Funds and ETFs.

b. Administrative Fees

FT Services, under terms of an agreement, provides administrative services to the Funds and is not paid by the Funds for the services.

c. Distribution Fees

The Board has adopted distribution plans for each share class, with the exception of Class R6 and Advisor Class shares, pursuant to Rule 12b-1 under the 1940 Act. Distribution fees are not charged on shares held by affiliates. Under the Funds' Class A reimbursement distribution plans, the Funds reimburse Distributors for costs incurred in connection with the servicing, sale and distribution of each Fund's shares up to the maximum annual plan rate for each class. Under the Class A reimbursement distribution plans, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Funds' Class C and R compensation distribution plans, the Funds pay Distributors for costs incurred in connection with the servicing, sale and distribution of each fund's shares up to the maximum annual plan rate for each class.

The maximum annual plan rates, based on the average daily net assets, for each class, are as follows:

Class A	0.35%
Class C	1.00%
Class R	0.50%

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

Notes to Financial Statements (unaudited) (continued)

3. Transactions with Affiliates (continued)

d. Sales Charges/Underwriting Agreements

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Funds. These charges are deducted from the proceeds of sales of fund shares prior to investment or from redemption proceeds prior to remittance, as applicable. Distributors has advised the Funds of the following commission transactions related to the sales and redemptions of the Funds' shares for the period:

	Franklin	Franklin	Franklin	Franklin
	LifeSmart	LifeSmart	LifeSmart	LifeSmart
	2015	2025	2035	2045
	Retirement	Retirement	Retirement	Retirement
	Target Fund	Target Fund	Target Fund	Target Fund
Sales charges retained net of commissions paid to	Target Fund	Target Fund	Target Fund	Target Fund
Sales charges retained net of commissions paid to unaffiliated broker/dealers	Target Fund \$19,773	Target Fund \$31,813	Target Fund \$26,324	Target Fund \$22,656

e. Transfer Agent Fees

Each class of shares, except for Class R6, pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations and reimburses Investor Services for out of pocket expenses incurred, including shareholding servicing fees paid to third parties. These fees are allocated daily based upon their relative proportion of such classes' aggregate net assets. Class R6 pays Investor Services transfer agent fees specific to that class.

For the period ended June 30, 2013, the Funds paid transfer agent fees as noted in the Statements of Operations of which the following amounts were retained by Investor Services:

	Franklin	Franklin	Franklin	Franklin
	LifeSmart	LifeSmart	LifeSmart	LifeSmart
	2015	2025	2035	2045
	Retirement	Retirement	Retirement	Retirement
	Target Fund	Target Fund	Target Fund	Target Fund
Transfer agent fees	\$20,126	\$35,624	\$34,222	\$39,456

f. Waiver and Expense Reimbursements

Effective May 1, 2013, Advisers and Investor Services have contractually agreed in advance to waive or limit their respective fees and to assume as their own expense certain expenses otherwise payable by the funds so that the expenses (excluding distribution fees, and acquired fund fees and expenses) for Class A, Class C, Class R and Advisor Class of the funds do not exceed 0.05%, and Class R6 does not exceed 0.00% (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) until April 30, 2014. Prior to May 1, 2013, the expenses for Class A, Class C, Class R and Advisor Class were limited to 0.15%.

Notes to Financial Statements (unaudited) (continued)

4. EXPENSE OFFSET ARRANGEMENT

The Funds have entered into an arrangement with their custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Funds' custodian expenses. During the period ended June 30, 2013, there were no credits earned.

5. INCOME TAXES

At June 30, 2013, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

	Franklin	Franklin	Franklin	Franklin
	LifeSmart	LifeSmart	LifeSmart	LifeSmart
	2015	2025	2035	2045
	Retirement	Retirement	Retirement	Retirement
	Target Fund	Target Fund	Target Fund	Target Fund
Cost of investments	\$61,241,902	\$70,141,964	\$48,575,623	\$32,988,808
Unrealized appreciation	\$ 4,463,227	\$ 8,008,060	\$ 5,890,656	\$ 3,774,912
	(962,446)	(771,587)	(506,075)	(346,660)
Net unrealized appreciation (depreciation)	\$ 3,500,781	\$ 7,236,473	\$ 5,384,581	\$ 3,428,252

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of short term capital gains distributions from Underlying Funds and ETFs and wash sales.

6. Investment Transactions

Purchases and sales of Underlying Funds and ETFs (excluding short term securities) for the period ended June 30, 2013, were as follows:

	Franklin	Franklin	Franklin	Franklin
	LifeSmart	LifeSmart	LifeSmart	LifeSmart
	2015	2025	2035	2045
	Retirement	Retirement	Retirement	Retirement
	Target Fund	Target Fund	Target Fund	Target Fund
Purchases	\$29,576,832	\$31,643,672	\$22,341,583	\$16,235,858
Sales	\$25,798,568	\$24,731,299	\$18,532,346	\$11,964,574

7. INVESTMENTS IN UNDERLYING FUNDS

The Funds invest primarily in the Underlying Funds which are managed by Advisers (or an affiliate of Advisers). The Funds do not invest in the Underlying Funds for the purpose of exercising a controlling influence over the management or policies. Asset allocation fees paid by the Funds

Notes to Financial Statements (unaudited) (continued)

7. Investments in Underlying Funds (continued)

are reduced on assets invested in the Institutional Fiduciary Trust Money Market Portfolio (Sweep Money Fund) in an amount not to exceed the management and administrative fees paid by the Sweep Money Fund.

Investments in Underlying Funds for the period ended June 30, 2013, were as follows:

Underlying Funds	Number of Shares Held at Beginning of Period ^a	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)	% of Underlying Fund Shares Outstanding Held at End of Period
Franklin LifeSmart 2015 Retirement Target Fund								
Franklin Biotechnology Discovery Fund, Class R6	_	8,655	_	8,655	\$ 945,520	\$ —	\$ —	0.12%
Franklin DynaTech Fund, Class R6	55,475	66,160	6,877	114,758	4,288,496	_	7,788	0.28%
Franklin Flex Cap Growth Fund, Class R6	29,223	1,486	3,604	27,105	1,441,463	_	37,790	0.04%
Franklin Gold and Precious Metals Fund,								
Advisor Class	16,743	_	16,743	_	b	_	9,883	_
Franklin Growth Fund, Class R6	130,472	5,429	95,145	40,756	2,266,043	_	619,887	0.03%
Franklin Growth Opportunities Fund,								
Class R6	35,960	5,080	4,449	36,591	936,369	_	30,012	0.18%
Franklin High Income Fund, Advisor Class	420,672	69,573	490,245	_	<u></u> b	11,079	62,098	_
Franklin International Growth Fund, Class R6	_	18,650	_	18,650	185,942	_	_	0.14%
Franklin International Small Cap Growth		,,,,,,		.,				
Fund, Class R6	89,796	120,328	11,313	198,811	3,624,329	_	6,979	0.30%
Franklin Limited Maturity U.S. Government								
Securities Fund, Class R6	_	113,008	_	113,008	1,137,989	8,186	_	0.21%
Franklin MicroCap Value Fund, Class R6	23,978	640	13,331	11,287	417,166	_	78,847	0.09%
Franklin Pelagos Commodities Strategy								
Fund	110,951	5,660	9,356	107,255	959,934	_	(6,081)	0.94%
Franklin Pelagos Managed Futures Strategy	0.000		0.000	2.000	00 500		(0.005)	0.000/
Fund	9,602	_	6,322	3,280	26,599	_	(9,225)	0.23%
Franklin Real Estate Securities Fund, Class R6	46,359	2,612	5,974	42,997	767,495	5.800	5,622	0.16%
Franklin Rising Dividends Fund, Class R6	102.988	11,057	12,828	101,217	4,342,199	J,000	29,290	0.10%
Franklin Small Cap Growth Fund,	102,300	11,007	12,020	101,217	7,572,155		23,230	0.0476
Class R6	_	54,194	_	54,194	881,730	_	_	0.13%
Franklin Templeton Emerging Market								
Debt Opportunities Fund	134,082	33,422	38,704	128,800	1,541,731	_	(9,381)	0.27%
Franklin Total Return Fund, Class R6	469,595	135,797	47,150	558,242	5,554,513	79,940	(8,998)	0.10%
Franklin U.S. Government Securities Fund,	010 000	001 005	10.00=	1 104 000	7.755.04.0	100 000	/* 05=:	0.000/
Class R6	913,633	281,036	10,667	1,184,002	7,755,216	136,238	(1,057)	0.08%

Notes to Financial Statements (unaudited) (continued)

7. Investments in Underlying Funds (continued)

Underlying Funds	Number of Shares Held at Beginning of Period ^a	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)	% of Underlying Fund Shares Outstanding Held at End of Period
Franklin LifeSmart 2015 Retirement Target Fund (continued)								
Franklin Utilities Fund, Class R6	127,058	20,087	15,914	131 231	\$ 1,948,776	\$ 29,320	\$ 6,889	0.04%
Institutional Fiduciary Trust Money Market			,					
Portfolio	5,697,024	1,713,032	935,681	6,474,375	6,474,375	_	11.055	0.04%
Mutual European Fund, Class R6	106,105	5,180	29,751	81,534	1,833,699	_	11,255	0.09%
Templeton China World Fund, Class R6	20,353	979	2,594	18,738	658,654	_	13,111	0.07%
Templeton Foreign Fund, Class R6	462,042	21,778	310,260	173,560	1,221,865	_	304,155	0.02%
Templeton Frontier Markets Fund, Class R6	78,745	3,920	9,863	72,802	1,207,056	_	8,738	0.09%
Templeton Global Bond Fund, Advisor								
Class	493,636	170,900	664,536	_	b	47,843	426,467	_
Templeton Global Total Return Fund, Class R6	_	606,449	_	606,449	8,047,582	102,401	_	0.12%
Total		,		,	\$58,464,741	\$420,807	\$1,624,069	011270
iotai					Ψ30,404,741	Ψ420,007	Ψ1,024,003	
Franklin LifeSmart 2025 Retirement Target Fund								
Franklin Biotechnology Discovery Fund,								
Class R6	_	16,245	_	16,245	\$1,774,591	\$ —	\$ —	0.23%
Franklin DynaTech Fund, Class R6	102,976	137,210	_	240,186	8,975,765	_	_	0.59%
Franklin Flex Cap Growth Fund, Class R6	48,954	1,220	_	50,174	2,668,268	_	_	0.08%
Franklin Gold and Precious Metals Fund,								
Advisor Class	34,561	1,225	35,786	_	b	_	(217,505)	_
Franklin Growth Fund, Class R6	226,351	11,524	161,364	76,511	4,254,037	_	1,040,379	0.05%
Franklin Growth Opportunities Fund,								
Class R6	55,512	8,988	_	64,500	1,650,563	_	_	0.32%
Franklin High Income Fund, Advisor Class	225,968	2,640	228,608	_	b	5,530	34,840	_
Franklin International Growth Fund,								
Class R6	_	43,989	_	43,989	438,566	_	_	0.34%
Franklin International Small Cap Growth								
Fund, Class R6	161,226	245,276	_	406,502	7,410,532	_	_	0.62%
Franklin Limited Maturity U.S. Government Securities Fund, Class R6	_	55,913	_	55,913	563,042	4,931	_	0.10%
Franklin MicroCap Value Fund, Class R6	36,120	463	18,103	18,480	683,017	_	94,227	0.14%
Franklin Pelagos Commodities Strategy Fund	193,321	12,111	_	205,432	1,838,618	_	_	1.79%
Franklin Pelagos Managed Futures Strategy	,	,		,	-,,			
Fund	15,664	_	_	15,664	127,032	_	_	1.12%
Franklin Real Estate Securities Fund,	,			,	,			
Class R6	72,550	4,736	_	77,286	1,379,554	10,553	_	0.29%
Franklin Rising Dividends Fund, Class R6	185,989	22,849	_	208,838	8,959,157	_	_	0.08%
Franklin Small Cap Growth Fund,								
Class R6	_	130,420	_	130,420	2,121,936	_	_	0.31%

Notes to Financial Statements (unaudited) (continued)

7. Investments in Underlying Funds (continued)

Underlying Funds	Number of Shares Held at Beginning of Period ^a	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)	% of Underlying Fund Shares Outstanding Held at End of Period
Franklin LifeSmart 2025 Retirement Target Fund (continued)								
Franklin Templeton Emerging Market Debt Opportunities Fund	80,454	11,315	20,162	71,607	\$ 857,135	\$ —	\$ (3,332)	0.15%
Franklin Total Return Fund, Class R6	242,174	49,513	_	291,687	2,902,289	38,144	_	0.05%
Franklin U.S. Government Securities Fund,								
Class R6	545,845	106,214	40,332	611,727	4,006,810	66,841	(3,337)	0.04%
Franklin Utilities Fund, Class R6	216,256	39,442	_	255,698	3,797,111	57,189	_	0.08%
Institutional Fiduciary Trust Money Market Portfolio	5,126,685	10,855,886	12,596,772	3,385,799	3,385,799	_	_	0.02%
Mutual European Fund, Class R6	191,211	10,229	32,633	168,807	3,796,459	_	(12,063)	0.18%
Templeton China World Fund, Class R6	35,729	2,064		37,793	1,328,429	_		0.15%
Templeton Foreign Fund, Class R6	768,491	31,729	504,959	295,261	2,078,636	_	407,957	0.04%
Templeton Frontier Markets Fund,	700,101	01,720	00.,000	200,201	2,070,000		.07,007	0.0.170
Class R6	124,051	7,099	_	131,150	2,174,475	_	_	0.17%
Templeton Global Bond Fund, Advisor Class	256,730	45,239	301.969	_	b	23,177	304,771	_
Templeton Global Total Return Fund,	===,:==	,=	,			,	,	
Class R6	_	335,487	_	335,487	4,451,910	54,648	_	0.06%
Total					\$71,623,731	\$261,013	\$1,645,937	
Total Franklin LifeSmart 2035 Retirement Target Fund					\$71,623,731	\$261,013	\$1,645,937	
Total		13,165		13,165	\$71,623,731 \$1,438,187	\$261,013 \$ —	· , , , _	0.19%
Total Franklin LifeSmart 2035 Retirement Target Fund Franklin Biotechnology Discovery Fund,					· · ·		· , , , _	0.19% 0.44%
Total	_	13,165	_	13,165	\$1,438,187	\$ —	\$ —	
Total	76,836 39,715	13,165 106,595 1,455	 2,007 819	13,165 181,424	\$1,438,187 6,779,829 2,145,878	\$ — —	\$ — (1,164) 2,907	0.44%
Total	76,836 39,715 23,566	13,165 106,595 1,455 1,336	 2,007 819 24,902	13,165 181,424 40,351	\$1,438,187 6,779,829 2,145,878	\$ — — —	\$ — (1,164) 2,907 (123,493)	0.44% 0.06%
Total	76,836 39,715	13,165 106,595 1,455	 2,007 819	13,165 181,424	\$1,438,187 6,779,829 2,145,878	\$ — —	\$ — (1,164) 2,907	0.44%
Total	76,836 39,715 23,566 171,818	13,165 106,595 1,455 1,336 16,353	2,007 819 24,902 126,213	13,165 181,424 40,351 — 61,958	\$1,438,187 6,779,829 2,145,878 ——b 3,444,888	\$ — — —	\$ — (1,164) 2,907 (123,493) 743,171	0.44% 0.06% — 0.04%
Total	76,836 39,715 23,566 171,818 36,021	13,165 106,595 1,455 1,336 16,353 6,606	2,007 819 24,902 126,213	13,165 181,424 40,351	\$1,438,187 6,779,829 2,145,878 b 3,444,888 1,069,026	\$ — — —	\$ — (1,164) 2,907 (123,493) 743,171 (341)	0.44% 0.06%
Total	76,836 39,715 23,566 171,818	13,165 106,595 1,455 1,336 16,353	2,007 819 24,902 126,213	13,165 181,424 40,351 — 61,958	\$1,438,187 6,779,829 2,145,878 ——b 3,444,888	\$ — — —	\$ — (1,164) 2,907 (123,493) 743,171	0.44% 0.06% — 0.04%
Total	76,836 39,715 23,566 171,818 36,021	13,165 106,595 1,455 1,336 16,353 6,606	2,007 819 24,902 126,213	13,165 181,424 40,351 — 61,958	\$1,438,187 6,779,829 2,145,878 b 3,444,888 1,069,026	\$ — — —	\$ — (1,164) 2,907 (123,493) 743,171 (341)	0.44% 0.06% — 0.04%
Total	76,836 39,715 23,566 171,818 36,021 100,301	13,165 106,595 1,455 1,336 16,353 6,606 1,171 30,385	2,007 819 24,902 126,213 852 101,472	13,165 181,424 40,351 — 61,958 41,775 — 30,385	\$1,438,187 6,779,829 2,145,878 b 3,444,888 1,069,026 b 302,934	\$ — — —	\$ — (1,164) 2,907 (123,493) 743,171 (341) 16,177 —	0.44% 0.06% — 0.04% 0.21% — 0.23%
Total	76,836 39,715 23,566 171,818 36,021	13,165 106,595 1,455 1,336 16,353 6,606 1,171 30,385 180,890	2,007 819 24,902 126,213 852 101,472 — 2,805	13,165 181,424 40,351 — 61,958 41,775 — 30,385 295,920	\$1,438,187 6,779,829 2,145,878 b 3,444,888 1,069,026 b 302,934 5,394,622	\$ — — — 2,455	\$ — (1,164) 2,907 (123,493) 743,171 (341) 16,177 — 898	0.44% 0.06% — 0.04% 0.21% — 0.23% 0.45%
Total	76,836 39,715 23,566 171,818 36,021 100,301	13,165 106,595 1,455 1,336 16,353 6,606 1,171 30,385 180,890 23,607	2,007 819 24,902 126,213 852 101,472 — 2,805 393	13,165 181,424 40,351 — 61,958 41,775 — 30,385 295,920 23,214	\$1,438,187 6,779,829 2,145,878 b 3,444,888 1,069,026 b 302,934 5,394,622 233,765	\$ — — —	\$ — (1,164) 2,907 (123,493) 743,171 (341) 16,177 — 898 (4)	0.44% 0.06% — 0.04% 0.21% — 0.23% 0.45%
Total	76,836 39,715 23,566 171,818 36,021 100,301	13,165 106,595 1,455 1,336 16,353 6,606 1,171 30,385 180,890	2,007 819 24,902 126,213 852 101,472 — 2,805	13,165 181,424 40,351 — 61,958 41,775 — 30,385 295,920	\$1,438,187 6,779,829 2,145,878 b 3,444,888 1,069,026 b 302,934 5,394,622	\$ — — — 2,455	\$ — (1,164) 2,907 (123,493) 743,171 (341) 16,177 — 898	0.44% 0.06% — 0.04% 0.21% — 0.23% 0.45%
Total	76,836 39,715 23,566 171,818 36,021 100,301	13,165 106,595 1,455 1,336 16,353 6,606 1,171 30,385 180,890 23,607	2,007 819 24,902 126,213 852 101,472 — 2,805 393	13,165 181,424 40,351 — 61,958 41,775 — 30,385 295,920 23,214	\$1,438,187 6,779,829 2,145,878 b 3,444,888 1,069,026 b 302,934 5,394,622 233,765	\$ — — — — 2,455	\$ — (1,164) 2,907 (123,493) 743,171 (341) 16,177 — 898 (4)	0.44% 0.06% — 0.04% 0.21% — 0.23% 0.45%
Total	76,836 39,715 23,566 171,818 36,021 100,301 — 117,835 — 24,393	13,165 106,595 1,455 1,336 16,353 6,606 1,171 30,385 180,890 23,607 446	2,007 819 24,902 126,213 852 101,472 2,805 393 12,293	13,165 181,424 40,351 — 61,958 41,775 — 30,385 295,920 23,214 12,546	\$1,438,187 6,779,829 2,145,878 3,444,888 1,069,026 b 302,934 5,394,622 233,765 463,680	\$ — — — — 2,455	\$ — (1,164) 2,907 (123,493) 743,171 (341) 16,177 — 898 (4) 71,800	0.44% 0.06% — 0.04% 0.21% — 0.23% 0.45% 0.04% 0.09%

Notes to Financial Statements (unaudited) (continued)

7. Investments in Underlying Funds (continued)

Underlying Funds	Number of Shares Held at Beginning of Period ^a	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)	% of Underlying Fund Shares Outstanding Held at End of Period
Franklin LifeSmart 2035 Retirement Target Fund (continued)								
	140 527	20.224	10.720	150.005	ф C 770 70C	φ	ф 01.40F	0.000/
Franklin Rising Dividends Fund, Class R6	148,537	20,234	10,736	158,035	\$ 6,779,706	\$ —	\$ 21,435	0.06%
Franklin Small Cap Growth Fund, Class R6	_	86,637	_	86,637	1,409,584	_	_	0.21%
Franklin Templeton Emerging Market Debt		00,007		00,007	1,100,001			0.2170
Opportunities Fund	48,611	4,016	19,968	32,659	390,924	_	(5,267)	0.07%
Franklin Total Return Fund, Class R6	145,354	17,212	31,560	131,006	1,303,506	21,731	(6,658)	0.02%
Franklin U.S. Government Securities Fund,								
Class R6	222,170	34,396	6,805	249,761	1,635,933	28,346	(441)	0.02%
Franklin Utilities Fund, Class R6	168,241	36,743	3,631	201,353	2,990,095	45,747	1,086	0.06%
Institutional Fiduciary Trust Money Market								
Portfolio	2,234,051	8,366,069	8,157,986	2,442,134	2,442,134	_	_	0.01%
Mutual European Fund, Class R6	141,275	12,513	27,420	126,368	2,842,023	_	11,596	0.14%
Templeton China World Fund, Class R6	26,860	2,414	575	28,699	1,008,752	_	(1,110)	0.11%
Templeton Foreign Fund, Class R6	567,456	49,429	383,598	233,287	1,642,338	_	275,157	0.03%
Templeton Frontier Markets Fund, Class R6	93,041	8,465	2,006	99,500	1,649,718	_	80	0.13%
Templeton Global Bond Fund, Advisor Class	132,342	22,895	155,237	_	b	11,305	56,384	_
Templeton Global Total Return Fund,	. ,	,				,	,	
Class R6	_	148,627	2,685	145,942	1,936,647	24,514	(295)	0.03%
Total					\$49,842,840	\$143,036	\$1,059,781	
Franklin LifeSmart 2045 Retirement Target Fund								
Franklin Biotechnology Discovery Fund,								
Class R6	_	9,548	_	9,548	\$1,043,053	\$ —	\$ —	0.13%
Franklin DynaTech Fund, Class R6	59,554	79,275	5,667	133,162	4,976,263	_	4,848	0.33%
Franklin Flex Cap Growth Fund, Class R6 $$	22,208	1,328	_	23,536	1,251,656	_	_	0.04%
Franklin Gold and Precious Metals Fund,								
Advisor Class	16,009	1,427	17,436	_	b	_	(91,356)	_
Franklin Growth Fund, Class R6	120,100	13,529	88,674	44,955	2,499,472	_	503,759	0.03%
Franklin Growth Opportunities Fund,	10.000	4.507		00.010	000 000			0.100/
Class R6	19,286	4,527		23,813	609,363	1.570	10 100	0.12%
Franklin High Income Fund, Advisor Class	64,500	754	65,254	_	b	1,578	10,188	_
Franklin International Growth Fund, Class R6	_	21,715	_	21,715	216,495	_	_	0.17%
Franklin International Small Cap Growth Fund, Class R6	79,541	134,494	_	214,035	3,901,864	_	_	0.32%
Franklin Limited Maturity U.S. Government								
Securities Fund, Class R6	_	15,213	_	15,213	153,198	1,091	_	0.03%
Franklin MicroCap Value Fund, Class R6 Franklin Pelagos Commodities Strategy	14,172	414	7,184	7,402	273,562	_	47,802	0.06%
Fund	104,527	13,651	_	118,178	1,057,697	_	_	1.03%

Notes to Financial Statements (unaudited) (continued)

7. INVESTMENTS IN UNDERLYING FUNDS (continued)

Underlying Funds	Number of Shares Held at Beginning of Period ^a	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)	% of Underlying Fund Shares Outstanding Held at End of Period
Franklin LifeSmart 2045 Retirement Target Fund (continued)								
Franklin Pelagos Managed Futures Strategy Fund Franklin Real Estate Securities Fund,	7,355	3,162	_	10,517	\$ 85,290	\$ —	\$	0.75%
Class R6	29,133	4,614	_	33,747	602,388	4,548	_	0.13%
Franklin Rising Dividends Fund, Class R6	103,292	19,456	4,091	118,657	5,090,383	_	7,663	0.04%
Franklin Small Cap Growth Fund, Class R6	_	60,001	_	60.001	976,219	_	_	0.14%
Franklin Templeton Emerging Market Debt Opportunities Fund	28,073	1,427	13,103	16,397	196,275	_	(3,145)	0.03%
Franklin Total Return Fund, Class R6	75,717	7,665	11.787	71,595	712,369	10,259	(2,246)	0.01%
Franklin U.S. Government Securities Fund.	- ,	,	, -	,	,	.,	. , . ,	
Class R6	115,502	14,282	1,185	128,599	842,322	14,721	(152)	0.01%
Franklin Utilities Fund, Class R6	114,258	32,524	_	146,782	2,179,708	32,336	_	0.04%
Institutional Fiduciary Trust Money Market Portfolio	1,599,483	5,778,255	6.831.045	546.693	546.693	_	_	c
Mutual European Fund, Class R6	93,112	13,092	17,110	89,094	2,003,724	_	12,107	0.10%
Templeton China World Fund, Class R6	19,020	2,770	_	21,790	765,929	_	_	0.09%
Templeton Foreign Fund, Class R6	410,113	53,262	262,278	201,097	1,415,724	_	161,601	0.02%
Templeton Frontier Markets Fund, Class R6	60,461	8,750	_	69,211	1,147,516	_	_	0.09%
Templeton Global Bond Fund, Advisor Class	67,366	11,990	79,356	_	b	5,936	3,256	_
Templeton Global Total Return Fund, Class R6	_	78,104	_	78,104	1,036,444	13,172		0.01%
Total					\$33,583,607	\$ 83,641	\$ 654,325	

^aEffective May 1, 2013, the Underlying Fund's shares were exchanged from Advisor Class to Class R6, if applicable.

8. Special Servicing Agreement

The Funds participated in a Special Servicing Agreement (SSA) with the Underlying Funds and certain service providers of the Funds and of the Underlying Funds. Under the SSA, each Underlying Fund may pay a portion of the Funds' expenses (other than any asset allocation and distribution fees) to the extent such payments are less than the amount of the benefits realized or expected to be realized by the Underlying Fund (e.g., due to reduced costs associated with servicing accounts) from the investment in the Underlying Fund by the Funds. The amount of expenses borne by the Underlying Funds during the period ended June 30, 2013 is noted in the Statements of Operations. Effective May 1, 2013, the SSA was discontinued until further notice and approval by the Board.

bAs of June 30, 2013, no longer held by the fund.

cRounds to less than 0.01%.

Notes to Financial Statements (unaudited) (continued)

9. CREDIT FACILITY

The Funds, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton Investments, are borrowers in a joint syndicated senior unsecured credit facility totaling \$1.5 billion (Global Credit Facility) which matures on January 17, 2014. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

Under the terms of the Global Credit Facility, the Funds shall, in addition to interest charged on any borrowings made by the Funds and other costs incurred by the Funds, pay their share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon their relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.07% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses on the Statements of Operations. During the period ended June 30, 2013, the Funds did not use the Global Credit Facility.

10. FAIR VALUE MEASUREMENTS

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

- Level 1 quoted prices in active markets for identical financial instruments
- Level 2 other significant observable inputs (including quoted prices for similar financial instruments, interest rates, prepayment speed, credit risk, etc.)
- Level 3 significant unobservable inputs (including the Funds' own assumptions in determining the fair value of financial instruments)

The inputs or methodology used for valuing financial instruments are not an indication of the risk associated with investing in those financial instruments.

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

Notes to Financial Statements (unaudited) (continued)

10. FAIR VALUE MEASUREMENTS (continued)

A summary of inputs used as of June 30, 2013, in valuing the Funds' assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Franklin LifeSmart 2015 Retirement Target Fund				
Assets:				
Investments in Securities:				
Investments in Underlying Funds and Exchange Traded Funds ^a	\$55,417,426	\$ 986,533	\$ —	\$56,403,959
Short Term Investments	6,474,375	1,864,349	_	8,338,724
Total Investments in Securities	\$61,891,801	\$2,850,882	\$ —	\$64,742,683
Franklin LifeSmart 2025 Retirement Target Fund				_
Assets:				
Investments in Securities:				
Investments in Underlying Funds and Exchange Traded Funds ^a	\$72,026,988	\$1,965,650	\$ —	\$73,992,638
Short Term Investments	3,385,799	_	_	3,385,799
Total Investments in Securities	\$75,412,787	\$1,965,650	\$ —	\$77,378,437
Franklin LifeSmart 2035 Retirement Target Fund				
Assets:				
Investments in Securities: Investments in Underlying Funds and Exchange				
Traded Funds ^a	\$50,009,706	\$1,508,364	\$ —	\$51,518,070
Short Term Investments	2,442,134			2,442,134
Total Investments in Securities	\$52,451,840	\$1,508,364	\$ —	\$53,960,204
Franklin LifeSmart 2045 Retirement Target Fund				
Assets:				
Investments in Securities:				
Investments in Underlying Funds and Exchange Traded Funds ^a	\$34,727,380	\$1,142,987	\$ —	\$35,870,367
Short Term Investments	546,693	<u> </u>		546,693
Total Investments in Securities	\$35,274,073	\$1,142,987	\$ —	\$36,417,060

^aFor detailed Underlying Fund and ETF categories, see the accompanying Statements of Investments.

Notes to Financial Statements (unaudited) (continued)

11. New Accounting Pronouncements

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

12. Subsequent Events

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

ABBREVIATIONS

Selected Portfolio

ETF - Exchange Traded Fund

Shareholder Information

Board Review of Investment Management Agreement

At a meeting held February 26, 2013, the Board of Trustees (Board), including a majority of noninterested or independent Trustees, approved renewal of the investment management agreement for each of the separate funds within Franklin Templeton Fund Allocator Series (Fund(s)). In reaching its decision to approve renewal of the investment management agreements, the Board took into account information furnished throughout the year at regular Board meetings, as well as information prepared specifically in connection with the annual renewal review process. Information furnished and discussed throughout the year included investment performance reports and related financial information for each Fund, along with periodic reports on expenses, shareholder services, legal and compliance matters, pricing, brokerage commissions and execution and other services provided by the Investment Manager (Manager) and its affiliates, as well as a third-party survey of transfer agent fees charged funds within the Franklin Templeton Investments complex in comparison with those charged other fund complexes deemed comparable. Information furnished specifically in connection with the renewal process included a report for each Fund prepared by Lipper, Inc. (Lipper), an independent organization, as well as additional material, including a Fund profitability analysis prepared by management. The Lipper reports compared each Fund's investment performance and expenses with those of other mutual funds deemed comparable to the Fund as selected by Lipper. The Fund profitability analysis discussed the profitability to Franklin Templeton Investments from its overall U.S. fund operations, as well as on an individual fund-by-fund basis. Additional material accompanying such profitability analysis included information on a fund-byfund basis listing portfolio managers and other accounts they manage, as well as information on management fees charged by the Manager and its affiliates to U.S. mutual funds and other accounts, including management's explanation of differences where relevant. Such material also included a memorandum prepared by management describing project initiatives and capital investments relating to the services provided to the Funds by the Franklin Templeton Investments organization, as well as a memorandum relating to economies of scale and an analysis concerning transfer agent fees charged by an affiliate of the Manager.

In considering such materials, the independent Trustees received assistance and advice from and met separately with independent counsel. While the investment management agreements for all Funds were considered at the same Board meeting, the Board dealt with each Fund separately. In approving continuance of the investment management agreement for each Fund, the Board, including a majority of independent Trustees, determined that the existing management fee structure was fair and reasonable and that continuance of the investment management agreement was in the best interests of each Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board's decision.

NATURE, EXTENT AND QUALITY OF SERVICE. The Board was satisfied with the nature and quality of the overall services provided by the Manager and its affiliates to the Funds and their shareholders. In addition to investment performance and expenses discussed later, the Board's opinion was based, in part, upon periodic reports furnished it showing that the investment policies and restrictions for each Fund were consistently complied with as well as other reports periodically

Shareholder Information (continued)

Board Review of Investment Management Agreement (continued)

furnished the Board covering matters such as the compliance of portfolio managers and other management personnel with the code of ethics adopted throughout the Franklin Templeton fund complex, the adherence to fair value pricing procedures established by the Board, and the accuracy of net asset value calculations. The Board also noted the extent of benefits provided Fund shareholders from being part of the Franklin Templeton family of funds, including the right to exchange investments between the same class of funds without a sales charge, the ability to reinvest Fund dividends into other funds and the right to combine holdings in other funds to obtain a reduced sales charge. Favorable consideration was given to management's continuous efforts and expenditures in establishing back-up systems and recovery procedures to function in the event of a natural disaster, it being noted that such systems and procedures had functioned well during the Florida hurricanes and blackouts experienced in previous years, and that those operations in the New York/New Jersey area ran smoothly during the more recent Hurricane Sandy. Among other factors taken into account by the Board were the Manager's best execution trading policies, including a favorable report by an independent portfolio trading analytical firm, which also covered FOREX transactions. Consideration was also given to the experience of each Fund's portfolio management team, the number of accounts managed and general method of compensation. In this latter respect, the Board noted that a primary factor in management's determination of a portfolio manager's bonus compensation was the relative investment performance of the funds he or she managed and that a portion of such bonus was required to be invested in a predesignated list of funds within such person's fund management area so as to be aligned with the interests of shareholders. The Board also took into account the quality of transfer agent and shareholder services provided Fund shareholders by an affiliate of the Manager and the continuous enhancements to the Franklin Templeton website. Particular attention was given to management's conservative approach and diligent risk management procedures, including continuous monitoring of counterparty credit risk and attention given to derivatives and other complex instruments including expanded collateralization requirements. The Board also took into account, among other things, management's efforts in establishing a global credit facility for the benefit of the Funds and other accounts managed by Franklin Templeton Investments to provide a source of cash for temporary and emergency purposes or to meet unusual redemption requests as well as the strong financial position of the Manager's parent company and its commitment to the mutual fund business as evidenced by its subsidization of money market funds.

INVESTMENT PERFORMANCE. The Board placed significant emphasis on the investment performance of each Fund in view of its importance to shareholders. While consideration was given to performance reports and discussions with portfolio managers at Board meetings throughout the year, particular attention in assessing performance was given to the Lipper reports furnished for the agreement renewals. The Lipper reports prepared for each individual Fund showed the investment performance of its Class A shares, in comparison to a performance universe selected by Lipper. Comparative performance for each Fund was shown for the one-year period ended December 31, 2012, and for additional periods ended that date depending on when a particular Fund commenced operations. The following summarizes the performance results for each of the Funds and the Board's view of such performance.

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Board Review of Investment Management Agreement (continued)

Franklin Templeton 2015 Retirement Target Fund - The performance universe for this Fund consisted of the Fund and all retail and institutional mixed-asset target 2015 funds as selected by Lipper. The Fund has been in operation for less than 10 years and the Lipper report showed its 2012 total return to be in the second-lowest performing quintile of its performance universe, and its total return on an annualized basis to also be in the second-lowest performing quintile of such universe for the previous three-year period, but in the highest or best performing quintile of such universe for the previous five-year period. In discussing 2012 performance, management explained that it largely reflected the underperformance of its holdings in a particular equity growth fund and its equity holdings in general and discussed steps being taken to improve performance, including replacement of such equity growth fund as a core U.S. equity holding. The Board noted the Fund's good longer term performance and believed appropriate steps were being taken to improve the Fund's more recent underperformance and that no change in portfolio management was currently warranted.

Franklin Templeton 2025 Retirement Target Fund - The performance universe for this Fund consisted of the Fund and all retail and institutional mixed-asset target 2025 funds as selected by Lipper. The Fund has been in operation for less than 10 years and the Lipper report showed its 2012 total return to be in the lowest performing quintile of its performance universe, and on an annualized basis to be in the lowest performing quintile of such universe for the previous threeyear period, but to be in the second-highest performing quintile of such universe for the previous five-year period. In discussing 2012 performance, management explained that it largely reflected the underperformance of its holdings in a particular equity growth fund and its equity holdings in general and discussed steps being taken to improve performance, including replacement of such equity growth fund as a core U.S. equity holding. The Board noted the Fund's good longer term performance and believed appropriate steps were being taken to improve the Fund's more recent underperformance and that no change in portfolio management was currently warranted.

Franklin Templeton 2035 Retirement Target Fund - The performance universe for this Fund consisted of the Fund and all retail and institutional mixed-asset target 2035 funds as selected by Lipper. The Fund has been in operation for less than 10 years and the Lipper report showed its 2012 total return to be in the lowest performing quintile of its performance universe and its total return on an annualized basis to also be in the lowest performing quintile of such performance universe during the previous three-year period, but to be in the second-highest performing quintile for the previous five-year period. In discussing 2012 performance, management explained that it largely reflected the underperformance of its holdings in a particular equity growth fund and its equity holdings in general and discussed steps being taken to improve performance, including replacement of such equity growth fund as a core U.S. equity holding. The Board noted the Fund's good longer term performance and believed appropriate steps were being taken to improve the Fund's more recent underperformance and that no change in portfolio management was currently warranted.

Shareholder Information (continued)

Board Review of Investment Management Agreement (continued)

Franklin Templeton 2045 Retirement Target Fund - The performance universe for this Fund consisted of the Fund and all retail and institutional mixed-asset target 2045 funds as selected by Lipper. The Fund has been in operation for less than 10 years and the Lipper report showed the Fund's 2012 total return to be in the lowest performing quintile of its performance universe and its total return on an annualized basis to also be in the lowest quintile of such universe for the previous three-year period, but to be in the second-highest performing quintile of such universe for the previous five-year period. In discussing 2012 performance, management explained that it largely reflected the underperformance of its holdings in a particular equity growth fund and its equity holdings in general and discussed steps being taken to improve performance, including replacement of such equity growth fund as a core U.S. equity holding. The Board noted the Fund's good longer term performance and believed appropriate steps were being taken to improve the Fund's more recent underperformance and that no change in portfolio management was currently warranted.

COMPARATIVE EXPENSES. Consideration was given to the management fee and total expense ratio of each Fund compared with those of a group of retail front-end load fund of funds selected by Lipper as its appropriate Lipper expense group. Lipper expense data is based upon information taken from each such fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Lipper to be an appropriate measure of comparative expenses. In reviewing comparative costs, Lipper provides information on each Fund's contractual investment management fee in comparison with the contractual investment management fee that would have been charged by other funds within its Lipper expense group assuming they were similar in size to the Fund, as well as the actual total expense ratios of the Funds including expenses of the underlying funds they invest in. The Board noted that the Funds pay an asset allocation advisory fee. The Lipper contractual investment management fee analysis includes the administrative fee and asset allocation advisory fee directly charged to the Funds as being part of the contractual investment management fee, with the investment management fees charged underlying funds being included within actual total expenses. Contractual investment management fees and total expenses, for comparative consistency, are shown by Lipper for Fund Class A shares. The Lipper reports for Franklin Templeton 2015 Retirement Target Fund, Franklin Templeton 2025 Retirement Target Fund, Franklin Templeton 2035 Retirement Target Fund and Franklin Templeton 2045 Retirement Target Fund showed in each case that its contractual management fee rates were above, but within 15 basis points of its respective Lipper expense group median and its actual total expense ratios were above, but within seven basis points of its respective Lipper expense group median. The Board found the comparative expenses of these Funds as shown in the Lipper report to be acceptable, noting that in each case such expenses were being subsidized by fee waivers.

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Board Review of Investment Management Agreement (continued)

MANAGEMENT PROFITABILITY. The Board also considered the level of profits realized by the Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board reviewed the Fund profitability analysis that addresses the overall profitability of Franklin Templeton's U.S. fund business, as well as its profits in providing management and other services to each of the individual funds during the 12-month period ended September 30, 2012, being the most recent fiscal year-end for Franklin Resources, Inc., the Manager's parent. In reviewing the analysis, attention was given to the methodology followed in allocating costs to each Fund, it being recognized that allocation methodologies are inherently subjective and various allocation methodologies may each be reasonable while producing different results. In this respect, the Board noted that, while being continuously refined and reflecting changes in the Manager's own cost accounting, the allocation methodology was consistent with that followed in profitability report presentations for the Funds made in prior years and that the Funds' independent registered public accounting firm had been engaged by the Manager to periodically review the reasonableness of the allocation methodologies solely for use by the Funds' Board in reference to the profitability analysis. In reviewing and discussing such analysis, management discussed with the Board its belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to each Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. The Board also took into account management's expenditures in improving shareholder services provided the Funds, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from statutes such as the Sarbanes-Oxley and Dodd-Frank Acts and recent SEC and other regulatory requirements. In addition, the Board considered a third-party study comparing the profitability of the Manager's parent on an overall basis to other publicly held managers broken down to show profitability from management operations exclusive of distribution expenses, as well as profitability including distribution expenses. The Board also considered the extent to which the Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services and potential benefits resulting from allocation of fund brokerage and the use of commission dollars to pay for research. Based upon its consideration of all these factors, and taking into account the fact that Fund expenses were being subsidized through fee waivers, the Board determined that the level of profits realized by the Manager and its affiliates from providing services to each Fund was not excessive in view of the nature, quality and extent of services provided.

ECONOMIES OF SCALE. The Board also considered whether economies of scale are realized by the Managers as the Funds grow larger and the extent to which this is reflected in the level of management fees charged. While recognizing that any precise determination is inherently subjective, the Board noted that based upon the Fund profitability analysis, it appears that as some funds get larger, at some point economies of scale do result in the Managers realizing a larger profit margin on management services provided such a fund. The Board also noted that economies of scale are

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shared with a fund and its shareholders through management fee breakpoints so that as a fund grows in size, its effective management fee rate declines. The management fees charged by all or substantially all the underlying funds in which the Funds invest provide for such management fee breakpoints. Consequently, to the extent economies of scale may be realized by the investment managers of these funds, the benefits are shared with each Fund and its shareholders through a reduction in actual total expense ratios.

Proxy Voting Policies and Procedures

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

Quarterly Statement of Investments

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

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Franklin Templeton Funds

Literature Request. To receive a summary prospectus and/or prospectus, please call us at (800) DIAL BEN/342-5236 or visit franklintempleton.com. 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. To ensure the highest quality of service, we may monitor, record and access telephone calls to or from our service departments. These calls can be identified by the presence of a regular beeping tone.

VALUE

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
Mutual Beacon Fund
Mutual Quest Fund
Mutual Recovery Fund²
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 Fund³
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 Fund⁴

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
Franklin LifeSmart™ 2020 Retirement Target Fund
Franklin LifeSmart™ 2025 Retirement Target Fund
Franklin LifeSmart™ 2030 Retirement Target Fund
Franklin LifeSmart™ 2040 Retirement Target Fund
Franklin LifeSmart™ 2045 Retirement Target Fund
Franklin LifeSmart™ 2045 Retirement Target Fund
Franklin LifeSmart™ 2050 Retirement Target Fund
Franklin LifeSmart™ 2050 Retirement Target Fund
Franklin Templeton Global Allocation Fund
Franklin Templeton Multi-Asset Real Return Fund

FIXED INCOME

Franklin Adjustable U.S. Government Securities Fund⁶
Franklin Floating Rate Daily Access Fund
Franklin High Income Fund
Franklin Limited Maturity U.S. Government
Securities Fund⁶
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 Fund⁶
Templeton Emerging Markets Bond Fund
Templeton Global Bond Fund
Templeton Global Total Return Fund

TAX-FREE INCOME⁷

National

Double Tax-Free Income Fund⁸ Federal Tax-Free Income Fund High Yield Tax-Free Income Fund Insured Tax-Free Income Fund^{9,10}

Templeton International Bond Fund

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

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Alabama	Kentucky	New York
Arizona	Louisiana	(2 funds)
California	Maryland	North Carolina
(4 funds)10	Massachusetts	Ohio
Colorado	Michigan	Oregon
Connecticut	Minnesota	Pennsylvania
Florida	Missouri	Tennessee
Georgia	New Jersey	Virginia

INSURANCE FUNDS

Franklin Templeton Variable Insurance Products Trust¹¹

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

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< GAIN FROM OUR PERSPECTIVE® >

Semiannual Report and Shareholder Letter FRANKLIN TEMPLETON FUND ALLOCATOR SERIES

Investment Manager

Franklin Advisers, Inc.

Distributor

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

Shareholder Services

(800) 632-2301

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

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