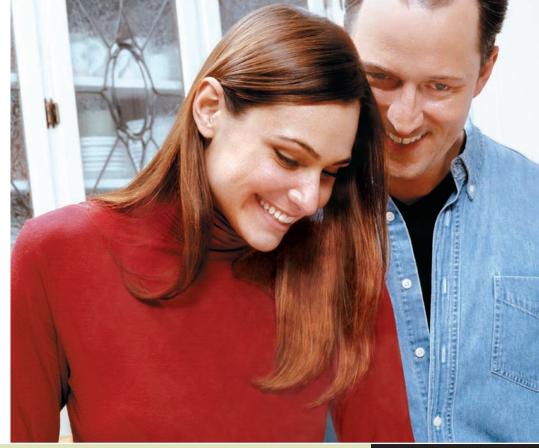
DECEMBER 31, 2013

ANNUAL REPORT AND SHAREHOLDER LETTER

Franklin Templeton Corefolio Allocation Fund

Franklin Templeton
Founding Funds Allocation Fund

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ASSET ALLOCATION

FRANKLIN TEMPLETON FUND ALLOCATOR SERIES



Franklin · Templeton · Mutual Series

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.

TRUE DIVERSIFICATION

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 continuously 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 year ended December 31, 2013, the U.S. economy showed signs of improvement as third-quarter gross domestic product expanded at the strongest pace in nearly two years. Encouraging consumer spending, business investment and lower unemployment levels bolstered investor confidence. The Federal Reserve Board (Fed) decided in December that the economy was showing enough progress for the Fed to start reducing its asset purchase program in January 2014. Despite concerns during the year about potential Fed actions, investors seemed reassured when the Fed reiterated its commitment to keeping interest rates low for an extended period. Stocks, as measured by the Standard & Poor's® 500 Index, generated robust gains in 2013 and outperformed investment-grade fixed income markets, as measured by the Barclays U.S. Aggregate Index.1

We remain encouraged as the U.S. showed signs of continued economic growth during the 12-month period. With this economic environment, we believe companies generally could continue to deliver healthy earnings and cash flow, which have historically been favorable for financial markets. Keep in mind in all economic environments we remain committed to our long-term perspective and disciplined investment approach. First and foremost for us, this means conducting diligent, fundamental analysis of securities with a continual emphasis on investment risk management.

Franklin Templeton Fund Allocator Series' annual report goes into greater detail about prevailing conditions during the period under review. In addition,

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NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

you will find Fund performance data, financial information and portfolio reviews. Please remember all securities markets fluctuate, as do mutual fund share prices.

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, read timely articles and find helpful financial planning tools. We hope you will take advantage of these online services.

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

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

Sincerely,

Rupert H. Johnson, Jr.

Chairman

Franklin Templeton Fund Allocator Series

Johnson of

This letter reflects our analysis and opinions as of December 31, 2013. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.

Annual Report

Economic and Market Overview

The 12 months under review were characterized by reinvigorated policy support and an economic recovery in developed markets. However, differences in global economic trends corresponded with increasingly divergent monetary policies, and growth in emerging market economies tended to slow. The central banks of key developed markets generally reaffirmed their accommodative monetary stances while some emerging market counterparts tightened policy rates as they sought to control inflation and currency depreciation.

In the U.S., economic growth and employment trends generally exceeded expectations, underpinned by consumer and business spending and rising inventories. Historically low mortgage rates and improving sentiment aided the housing market recovery, evidenced by solid new and existing home sales, rising home prices, low inventories and multi-year lows in new foreclosures. The U.S. Federal Reserve Board (Fed) expanded its asset purchase program to \$85 billion per month from \$40 billion early in the year. After encouraging economic and employment reports, the Fed announced in December it would reduce its monthly bond purchases by \$10 billion beginning in January 2014; however, the Fed committed to keeping interest rates low. In October, the federal government temporarily shut down after Congress failed to authorize routine federal funding amid a disagreement over a new health care law. However, Congress subsequently agreed to fund the government through early 2014 and later passed a two-year budget deal that could ease automatic spending cuts and lower the risk of another shutdown.

Outside the U.S., the eurozone emerged from its longest recession on record during the second half of 2013 and Japan's growth moderated. The European Central Bank reduced its policy rate to a record low and pledged to maintain systemic support following political turmoil in Greece, Spain, Portugal and Italy. Germany's re-election of Chancellor Angela Merkel was largely perceived as a vote of support for ongoing eurozone reform measures. In Asia, the Bank of Japan set an explicit inflation target and pledged to double bond purchases in an unprecedented wave of policy reform. The U.S. dollar fell versus the euro but rose versus the Japanese yen in 2013.

Growth in many emerging markets moderated based on lower domestic demand, falling exports and weakening commodity prices. Political turmoil in certain emerging markets, the Fed's potential tapering of its asset purchase program and the Chinese central bank's effort to tighten liquidity to curb real estate and credit speculation led to a sell-off in emerging market equities and a sharp depreciation in regional currencies against the U.S. dollar. Central banks in Brazil, India and Indonesia raised interest rates in the second half of 2013 as they sought to curb inflation.

The stock market rally in developed markets accelerated during 2013 amid redoubled central bank commitments, continued corporate earnings strength and increasing signs of economic progress. Emerging market stocks rebounded toward period-end, although Latin American stocks trailed their emerging market peers. Oil prices rallied in the third quarter and rose for the year mainly owing to supply concerns related to geopolitical turmoil, but gold posted its largest annual price decline in more than three decades. Increasingly divergent economic and political circumstances during the period resulted in declining market correlations, which many bottom-up investors perceived as more favorable.

The foregoing information reflects our analysis and opinions as of December 31, 2013. The information is not a complete analysis of every aspect of any market, country, industry, security or fund. Statements of fact are from sources considered reliable.

Franklin Templeton Corefolio Allocation Fund

Your Fund's Goal and Main Investments: Franklin Templeton Corefolio Allocation Fund

seeks capital appreciation through investments in a combination of Franklin Flex Cap Growth Fund,

Franklin Growth Fund, Mutual Shares Fund and Templeton Growth Fund.

Asset Allocation*

Franklin Templeton Corefolio Allocation Fund Based on Total Net Assets as of 12/31/13



^{*}The asset allocation is based on the Statement of Investments (SOI), which classifies each underlying fund into a broad asset class.

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 annual report for Franklin Templeton Corefolio Allocation Fund covers the fiscal year ended December 31, 2013.

Performance Overview

Franklin Templeton Corefolio Allocation Fund – Class A delivered a +31.01% cumulative total return for the 12 months under review. In comparison, its benchmarks, the Standard & Poor's 500 Index (S&P 500®), which is a broad measure of U.S. stock performance, generated a +32.39% total return, and the MSCI World Index, which tracks equity performance in global developed markets, produced a +27.36% total return. You can find the Fund's long-term performance data in the Performance Summary beginning on page 7.

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The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's SOI, which begins on page 27.

Investment Strategy

The Fund invests its assets allocated approximately 25% each in Franklin Flex Cap Growth Fund, Franklin Growth Fund, Mutual Shares Fund and Templeton Growth Fund. These underlying funds, in turn, invest primarily in U.S. and foreign equity securities and, to a lesser extent, fixed income and money market securities. As market conditions affect the underlying funds, we rebalance the Fund's allocations to maintain the predetermined weightings in each underlying fund whenever the actual allocations exceed plus or minus 3% of the fixed allocation percentages.

Portfolio Review

The Fund's performance can be attributed largely to maintaining a relatively static allocation among domestic and foreign equities, fixed income securities, and short-term investments and other net assets, and to the actual performance of the selected underlying funds.

During the period under review, Franklin Flex Cap Growth Fund - Class R6 outperformed the S&P 500, while Franklin Growth Fund - Class R6 and Mutual Shares Fund – Class R6 underperformed the index. Templeton Growth Fund – Class R6 outperformed the MSCI World Index.

Thank you for your continued participation in Franklin Templeton Corefolio Allocation Fund. We look forward to serving your future investment needs.



T. Anthony Coffey, CFA Vice President of Franklin Advisers, Inc. Franklin Templeton Corefolio Allocation Fund

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

Performance Summary as of 12/31/13

Franklin Templeton Corefolio Allocation 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 and graphs do 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: FTCOX)		Change	12/31/13	12/31/12
Net Asset Value (NAV)		+\$4.04	\$17.61	\$13.57
Distributions (1/1/13-12/31/13)				
Dividend Income	\$0.1629			
Class C (Symbol: FTCLX)		Change	12/31/13	12/31/12
Net Asset Value (NAV)		+\$3.99	\$17.44	\$13.45
Distributions (1/1/13-12/31/13)				
Dividend Income	\$0.0533			
Class R (Symbol: n/a)		Change	12/31/13	12/31/12
Net Asset Value (NAV)		+\$4.04	\$17.60	\$13.56
Distributions (1/1/13-12/31/13)				
Dividend Income	\$0.1258			
Advisor Class (Symbol: FCAZX)		Change	12/31/13	12/31/12
Net Asset Value (NAV)		+\$4.05	\$17.64	\$13.59
Distributions (1/1/13-12/31/13)				
Dividend Income	\$0.2096			

Performance¹

Cumulative total return excludes sales charges. Average annual total return 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/Advisor Class: no sales charges.

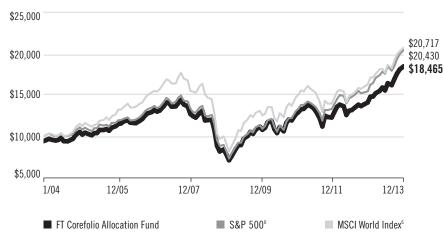
Class A		1-Year	5-Year	10-Year
Cumulative Total Return ²		+31.01%	+119.29%	+95.86%
Average Annual Total Return ³		+23.46%	+15.62%	+6.32%
Value of \$10,000 Investment ⁴		\$12,346	\$20,659	\$18,465
Total Annual Operating Expenses ⁵	1.14%			
Class C		1-Year	5-Year	10-Year
Cumulative Total Return ²		+30.09%	+111.70%	+82.85%
Average Annual Total Return ³		+29.09%	+16.18%	+6.22%
Value of \$10,000 Investment ⁴		\$12,909	\$21,170	\$18,285
Total Annual Operating Expenses ⁵	1.84%			
Class R		1-Year	5-Year	10-Year
Cumulative Total Return ²		+30.76%	+116.94%	+91.94%
Average Annual Total Return ³		+30.76%	+16.75%	+6.74%
Value of \$10,000 Investment ⁴		\$13,076	\$21,694	\$19,194
Total Annual Operating Expenses ⁵	1.34%			
Advisor Class		1-Year	5-Year	10-Year
Cumulative Total Return ²		+31.38%	+122.32%	+101.71%
Average Annual Total Return ³		+31.38%	+17.33%	+7.27%
Value of \$10,000 Investment ⁴		\$13,138	\$22,232	\$20,171
Total Annual Operating Expenses ⁵	0.84%			

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.

Total Return Index Comparison for a Hypothetical \$10,000 Investment¹

Total return represents the change in value of an investment over the periods shown. It includes any applicable maximum sales charge, Fund expenses, account fees and reinvested distributions. The unmanaged indexes include reinvestment of any income or distributions. They differ from the Fund in composition and do not pay management fees or expenses. One cannot invest directly in an index.

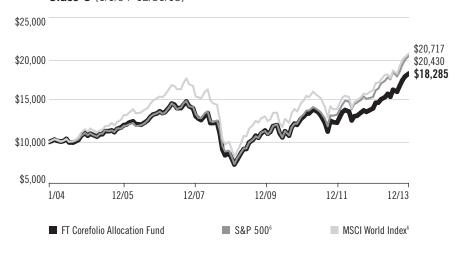




Average Annual Total Return

Class A	12/31/13
1-Year	+23.46%
5-Year	+15.62%
10-Year	+6.32%

Class C (1/1/04-12/31/13)



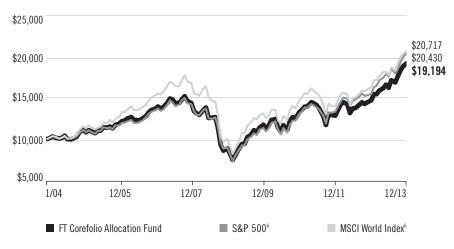
Average Annual Total Return

Class C	12/31/13
1-Year	+29.09%
5-Year	+16.18%
10-Year	+6.22%

Average Annual Total Return

Class R	12/31/13
1-Year	+30.76%
5-Year	+16.75%
10-Year	+6.74%

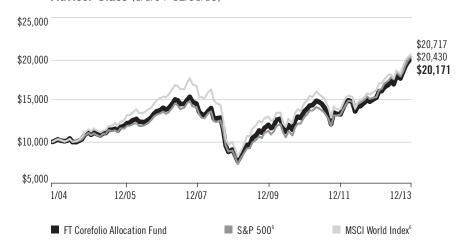
Class R (1/1/04-12/31/13)



Average Annual Total Return

Advisor Class	12/31/13
1-Year	+31.38%
5-Year	+17.33%
10-Year	+7.27%

Advisor Class (1/1/04–12/31/13)



Endnotes

All investments involve risks, including possible loss of principal. Because the Fund invests in underlying funds that may engage in a variety of investment strategies involving certain risks, this Fund of funds may be subject to those same risks. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. Smaller or relatively new or unseasoned companies can be particularly sensitive to changing economic conditions, and their prospects for growth are less certain than those of larger, more established companies. Value securities may not increase in price as anticipated or may decline further in value. These and other risks, including investments in specialized industry sectors such as the technology sector, which has been among the most volatile in the market, are discussed in the Fund's prospectus.

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

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

- 1. The Fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year end. Fund investment results reflect the fee waiver, to the extent applicable; without this reduction, the results would have
- 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.
- 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 Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 6. Source: © 2014 Morningstar. The S&P 500 is a market capitalization-weighted index of 500 stocks designed to measure total U.S. equity market performance. The MSCI World Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets.

Your Fund's Expenses

Franklin Templeton Corefolio Allocation 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 7/1/13	Ending Account Value 12/31/13	Expenses Paid During Period* 7/1/13-12/31/13	Expenses Paid During Period** 7/1/13-12/31/13
Actual	\$1,000	\$1,187.40	\$2.59	\$5.84
Hypothetical (5% return before expenses)	\$1,000	\$1,022.84	\$2.40	\$5.40
Class C				
Actual	\$1,000	\$1,182.90	\$6.55	\$9.79
Hypothetical (5% return before expenses)	\$1,000	\$1,019.21	\$6.06	\$9.05
Class R				
Actual	\$1,000	\$1,185.80	\$3.80	\$7.05
Hypothetical (5% return before expenses)	\$1,000	\$1,021.73	\$3.52	\$6.51
Advisor Class				
Actual	\$1,000	\$1,188.50	\$1.05	\$4.30
Hypothetical (5% return before expenses)	\$1,000	\$1,024.25	\$0.97	\$3.97

^{*}Expenses are calculated using the most recent six-month expense ratio excluding expenses of the underlying funds, annualized for each class (A: 0.47%; C: 1.19%; R: 0.69%; and Advisor: 0.19%), multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

^{**}Expenses are calculated using the most recent six-month expense ratio including expenses of the underlying funds, annualized for each class (A: 1.06%; C: 1.78%; R: 1.28%; and Advisor: 0.78%), multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

Franklin Templeton Founding Funds Allocation Fund

Your Fund's Goals and Main Investments: Franklin Templeton Founding Funds

Allocation Fund's principal investment goal is capital appreciation, with a secondary goal of income.

The Fund invests in an equally weighted combination of Franklin Income Fund, Mutual Shares Fund and Templeton Growth Fund.

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.

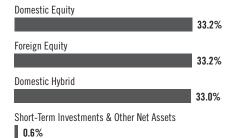
This annual report for Franklin Templeton Founding Funds Allocation Fund covers the fiscal year ended December 31, 2013.

Performance Overview

Franklin Templeton Founding Funds Allocation Fund – Class A delivered a +23.64% cumulative total return for the 12 months under review. In comparison, its benchmarks, the Standard & Poor's 500 Index (S&P 500), which is a broad measure of U.S. stock performance, generated a +32.39% total return, and the MSCI World Index, which tracks equity performance in global developed markets, produced a +27.36% total return. You can find the Fund's long-term performance data in the Performance Summary beginning on page 16.

Asset Allocation*

Franklin Templeton Founding Funds Allocation Fund Based on Total Net Assets as of 12/31/13



*The asset allocation is based on the Statement of Investments (SOI), which classifies each underlying fund into a broad asset class.

Investment Strategy

The Fund invests its assets in an equally weighted combination of Franklin Income Fund, Mutual Shares Fund and Templeton Growth Fund. These underlying funds, in turn, invest primarily in U.S. and foreign equity securities and, to a lesser extent, fixed income and money market securities. As market conditions affect the underlying funds, we rebalance the Fund's allocations to maintain the predetermined equal weightings of approximately 33\% of total net assets in each underlying fund whenever the actual allocations exceed plus or minus 3% of the fixed allocation percentages.

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

Portfolio Review

The Fund's performance can be attributed largely to maintaining a relatively static allocation among domestic and foreign equities, fixed income securities, and short-term investments and other net assets, and to the actual performance of the selected underlying funds.

During the period under review, Franklin Income Fund - Class R6 and Mutual Shares Fund - Class R6 underperformed the S&P 500. Templeton Growth Fund – Class R6 outperformed the MSCI World Index.

Thank you for your continued participation in Franklin Templeton Founding Funds Allocation Fund. We look forward to serving your future investment needs.



T. Anthony Coffey, CFA

Vice President of Franklin Advisers, Inc.

Franklin Templeton Founding Funds Allocation Fund

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

Performance Summary as of 12/31/13

Franklin Templeton Founding Funds Allocation 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 and graphs do 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: FFALX)		Change	12/31/13	12/31/12
Net Asset Value (NAV)		+\$2.23	\$13.37	\$11.14
Distributions (1/1/13–12/31/13)				
Dividend Income	\$0.3808			
Class C (Symbol: FFACX)		Change	12/31/13	12/31/12
Net Asset Value (NAV)		+\$2.19	\$13.18	\$10.99
Distributions (1/1/13–12/31/13)				
Dividend Income	\$0.2880			
Class R (Symbol: FFARX)		Change	12/31/13	12/31/12
Net Asset Value (NAV)		+\$2.23	\$13.39	\$11.16
Net Asset Value (NAV) Distributions (1/1/13–12/31/13)		+\$2.23	\$13.39	\$11.16
	\$0.3481	+\$2.23	\$13.39	\$11.16
Distributions (1/1/13–12/31/13)	\$0.3481	+\$2.23 Change	\$13.39 12/31/13	\$11.16 12/31/12
Distributions (1/1/13–12/31/13) Dividend Income	\$0.3481			·
Distributions (1/1/13–12/31/13) Dividend Income Advisor Class (Symbol: FFAAX)	\$0.3481	Change	12/31/13	12/31/12

Performance¹

Cumulative total return excludes sales charges. Average annual total return 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/Advisor Class: no sales charges.

Class A		1-Year	5-Year	10-Year
Cumulative Total Return ²		+23.64%	+105.20%	+90.08%
Average Annual Total Return ³		+16.53%	+14.10%	+6.00%
Value of \$10,000 Investment ⁴		\$11,653	\$19,335	\$17,908
Total Annual Operating Expenses ⁵	1.05%			
Class C		1-Year	5-Year	10-Year
Cumulative Total Return ²		+22.69%	+97.53%	+77.24%
Average Annual Total Return ³		+21.69%	+14.58%	+5.89%
Value of \$10,000 Investment ⁴		\$12,169	\$19,753	\$17,724
Total Annual Operating Expenses ⁵	1.80%			
Class R		1-Year	5-Year	10-Year
Cumulative Total Return ²		+23.28%	+102.59%	+86.10%
Average Annual Total Return ³		+23.28%	+15.17%	+6.41%
Value of \$10,000 Investment ⁴		\$12,328	\$20,259	\$18,610
Total Annual Operating Expenses ⁵	1.30%			
Advisor Class		1-Year	5-Year	10-Year
Cumulative Total Return ²		+23.93%	+107.69%	+95.76%
Average Annual Total Return ³		+23.93%	+15.74%	+6.95%
Value of \$10,000 Investment ⁴		\$12,393	\$20,769	\$19,576

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.

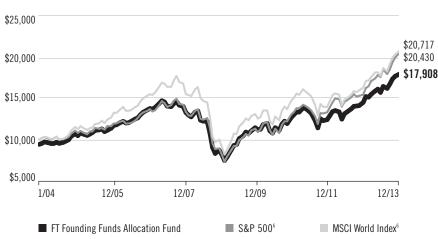
Total Return Index Comparison for a Hypothetical \$10,000 Investment¹

Total return represents the change in value of an investment over the periods shown. It includes any applicable maximum sales charge, Fund expenses, account fees and reinvested distributions. The unmanaged indexes include reinvestment of any income or distributions. They differ from the Fund in composition and do not pay management fees or expenses. One cannot invest directly in an index.

Average Annual Total Return

12/31/13
+16.53%
+14.10%
+6.00%

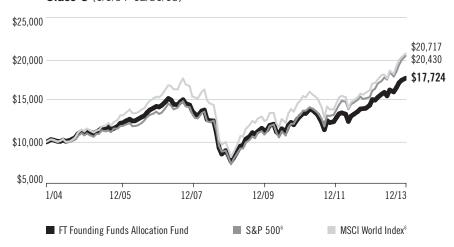
Class A (1/1/04-12/31/13)



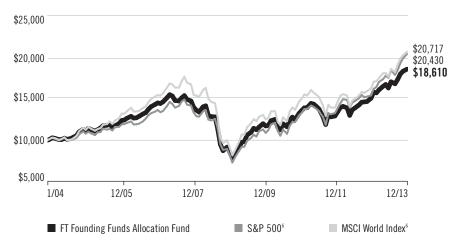
Average Annual Total Return

Class C	12/31/13
1-Year	+21.69%
5-Year	+14.58%
10-Year	+5.89%

Class C (1/1/04-12/31/13)



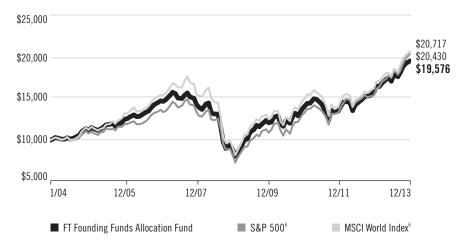
Class R (1/1/04-12/31/13)



Average Annual Total Return

Class R	12/31/13
1-Year	+23.28%
5-Year	+15.17%
10-Year	+6.41%

Advisor Class (1/1/04-12/31/13)



Average Annual Total Return

Advisor Class	12/31/13
1-Year	+23.93%
5-Year	+15.74%
10-Year	+6.95%

Endnotes

All investments involve risks, including possible loss of principal. Because the Fund invests in underlying funds that may engage in a variety of investment strategies involving certain risks, the Fund may be subject to these same risks. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bonds are affected by changes in interest rates and the creditworthiness of their issuers. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds adjust to a rise in interest rates, the Fund's share price may decline. Higher yielding, lower rated corporate bonds entail a greater degree of credit risk compared to investment-grade securities. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. Value securities may not increase in price as anticipated or may decline further in value. The Fund's prospectus also includes a description of the main investment risks.

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

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

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

- 1. The Fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year end. Fund investment results reflect the fee waiver, to the extent applicable; without this reduction, the results would have
- 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.
- 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 Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 6. Source: © 2014 Morningstar. The S&P 500 is a market capitalization-weighted index of 500 stocks designed to measure total U.S. equity market performance. The MSCI World Index is a free float-adjusted, market capitalization-weighted index designed to measure equity market performance in global developed markets.

Your Fund's Expenses

Franklin Templeton Founding Funds Allocation 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 7/1/13	Ending Account Value 12/31/13	Expenses Paid During Period* 7/1/13 –12/31/13	Expenses Paid During Period** 7/1/13-12/31/13
Actual	\$1,000	\$1,141.10	\$2.21	\$5.40
Hypothetical (5% return before expenses)	\$1,000	\$1,023.14	\$2.09	\$5.09
Class C				
Actual	\$1,000	\$1,137.20	\$6.25	\$9.43
Hypothetical (5% return before expenses)	\$1,000	\$1,019.36	\$5.90	\$8.89
Class R				
Actual	\$1,000	\$1,139.40	\$3.56	\$6.74
Hypothetical (5% return before expenses)	\$1,000	\$1,021.88	\$3.36	\$6.36
Advisor Class				
Actual	\$1,000	\$1,142.80	\$0.86	\$4.05
Hypothetical (5% return before expenses)	\$1,000	\$1,024.40	\$0.82	\$3.82

^{*}Expenses are calculated using the most recent six-month expense ratio excluding expenses of the underlying funds, annualized for each class (A: 0.41%; C: 1.16%; R: 0.66%; and Advisor: 0.16%), multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

^{**}Expenses are calculated using the most recent six-month expense ratio including expenses of the underlying funds, annualized for each class (A: 1.00%; C: 1.75%; R: 1.25%; and Advisor: 0.75%), multiplied by the average account value over the period, multiplied by 184/365 to reflect the one-half year period.

Financial Highlights

	Year Ended December 31,					
Class A	2013	2012	2011	2010	2009	
Per share operating performance (for a share outstanding throughout the year)						
Net asset value, beginning of year	\$13.57	\$11.93	\$12.41	\$11.08	\$ 8.46	
Income from investment operations ^a :						
Net investment income ^{b,c}	0.11	0.11	0.11	0.15	0.12	
Net realized and unrealized gains (losses)	4.09	1.65	(0.47)	1.30	2.64	
Total from investment operations	4.20	1.76	(0.36)	1.45	2.76	
Less distributions from net investment income and short term gains	(0.16)	(0.12)	(0.10)	(0.12)	(0.14)	
received from Underlying Funds	(0.16)	(0.12)	(0.12)	(0.12)	(0.14)	
Net asset value, end of year	\$17.61	\$13.57	\$11.93	\$12.41	\$11.08	
Total return ^d	31.01%	14.80%	(2.90)%	13.13%	32.74%	
Ratios to average net assets						
Expenses before waiver and payments by affiliatese	0.44%	0.36%	0.39%	0.45%	0.51%	
Expenses net of waiver and payments by affiliates ^e	0.44%	0.36%	0.39%	0.38%	0.38%	
Net investment income ^c	0.68%	0.86%	0.89%	1.26%	1.31%	
Supplemental data						
Net assets, end of year (000's)	\$558,124	\$449,252	\$418,444	\$479,773	\$319,688	
Portfolio turnover rate	5.90%	2.14%	2.50%	21.72%	2.01%	

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 in which the Fund invests.

dTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable.

Does not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.65% for the year ended December 31, 2013.

Financial Highlights (continued)

	Year Ended December 31,					
Class C	2013	2012	2011	2010	2009	
Per share operating performance (for a share outstanding throughout the year)						
Net asset value, beginning of year	\$13.45	\$11.82	\$12.30	\$10.99	\$ 8.40	
Income from investment operations ^a :						
Net investment income ^{b,c}	(—) ^d	0.02	0.02	0.06	0.05	
Net realized and unrealized gains (losses)	4.04	1.64	(0.47)	1.30	2.61	
Total from investment operations	4.04	1.66	(0.45)	1.36	2.66	
Less distributions from net investment income and short term gains received from Underlying Funds	(0.05)	(0.03)	(0.03)	(0.05)	(0.07)	
Net asset value, end of year	\$17.44	\$13.45	\$11.82	\$12.30	\$10.99	
Total returne	30.09%	14.04%	(3.67)%	12.39%	31.80%	
Ratios to average net assets						
Expenses before waiver and payments by affiliates ^f	1.15%	1.07%	1.10%	1.17%	1.23%	
Expenses net of waiver and payments by affiliatesf	1.15%	1.07%	1.10%	1.10%	1.10%	
Net investment income (loss) ^c	(0.03)%	0.15%	0.18%	0.54%	0.59%	
Supplemental data						
Net assets, end of year (000's)	\$176,332	\$142,879	\$138,447	\$162,084	\$113,040	
Portfolio turnover rate	5.90%	2.14%	2.50%	21.72%	2.01%	

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 in which the Fund invests.

dAmount rounds to less than \$0.01 per share.

eTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable.

Does not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.65% for the year ended December 31, 2013.

Financial Highlights (continued)

	Year Ended December 31,					
Class R	2013	2012	2011	2010	2009	
Per share operating performance (for a share outstanding throughout the year)						
Net asset value, beginning of year	\$13.56	\$11.93	\$12.41	\$11.08	\$ 8.46	
Income from investment operations ^a :						
Net investment income ^{b,c}	0.06	0.09	0.08	0.12	0.11	
Net realized and unrealized gains (losses)	4.11	1.64	(0.47)	1.31	2.63	
Total from investment operations	4.17	1.73	(0.39)	1.43	2.74	
Less distributions from net investment income and short term gains						
received from Underlying Funds	(0.13)	(0.10)	(0.09)	(0.10)	(0.12)	
Net asset value, end of year	\$17.60	\$13.56	\$11.93	\$12.41	\$11.08	
Total return	30.76%	14.49%	(3.15)%	12.93%	32.49%	
Delice to account not const.						
Ratios to average net assets						
Expenses before waiver and payments by affiliates ^d	0.65%	0.57%	0.60%	0.67%	0.74%	
Expenses net of waiver and payments by affiliates ^d	0.65%	0.57%	0.60%	0.60%	0.61%	
Net investment income ^c	0.47%	0.65%	0.68%	1.04%	1.08%	
Supplemental data						
Net assets, end of year (000's)	\$1,903	\$1,856	\$1,686	\$2,188	\$1,365	
Portfolio turnover rate	5.90%	2.14%	2.50%	21.72%	2.01%	

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 in which the Fund invests.

Does not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.65% for the year ended December 31, 2013.

Financial Highlights (continued)

Addison Class	Year Ended December 31,					
Advisor Class	2013	2012	2011	2010	2009	
Per share operating performance (for a share outstanding throughout the year)						
Net asset value, beginning of year	\$13.59	\$11.95	\$12.44	\$11.09	\$ 8.47	
Income from investment operations ^a :						
Net investment income ^{b,c}	0.18	0.18	0.17	0.26	0.15	
Net realized and unrealized gains (losses)	4.08	1.62	(0.50)	1.24	2.64	
Total from investment operations	4.26	1.80	(0.33)	1.50	2.79	
Less distributions from net investment income and short term gains						
received from Underlying Funds	(0.21)	(0.16)	(0.16)	(0.15)	(0.17)	
Net asset value, end of year	\$17.64	\$13.59	\$11.95	\$12.44	\$11.09	
Total return	31.38%	15.11%	(2.67)%	13.56%	33.01%	
Ratios to average net assets						
Expenses before waiver and payments by affiliates ^d	0.15%	0.07%	0.10%	0.17%	0.24%	
Expenses net of waiver and payments by affiliates ^d	0.15%	0.07%	0.10%	0.10%	0.11%	
Net investment income ^c	0.97%	1.15%	1.18%	1.54%	1.58%	
Supplemental data						
Net assets, end of year (000's)	\$15,495	\$10,245	\$7,815	\$7,357	\$1,915	
Portfolio turnover rate	5.90%	2.14%	2.50%	21.72%	2.01%	

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 in which the Fund invests.

Does not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.65% for the year ended December 31, 2013.

Statement of Investments, December 31, 2013

Franklin Templeton Corefolio Allocation Fund	Shares	Value
Investments in Underlying Fundsa Domestic Equity 75.2%		
^b Franklin Flex Cap Growth Fund, Class R6 Franklin Growth Fund, Class R6 Mutual Shares Fund, Class R6	3,338,423 2,905,310 6,575,955	\$190,156,597 189,455,278 186,296,813
		565,908,688
Foreign Equity 24.8% Templeton Growth Fund Inc., Class R6	7,464,658	186,243,208
Total Investments in Underlying Funds before Short Term Investments (Cost \$547,752,850) 100.0%		752,151,896
Short Term Investments (Cost \$686,704) 0.1% Money Market Funds 0.1%		
a,b Institutional Fiduciary Trust Money Market Portfolio	686,704	686,704
Total Investments in Underlying Funds (Cost \$548,439,554) 100.1%		752,838,600
Other Assets, less Liabilities (0.1)%		(983,912)
Net Assets 100.0%		\$751,854,688

^aSee Note 6 regarding investments in Underlying Funds.

^bNon-income producing.

Financial Highlights

	Year Ended December 31,				
Class A	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	\$11.14	\$ 9.88	\$10.46	\$ 9.82	\$7.83
Income from investment operations ^a :					
Net investment income ^{b,c}	0.32	0.35	0.35	0.36	0.33
Net realized and unrealized gains (losses)	2.29	1.28	(0.55)	0.66	2.06
Total from investment operations	2.61	1.63	(0.20)	1.02	2.39
Less distributions from net investment income	(0.38)	(0.37)	(0.38)	(0.38)	(0.40)
Net asset value, end of year	\$13.37	\$11.14	\$ 9.88	\$10.46	\$9.82
Total return ^d	23.64%	16.76%	(1.95)%	10.61%	31.05%
Ratios to average net assets					
Expenses before waiver and payments by affiliates $^{\text{e}}\ldots\ldots$	0.39%	0.33%	0.34%	0.41%	0.44%
Expenses net of waiver and payments by affiliates e $\ldots\ldots$	0.39%	0.33%	0.34%	0.35%	0.37%
Net investment income ^c	2.63%	3.24%	3.36%	3.61%	3.94%
Supplemental data					
Net assets, end of year (000's)	\$4,170,045	\$3,766,640	\$3,773,080	\$4,771,043	\$5,333,275
Portfolio turnover rate	3.04%	3.59%	3.69%	3.99%	4.32%

^aThe 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 in which the Fund invests.

dTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable.

Does not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.63% for the year ended December 31, 2013.

Financial Highlights (continued)

	Year Ended December 31,				
Class C	2013	2012	2011	2010	2009
Per share operating performance (for a share outstanding throughout the year)					
Net asset value, beginning of year	\$10.99	\$ 9.75	\$10.32	\$ 9.70	\$7.74
Income from investment operations ^a :					
Net investment income ^{b,c}	0.23	0.26	0.27	0.28	0.27
Net realized and unrealized gains (losses)	2.25	1.27	(0.54)	0.64	2.02
Total from investment operations	2.48	1.53	(0.27)	0.92	2.29
Less distributions from net investment income	(0.29)	(0.29)	(0.30)	(0.30)	(0.33)
Net asset value, end of year	\$13.18	\$10.99	\$ 9.75	\$10.32	\$9.70
Total return ^d	22.69%	15.87%	(2.65)%	9.69%	30.11%
Ratios to average net assets					
Expenses before waiver and payments by affiliatese	1.14%	1.08%	1.09%	1.16%	1.18%
Expenses net of waiver and payments by affiliates ^e	1.14%	1.08%	1.09%	1.10%	1.11%
Net investment income ^c	1.88%	2.49%	2.61%	2.86%	3.20%
Supplemental data					
Net assets, end of year (000's)	\$1,829,111	\$1,657,087	\$1,743,292	\$2,252,033	\$2,573,664
Portfolio turnover rate	3.04%	3.59%	3.69%	3.99%	4.32%

^aThe 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.

 $^{{}^{\}mathrm{b}}\mathrm{Based}$ 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 in which the Fund invests.

^dTotal return does not reflect sales commissions or contingent deferred sales charges, if applicable.

December 31, 2013. eDuce when the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.63% for the year ended December 31, 2013.

Financial Highlights (continued)

Olare B	Year Ended December 31,					
Class R	2013	2012	2011	2010	2009	
Per share operating performance (for a share outstanding throughout the year)						
Net asset value, beginning of year	\$11.16	\$ 9.89	\$10.48	\$ 9.84	\$7.84	
Income from investment operations ^a :						
Net investment income ^{b,c}	0.29	0.31	0.35	0.34	0.31	
Net realized and unrealized gains (losses)	2.29	1.30	(0.58)	0.65	2.07	
Total from investment operations	2.58	1.61	(0.23)	0.99	2.38	
Less distributions from net investment income	(0.35)	(0.34)	(0.36)	(0.35)	(0.38)	
Net asset value, end of year	\$13.39	\$11.16	\$ 9.89	\$10.48	\$9.84	
Total return	23.28%	16.52%	(2.27)%	10.31%	30.83%	
Ratios to average net assets						
Expenses before waiver and payments by affiliates ^d	0.64%	0.58%	0.59%	0.66%	0.68%	
Expenses net of waiver and payments by affiliates ^d	0.64%	0.58%	0.59%	0.60%	0.61%	
Net investment income ^c	2.38%	2.99%	3.11%	3.36%	3.70%	
Supplemental data						
Net assets, end of year (000's)	\$10,597	\$10,058	\$11,922	\$12,568	\$13,331	
Portfolio turnover rate	3.04%	3.59%	3.69%	3.99%	4.32%	

^aThe 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 in which the Fund invests.

Does not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.63% for the year ended December 31, 2013.

Financial Highlights (continued)

Advisor Class	Year Ended December 31, 2013 2012 2011 2010 20				
Per share operating performance (for a share outstanding throughout the year)	2013	2012	2011	2010	2009
Net asset value, beginning of year	\$11.20	\$ 9.93	\$10.52	\$ 9.87	\$7.87
Income from investment operations ^a :					
Net investment income ^{b,c}	0.39	0.38	0.39	0.40	0.39
Net realized and unrealized gains (losses)	2.26	1.29	(0.57)	0.66	2.03
Total from investment operations	2.65	1.67	(0.18)	1.06	2.42
Less distributions from net investment income	(0.41)	(0.40)	(0.41)	(0.41)	(0.42)
Net asset value, end of year	\$13.44	\$11.20	\$ 9.93	\$10.52	\$9.87
Total return	23.93%	17.08%	(1.78)%	10.95%	31.35%
Ratios to average net assets					
Expenses before waiver and payments by affiliates ^d	0.14%	0.08%	0.09%	0.16%	0.18%
Expenses net of waiver and payments by affiliates ^d	0.14%	0.08%	0.09%	0.10%	0.11%
Net investment income ^c	2.88%	3.49%	3.61%	3.86%	4.20%
Supplemental data					
Net assets, end of year (000's)	\$114,369	\$71,487	\$72,427	\$71,126	\$63,994
Portfolio turnover rate	3.04%	3.59%	3.69%	3.99%	4.32%

^aThe 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.

 $^{{}^{\}mathrm{b}}\mathrm{Based}$ 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 in which the Fund invests.

Does not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.63% for the year ended December 31, 2013.

Statement of Investments, December 31, 2013

Franklin Templeton Founding Funds Allocation Fund	Shares	Value
Investments in Underlying Funds ^a Domestic Equity 33.2% Mutual Shares Fund, Class R6	71,806,661	\$2,034,282,703
Domestic Hybrid 33.0% Franklin Income Fund, Class R6	838,143,077	2,019,924,816
Foreign Equity 33.2% Templeton Growth Fund Inc., Class R6	81,555,713	2,034,815,040
Total Investments in Underlying Funds before Short Term Investments (Cost \$5,545,903,313) 99.4%		6,089,022,559
Short Term Investments (Cost \$45,704,595) 0.7% Money Market Funds 0.7%		
a.b Institutional Fiduciary Trust Money Market Portfolio	45,704,595	45,704,595
Total Investments in Underlying Funds (Cost \$5,591,607,908) 100.1%		6,134,727,154
Other Assets, less Liabilities (0.1)%		(10,605,069)
Net Assets 100.0%		\$6,124,122,085

^aSee Note 6 regarding investments in Underlying Funds.

^bNon-income producing.

Financial Statements

Statements of Assets and Liabilities

December 31, 2013

	Franklin Templeton Corefolio Allocation Fund	Franklin Templeton Founding Funds Allocation Fund
Assets:		
Investments in Underlying Funds: (Note 6)		
Cost	\$548,439,554	\$ 5,591,607,908
Value	\$752,838,600	\$ 6,134,727,154
Receivables from capital shares sold	558,715	7,903,609
Other assets	16	130
Total assets	753,397,331	6,142,630,893
Liabilities:		
Payables:		
Capital shares redeemed	779,277	11,839,287
Administrative fees	18,712	152,207
Distribution fees	544,984	4,736,600
Transfer agent fees	144,496	1,503,606
Accrued expenses and other liabilities	55,174	277,108
Total liabilities	1,542,643	18,508,808
Net assets, at value	\$751,854,688	\$ 6,124,122,085
Net assets consist of:		
Paid-in capital	\$554,012,010	\$ 8,225,084,495
Undistributed net investment income	186,306	1,934,226
Net unrealized appreciation (depreciation)	204,399,046	543,119,246
Accumulated net realized gain (loss)	(6,742,674)	(2,646,015,882)
Net assets, at value	\$751,854,688	\$ 6,124,122,085

Financial Statements (continued)

Statements of Assets and Liabilities (continued)

December 31, 2013

	Franklin Templeton Corefolio Allocation Fund	Franklin Templeton Founding Funds Allocation Fund
Class A:		
Net assets, at value	\$558,123,862	\$ 4,170,044,846
Shares outstanding	31,690,160	311,934,894
Net asset value per share ^a	\$17.61	\$13.37
Maximum offering price per share (net asset value per share ÷ 94.25%)	\$18.68	\$14.19
Class C:		
Net assets, at value	\$176,332,248	\$ 1,829,111,214
Shares outstanding	10,112,176	138,748,436
Net asset value and maximum offering price per share ^a	\$17.44	\$13.18
Class R:		
Net assets, at value	\$ 1,903,117	\$ 10,597,014
Shares outstanding	108,104	791,156
Net asset value and maximum offering price per share	\$17.60	\$13.39
Advisor Class:		
Net assets, at value	\$ 15,495,461	\$ 114,369,011
Shares outstanding	878,312	8,509,587
Net asset value and maximum offering price per share	\$17.64	\$13.44

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

Financial Statements (continued)

Statements of Operations

for the year ended December 31, 2013

	Franklin Templeton Corefolio Allocation Fund	Franklin Templeton Founding Funds Allocation Fund
Investment income:		
Dividends from Underlying Funds (Note 6)	\$ 7,573,560	\$ 175,430,636
Expenses:		
Administrative fees (Note 3a)	201,513	1,733,951
Distribution fees: (Note 3b)		
Class A	1,432,486	9,962,677
Class B	3,178	35,987
Class C	1,572,562	17,382,190
Class R	8,890	51,497
Transfer agent fees: (Note 3d)		
Class A	773,416	5,223,340
Class B	554	5,016
Class C	241,964	2,268,106
Class R	2,750	13,457
Advisor Class	18,942	106,665
Reports to shareholders	66,811	538,298
Registration and filing fees	74,375	153,253
Professional fees	31,808	70,071
Trustees' fees and expenses	4,688	41,612
Other	7,202	49,675
Expenses borne by Underlying Funds (Note 7)	(356,362)	(2,263,748)
Total expenses	4,084,777	35,372,047
Net investment income	3,488,783	140,058,589
Realized and unrealized gains (losses): Net realized gain (loss) from:		
Sale of investments in Underlying Funds (Note 6)	12,955,491	58,304,930
Realized gain distribution by Underlying Funds	24,974,709	_
Net realized gain (loss)	37,930,200	58,304,930
Net change in unrealized appreciation (depreciation) on investments in Underlying Funds	139,431,540	1,023,954,491
Net realized and unrealized gain (loss)	177,361,740	1,082,259,421
Net increase (decrease) in net assets resulting from operations	\$180,850,523	\$1,222,318,010

Financial Statements (continued)

Statements of Changes in Net Assets

	Franklin Templeton Corefolio Allocation Fund		Franklin T Founding Funds <i>I</i>	
	Year Ended December 31,		Year Ended D	ecember 31,
Ingress (decrees) in not cooks	2013	2012	2013	2012
Increase (decrease) in net assets: Operations:				
Net investment income	\$ 3,488,783	\$ 4,169,918	\$ 140,058,589	\$ 170,201,757
Net realized gain (loss) from Underlying Funds Net change in unrealized appreciation (depreciation) on investments in Underlying	37,930,200	21,012,932	58,304,930	(11,105,539)
Funds	139,431,540	57,758,458	1,023,954,491	708,660,878
Net increase (decrease) in net assets	133,431,340	37,730,430	1,023,334,431	700,000,070
resulting from operations	180,850,523	82,941,308	1,222,318,010	867,757,096
Distributions to shareholders from: Net investment income and short term gains received from Underlying Funds:				
Class A	(5,135,871)	(4,029,814)	(118,824,164)	(127,242,038)
Class B	_	(24,175)	_	(1,344,544)
Class C	(539,100)	(304,941)	(39,966,252)	(44,880,709)
Class R	(13,603)	(12,993)	(276,644)	(315,322)
Advisor Class	(179,676)	(117,263)	(3,156,020)	(2,550,398)
Total distributions to shareholders	(5,868,250)	(4,489,186)	(162,223,080)	176,333,011
Capital share transactions: (Note 2)				
Class A	(21,298,297)	(25,871,568)	(322,569,398)	(464,323,347)
Class B	(3,233,173)	(21,587,349)	(34,596,414)	(178,686,934)
Class C	(7,437,082)	(13,935,555)	(144,240,609)	(293,143,365)
Class R	(419,907) 1,932,643	(53,130) 1,312,010	(1,342,610) 28,225,950	(3,219,844) (9,692,136)
Total capital share transactions	(30,455,816)	(60,135,592)	(474,523,081)	(949,065,626)
Net increase (decrease) in net assets	144,526,457	18,316,530	585,571,849	(257,641,541)
Net assets:	CO7 220 221	E00 011 701	E E20 EE0 220	F 700 101 777
Beginning of year	607,328,231	589,011,701	5,538,550,236	5,796,191,777
End of year	\$751,854,688	\$607,328,231	\$6,124,122,085	\$5,538,550,236
Undistributed net investment income included in net assets:				
End of year	\$ 186,306	\$ 965,622	\$ 1,934,226	\$ 24,098,717

Notes to Financial Statements

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 fourteen separate funds, two of which are included in this report (Funds). The financial statements of the remaining funds in the Trust are presented separately. The Funds invest primarily in Franklin Templeton mutual funds (Underlying Funds). The Funds offer four classes of shares: Class A, Class C, Class R, and Advisor Class. Effective March 1, 2013, all Class B shares were converted to Class A. 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, is 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.

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. The Funds calculate the net asset value (NAV) per share at the close of the New York Stock Exchange (NYSE), generally at 4p.m. Eastern time (NYSE close) on each day the NYSE is open for trading. Under procedures approved by the Trust's Board of Trustees (the Board), the Funds' administrator 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.

b. 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 if applicable, 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 December 31, 2013, and for all open tax years, each fund has determined that no liability for unrecognized tax benefits is required in each fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

Notes to Financial Statements (continued)

1. Organization and Significant Accounting Policies (continued)

c. 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 is recorded on 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. Since the Underlying Funds have varied expense levels and the Funds may own different proportions of the Underlying Funds 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.

d. 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.

e. 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 (continued)

2. SHARES OF BENEFICIAL INTEREST

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

	Franklin Templeton		Franklin Templeton		
		refolio	Founding Funds Allocation Fund		
		tion Fund			
Class A Shares:	Shares	Amount	Shares	Amount	
Year ended December 31, 2013					
Shares sold	3,437,590	\$ 53,359,599	21,436,165	\$ 262,836,923	
Shares issued in reinvestment of	0,107,030	Ψ 00,003,033	21,100,100	Ψ 202,000,320	
distributions	291,186	4,981,840	8,950,226	113,502,952	
Shares redeemed	(5,147,580)	(79,639,736)	(56,672,608)	(698,909,273)	
Net increase (decrease)	(1,418,804)	\$(21,298,297)	(26,286,217)	\$(322,569,398)	
Year ended December 31, 2012					
Shares sold	4,073,109	\$ 52,936,968	30,806,626	\$ 327,349,893	
Shares issued in reinvestment of					
distributions	296,017	3,890,765	11,464,306	121,151,320	
Shares redeemed	(6,340,093)	(82,699,301)	(86,057,147)	(912,824,560)	
Net increase (decrease)	(1,970,967)	\$(25,871,568)	(43,786,215)	\$(464,323,347)	
Class B Sharesa:					
Year ended December 31, 2013					
Shares sold	472	\$ 6,656	3,162	\$ 36,602	
Shares redeemed	(229,346)	(3,239,829)	(2,957,857)	(34,633,016)	
Net increase (decrease)	(228,874)	\$ (3,233,173)	(2,954,695)	\$ (34,596,414)	
Year ended December 31, 2012					
Shares sold	2,851	\$ 36,425	111,683	\$ 1,176,061	
Shares issued in reinvestment of	1 700	00.155	100 257	1 105 000	
distributions	1,798	22,155	109,357	1,125,900	
Shares redeemed	(1,677,445)	(21,645,929)	(17,014,275)	(180,988,895)	
Net increase (decrease)	(1,672,796)	\$(21,587,349)	(16,793,235)	\$(178,686,934)	
Class C Shares:					
Year ended December 31, 2013	1 000 400	ф 10 022 1 <i>4</i> С	0 207 146	ф 114 CCO 47C	
Shares sold	1,222,480	\$ 19,033,146	9,397,146	\$ 114,668,476	
distributions	31,901	514,595	2,912,284	36,529,675	
Shares redeemed	(1,767,529)	(26,984,823)	(24,375,919)	(295,438,760)	
Net increase (decrease)	(513,148)	\$ (7,437,082)	(12,066,489)	\$(144,240,609)	
Year ended December 31, 2012	(010,110)	Ψ (/, .σ.,σσ2)	(12,000,100)	Ψ(1::,2::0,000)	
Shares sold	879,209	\$ 11,343,194	7,224,788	\$ 75,666,193	
Shares issued in reinvestment of	0,5,205	Ψ 11,0 .0,13 .	7,22.,700	Ψ , 0,000,100	
distributions	23,529	287,996	3,889,276	40,585,902	
Shares redeemed	(1,987,168)	(25,566,745)	(39,158,420)	(409,395,460)	
Net increase (decrease)	(1,084,430)	\$(13,935,555)	(28,044,356)	\$(293,143,365)	

Notes to Financial Statements (continued)

2. SHARES OF BENEFICIAL INTEREST (continued)

	Franklin Cor Allocat	efo	lio	Franklin Foundi Alloca	ing I	unds
	Shares		Amount	Shares		Amount
Class R Shares:						
Year ended December 31, 2013						
Shares sold	5,007	\$	78,357	144,102	\$	1,780,250
Shares issued in reinvestment of						
distributions	801		13,603	21,682		275,563
Shares redeemed	(34,547)		(511,867)	(276,170)		(3,398,423)
Net increase (decrease)	(28,739)	\$	(419,907)	(110,386)	\$	(1,342,610)
Year ended December 31, 2012						
Shares sold	5,830	\$	76,583	131,805	\$	1,395,887
Shares issued in reinvestment of						
distributions	994		12,993	29,729		314,580
Shares redeemed	(11,336)		(142,706)	(465,313)		(4,930,311)
Net increase (decrease)	(4,512)	\$	(53,130)	(303,779)	\$	(3,219,844)
Advisor Class Shares:						
Year ended December 31, 2013						
Shares sold	240,034	\$	3,782,420	3,668,813	\$	47,263,232
Shares issued in reinvestment of						
distributions	9,794		169,184	221,108		2,845,113
Shares redeemed	(125,315)		(2,018,961)	(1,765,654)		(21,882,395)
Net increase (decrease)	124,513	\$	1,932,643	2,124,267	\$	28,225,950
Year ended December 31, 2012						
Shares sold	221,514	\$	2,933,041	1,630,342	\$	17,487,002
Shares issued in reinvestment of						
distributions	8,300		110,020	211,726		2,250,979
Shares redeemed	(130,050)		(1,731,051)	(2,751,905)		(29,430,117)
Net increase (decrease)	99,764	\$	1,312,010	(909,837)	\$	(9,692,136)

^aEffective March 1, 2013, all the Class B Shares were converted to Class A.

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

Notes to Financial Statements (continued)

3. Transactions with Affiliates (continued)

a. Administrative Fees

The Funds pay an administrative fee to FT Services of 0.03% per year of the average daily net assets of each of the Funds for administrative services including monitoring and rebalancing the percentage of each Fund's investment in the Underlying Funds.

b. Distribution Fees

The Board has adopted distribution plans for each share class, with the exception of 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 Funds' 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 B, 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 plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31 for each fund.

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

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

The Board has set the current rate at 0.30% per year for Class A shares for the Franklin Templeton Corefolio Allocation Fund and at 0.25% per year for Class A shares for the Franklin Founding Funds Allocation Fund until further notice and approval by the Board.

c. 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 year:

	Franklin Templeton Corefolio Allocation Fund	Franklin Templeton Founding Funds Allocation Fund
Sales charges retained net of commissions paid to unaffiliated broker/dealers	\$178.861	\$920.534
CDSC retained	\$ 6,650	\$ 50,734

Notes to Financial Statements (continued)

3. Transactions with Affiliates (continued)

d. Transfer Agent Fees

Each class of shares 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.

For the year ended December 31, 2013, the Funds paid transfer agent fees as noted in the Statements of Operations of which the following amounts were retained by Investor Services:

	Franklin Templeton	Franklin Templeton
	Corefolio	Founding Funds
	Allocation Fund	Allocation Fund
Transfer agent fees	\$694,237	\$3,724,969

e. Waiver and Expense Reimbursements

FT Services has contractually agreed in advance to waive or limit its fees and to assume as its 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 0.10% (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) until April 30, 2013. Effective May 1, 2013, the contractual fee waiver was eliminated. There were no expenses waived during the year ended December 31, 2013.

4. INCOME TAXES

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

At December 31, 2013, the capital loss carryforwards were as follows:

Franklin Templeton Corefolio Allocation Fund	Franklin Templeton Founding Funds Allocation Fund
\$ —	\$ 666,677,037
13,215,638a	1,091,470,427
_	465,945,460
	393,449,505
\$13,215,638	\$2,617,542,429
	Corefolio Allocation Fund \$ — 13,215,638a — —

alncludes \$13,215,638 from the merged Franklin Templeton Perspectives Allocation Fund, which may be carried over to offset future capital gains, subject to certain limitations.

Notes to Financial Statements (continued)

4. INCOME TAXES (continued)

During the year ended December 31, 2013, the Franklin Templeton Corefolio Allocation Fund and Franklin Templeton Founding Funds Allocation Fund utilized \$25,609,305 and \$48,379,019, respectively, of capital loss carryforwards.

The tax character of distributions paid during the years ended December 31, 2013 and 2012, was as follows:

	Franklin Templeton Corefolio Allocation Fund		Franklin Templeton Founding Funds Allocation Fun	
	2013	2012	2013	2012
Distributions paid from ordinary income	\$5,868,250	\$4,489,186	\$162,223,080	\$176,333,011

At December 31, 2013, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income, and undistributed long term capital gains for income tax purposes were as follows:

	Franklin Templeton Corefolio Allocation Fund	Franklin Templeton Founding Funds Allocation Fund
Cost of investments	\$551,994,388	\$5,620,081,364
Unrealized appreciation	\$200,844,212 — \$200,844,212	\$ 514,707,726 (61,936) \$ 514,645,790
Undistributed ordinary income	\$ 186,306 10,027,800	\$ 1,934,226 —
Distributable earnings	\$ 10,214,106	\$ 1,934,226

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

5. Investment Transactions

Purchases and sales of Underlying Funds (excluding short term securities) for the year ended December 31, 2013, were as follows:

	Franklin Templeton	Franklin Templeton
	Corefolio	Founding Funds
	Allocation Fund	Allocation Fund
Purchases	\$39,548,269	\$175,430,636
Sales	\$47,500,000	\$681,000,000

Notes to Financial Statements (continued)

6. INVESTMENTS IN UNDERLYING FUNDS

The Funds invest primarily in the Underlying Funds which are managed by Franklin Advisers, Inc. (Advisers), an affiliate of FT Services 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. Administrative fees paid by the Funds 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 year ended December 31, 2013, were as follows:

Underlying Funds	Number of Shares Held at Beginning of Year ^a	Gross Additions	Gross Reductions	Number of Shares Held at End of Year	Value at End of Year	Investment Income	Realized Capital Gain (Loss)	% of Underlying Fund Shares Outstanding Held at End of Year
Franklin Templeton Corefolio Allocation Fund								
Franklin Flex Cap Growth Fund, Class R6	3,145,368	454,995	261,940	3,338,423	\$ 190,156,597	\$ —	\$30,048,317b	5.39%
Franklin Growth Fund, Class R6	3,009,533	46,917	151,140	2,905,310	189,455,278	1,662,391	3,983,576	1.95%
Institutional Fiduciary Trust Money Market Portfolio	1,039,910	37,480,959	37,834,165	686,704	686,704	_	_	c
Mutual Shares Fund, Class R6	6,769,027	212,035	405,107	6,575,955	186,296,813	3,071,646	1,571,229	1.15%
Templeton Growth Fund Inc., Class R6	,,	257,285	649,480	7,464,658	186,243,208	2,839,523	2,327,078	1.02%
Total					\$ 752,838,600	\$ 7,573,560	\$37,930,200	
Franklin Templeton Founding Fu Allocation Fund	nds							
Franklin Income Fund, Class R6	826,732,566	48,036,153	36,625,642	838,143,077	\$2,019,924,816	\$110,393,013	\$ 2,074,986	2.35%
Institutional Fiduciary Trust Money Market Portfolio	43,452,070	424,354,568	422,102,043	45,704,595	45,704,595	_	_	0.24%
Mutual Shares Fund, Class R6	81,205,536	1,231,761	10,630,636	71,806,661	2,034,282,703	33,855,517	40,649,532	12.55%
Templeton Growth Fund Inc., Class R6	94,913,411	1,306,878	14,664,576	81,555,713	2,034,815,040	31,182,106	15,580,412	11.09%
Total					\$6,134,727,154	\$175,430,636	\$58,304,930	

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

blncludes realized gain distributions received.

cRounds to less than 0.01%.

Notes to Financial Statements (continued)

7. 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 administrative 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 year ended December 31, 2013 is noted in the Statements of Operations. Effective May 1, 2013, the SSA was discontinued until further notice and approval by the Board.

8. 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, after an extension of the original terms, matured on February 14, 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. Effective February 14, 2014, the Borrowers renewed the Global Credit Facility which matures on February 13, 2015.

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 year ended December 31, 2013, the Funds did not use the Global Credit Facility.

9. 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)

Notes to Financial Statements (continued)

9. FAIR VALUE MEASUREMENTS (continued)

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

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

At December 31, 2013, all of the Funds' investments in financial instruments carried at fair value were valued using Level 1 inputs. For detailed categories, see the accompanying Statements of Investments.

10. New Accounting Pronouncements

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

11. 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 other than those already disclosed.

Report of Independent Registered Public Accounting Firm

To the Board of Trustees and Shareholders of Franklin Templeton Fund Allocator Series

In our opinion, the accompanying statements of assets and liabilities, including the statements of investments, and the related statements of operations and of changes in net assets and the financial highlights present fairly, in all material respects, the financial position of Franklin Templeton Corefolio Allocation Fund and Franklin Templeton Founding Funds Allocation Fund (separate portfolios of Franklin Templeton Fund Allocator Series, hereafter referred to as the "Funds") at December 31, 2013, the results of each of their operations for the year then ended, the changes in each of their net assets for each of the two years in the period then ended and the financial highlights for each of the five years in the period then ended, in conformity with accounting principles generally accepted in the United States of America. These financial statements and financial highlights (hereafter referred to as "financial statements") are the responsibility of the Funds' management. Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits, which included confirmation of securities at December 31, 2013 by correspondence with the transfer agent, provide a reasonable basis for our opinion.

PricewaterhouseCoopers LLP

San Francisco, California February 14, 2014

Tax Information (unaudited)

Under Section 854(b)(1)(A) of the Internal Revenue Code (Code), the Funds hereby report the following percentage amounts of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended December 31, 2013:

Franklin Templeton	Franklin Templeton
Corefolio	Founding Funds
Allocation Fund	Allocation Fund
88.73%	40.89%

Under Section 854(b)(1)(B) of the Code, the Funds hereby report the maximum amount allowable but no less than the following amounts as qualified dividends for purposes of the maximum rate under Section 1(h)(11) of the Code for the fiscal year ended December 31, 2013:

Franklin Templeton	Franklin Templeton
Corefolio	Founding Funds
Allocation Fund	Allocation Fund
\$8,501,969	\$102,815,514

Distributions, including qualified dividend income, paid during calendar year 2013 will be reported to shareholders on Form 1099-DIV by mid-February 2014. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their individual income tax returns.

During the fiscal year ended December 31, 2013, the Funds, qualified fund of funds under Section 852(g)(2) of the Code, received an allocation of foreign taxes paid from one or more of its underlying funds. As shown in the table below, the Fund hereby reports to shareholders the foreign source income and foreign taxes paid by underlying funds, pursuant to Section 853 of the Code. This written statement will allow shareholders of record on December 27, 2013, to treat their proportionate share of foreign taxes paid by the underlying funds as having been paid directly by them. The shareholder shall consider these amounts as foreign taxes paid in the tax year in which they receive the Fund distribution.

The following table provides a detailed analysis of foreign tax paid, and foreign source income and foreign qualified dividends as reported by the Funds, to Class A, Class C, Class R, and Advisor Class shareholders of record.

Class	Foreign Tax Paid Per Share	Foreign Source Income Per Share	Foreign Qualified Dividends Per Share
Franklin Templeton Corefolio Allocation Fund			
Class A	\$0.0059	\$0.0577	\$0.0470
Class C	\$0.0059	\$0.0577	\$0.0470
Class R	\$0.0059	\$0.0577	\$0.0470
Advisor Class	\$0.0059	\$0.0577	\$0.0470

Tax Information (unaudited) (continued)

Class	Foreign Tax Paid Per Share	Foreign Source Income Per Share	Foreign Qualified Dividends Per Share
Franklin Templeton Founding Funds Allocation Fund			
Class A	\$0.0061	\$0.0595	\$0.0484
Class C	\$0.0061	\$0.0595	\$0.0484
Class R	\$0.0061	\$0.0595	\$0.0484
Advisor Class	\$0.0061	\$0.0595	\$0.0484

Foreign Tax Paid Per Share (Column 1) is the amount per share available to you, as a tax credit (assuming you held your shares in the Fund for a minimum of 16 days during the 31-day period beginning 15 days before the ex-dividend date of the Fund's distribution to which the foreign taxes relate), or, as a tax deduction.

Foreign Source Income Per Share (Column 2) is the amount per share of income dividends attributable to foreign securities held by the underlying funds, plus any foreign taxes withheld on these dividends. The amounts reported include foreign source qualified dividends that have not been adjusted for the rate differential applicable to such dividend income.¹

Foreign Qualified Dividends Per Share (Column 3) is the amount per share of foreign source qualified dividends, plus any foreign taxes withheld on these dividends. These amounts represent the portion of the Foreign Source Income reported to you in column 2 that were derived from qualified foreign securities held by the underlying funds.¹

By mid-February 2014, shareholders will receive Form 1099-DIV which will include their share of taxes paid and foreign source income distributed during the calendar year 2013. The Foreign Source Income reported on Form 1099-DIV has not been adjusted for the rate differential on foreign source qualified dividend income. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their 2013 individual income tax returns.

¹Qualified dividends are taxed at reduced long term capital gains tax rates. In determining the amount of foreign tax credit that may be applied against the U.S. tax liability of individuals receiving foreign source qualified dividends, adjustments may be required to the foreign tax credit limitation calculation to reflect the rate differential applicable to such dividend income. The rules however permit certain individuals to elect not to apply the rate differential adjustments for capital gains and/or dividends for any taxable year. Please consult your tax advisor and the instructions to Form 1116 for more information.

Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of portfolios overseen in the Franklin Templeton Investments fund complex are shown below. Generally, each board member serves until that person's successor is elected and qualified.

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Harris J. Ashton (1932) One Franklin Parkway San Mateo. CA 94403-1906	Trustee	Since 1995	141	Bar-S Foods (meat packing company) (1981-2010).

Principal Occupation During at Least the Past 5 Years:

Director of various companies; and formerly, Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).

	Sam Ginn (1937) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	114	ICO Global Communications (Holdings) Limited (satellite company) (2006-2010), Chevron Corporation (global energy company) (1989-2009), Hewlett-Packard Company (technology company) (1996-2002), Safeway, Inc. (grocery retailer) (1991-1998) and TransAmerica Corporation (insurance company) (1989-1999).
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Principal Occupation During at Least the Past 5 Years:

Private investor; Chairman, First Responder Network Authority (FirstNet) (interoperable wireless broadband network) (2012); and formerly, Chairman of the Board, Vodafone AirTouch, PLC (wireless company) (1999-2000); Chairman of the Board and Chief Executive Officer, AirTouch Communications (cellular communications) (1993-1998) and Pacific Telesis Group (telephone holding company) (1988-1994).

Edith E. Holiday (1952) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1998	141	Hess Corporation (exploration and refining of oil and gas), H.J. Heinz Company (processed foods and allied products) (1994-2013), RTI International Metals, Inc. (manufacture and distribution of titanium), Canadian National Railway (railroad) and White Mountains Insurance
				Group, Ltd. (holding company).

Principal Occupation During at Least the Past 5 Years:

Director or Trustee of various companies and trusts; and formerly, Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison – United States Treasury Department (1988-1989).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
J. Michael Luttig (1954) One Franklin Parkway	Trustee	Since 2009	141	Boeing Capital Corporation (aircraft financing) (2006-2013).
San Mateo, CA 94403-1906				-

Principal Occupation During at Least the Past 5 Years:

Executive Vice President, General Counsel and member of Executive Council, The Boeing Company (aerospace company); and formerly, Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).

Frank A. Olson (1932)	Trustee	Since 2007	141	Hess Corporation (exploration and
One Franklin Parkway				refining of oil and gas) (1998-2013).
San Mateo, CA 94403-1906				

Principal Occupation During at Least the Past 5 Years:

Chairman Emeritus, The Hertz Corporation (car rental) (since 2000) (Chairman of the Board (1980-2000) and Chief Executive Officer (1977-1999)); and formerly, Chairman of the Board, President and Chief Executive Officer, UAL Corporation (airlines) (until 1987).

Larry D. Thompson (1945) One Franklin Parkway	Trustee	Since 2007	141	Cbeyond, Inc. (business communications provider) (2010-2012), The
San Mateo, CA 94403-1906				Southern Company (energy company) (2010-2012) and The Washington
				Post Company (education and media organization).

Principal Occupation During at Least the Past 5 Years:

Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (July 2012); and formerly, John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2011-2012); Senior Vice President – Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

John B. Wilson (1959) One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 2006 and Lead Independent Trustee since	114	None
		2008		

Principal Occupation During at Least the Past 5 Years:

President, Staples Europe (office supplies) (2012); President and Founder, Hyannis Port Capital, Inc. (real estate and private equity investing); serves on private and non-profit boards; and formerly, Chief Operating Officer and Executive Vice President, Gap, Inc. (retail) (1996-2000); Chief Financial Officer and Executive Vice President – Finance and Strategy, Staples, Inc. (1992-1996); Senior Vice President – Corporate Planning, Northwest Airlines, Inc. (airlines) (1990-1992); and Vice President and Partner, Bain & Company (consulting firm) (1986-1990).

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
**Gregory E. Johnson (1961) One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	152	None

Principal Occupation During at Least the Past 5 Years:

Chairman of the Board, Member - Office of the Chairman, Director, President and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton Investments; and Chairman, Investment Company Institute.

**Rupert H. Johnson, Jr. (1940)	Chairman of	Chairman of the	141	None
One Franklin Parkway	the Board and	Board and Trustee		
San Mateo, CA 94403-1906	Trustee	since June 2013		

Principal Occupation During at Least the Past 5 Years:

Vice Chairman, Member - Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; Senior Vice President, Franklin Advisory Services, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 41 of the investment companies in Franklin Templeton Investments.

Alison E. Baur (1964)	Vice President	Since 2012	Not Applicable	Not Applicable
One Franklin Parkway				
San Mateo, CA 94403-1906				

Principal Occupation During at Least the Past 5 Years:

Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.

Laura F. Fergerson (1962)	Chief	Since 2009	Not Applicable	Not Applicable
One Franklin Parkway	Executive			
San Mateo, CA 94403-1906	Officer –			
	Finance and			
	Administration			

Principal Occupation During at Least the Past 5 Years:

Senior Vice President, Franklin Templeton Services, LLC; and officer of 46 of the investment companies in Franklin Templeton Investments.

Gaston Gardey (1967) One Franklin Parkway San Mateo, CA 94403-1906	Treasurer, Chief Financial Officer and Chief Accounting Officer	Since 2009	Not Applicable	Not Applicable
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Principal Occupation During at Least the Past 5 Years:

Director, Fund Accounting, Franklin Templeton Investments; and officer of 27 of the investment companies in Franklin Templeton Investments.

Name, Year of Birth and Address	Position	Length of Time Served	·	Other Directorships Held During at Least the Past 5 Years
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Aliya S. Gordon (1973) One Franklin Parkway San Mateo, CA 94403-1906 Vice President Since 2009 Not Applicable Not Applicable

Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton Investments; officer of 46 of the investment companies in Franklin Templeton Investments; and formerly, Litigation Associate, Steefel, Levitt & Weiss, LLP (2000-2004).

Steven J. Gray (1955) Vice President Since 2009 Not Applicable Not Applicable One Franklin Parkway San Mateo, CA 94403-1906

Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.

Selena L. Holmes (1965) Vice President Since 2012 Not Applicable Not Applicable 100 Fountain Parkway - AML St. Petersburg, FL 33716-1205 Compliance

Principal Occupation During at Least the Past 5 Years:

Director, Global Compliance Monitoring; and officer of 46 of the investment companies in Franklin Templeton Investments.

Edward B. Jamieson (1948) President and Since 2010 Not Applicable Not Applicable One Franklin Parkway Chief San Mateo. CA 94403-1906 Executive Officer -Investment Management

Principal Occupation During at Least the Past 5 Years:

President, Chief Investment Officer and Director, Franklin Advisers, Inc.; Executive Vice President, Franklin Templeton Institutional, LLC; and officer and/or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 10 of the investment companies in Franklin Templeton Investments.

Kimberly H. Novotny (1972) Vice President Since March 2013 Not Applicable Not Applicable 300 S.E. 2nd Street

Fort Lauderdale, FL 33301-1923

Principal Occupation During at Least the Past 5 Years:

Associate General Counsel, Franklin Templeton Investments; Vice President and Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.

Robert C. Rosselot (1960) Chief Since March 2013 Not Applicable Not Applicable 300 S.E. 2nd Street Compliance Fort Lauderdale, FL 33301-1923 Officer

Principal Occupation During at Least the Past 5 Years:

Director, Global Compliance, Franklin Templeton Investments; officer of 46 of the investment companies in Franklin Templeton Investments; and formerly, Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Karen L. Skidmore (1952) One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Secretary	Since 2006	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton Investments; and officer of 46 of the investment companies in Franklin Templeton Investments.

Craig S. Tyle (1960)	Vice President	Since 2005	Not Applicable	Not Applicable
One Franklin Parkway				
San Mateo, CA 94403-1906				

Principal Occupation During at Least the Past 5 Years:

General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.

Lori A. Weber (1964)	Vice President	Since 2011	Not Applicable	Not Applicable	
300 S.E. 2nd Street					
Fort Lauderdale, FL 33301-1923	3				

Principal Occupation During at Least the Past 5 Years:

Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.: Vice President and Secretary, Templeton Investment Counsel, LLC; Vice President, Fiduciary Trust International of the South; and officer of 46 of the investment companies in Franklin Templeton Investments.

- Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.
- Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.
- Note 3: Effective June 13, 2013, Charles B. Johnson ceased to be a trustee of the Fund.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and has designated John B. Wilson as its audit committee financial expert. The Board believes that Mr. Wilson qualifies as such an expert in view of his extensive business background and experience, including service as chief financial officer of Staples, Inc. from 1992 to 1996. Mr. Wilson has been a Member and Chairman of the Fund's Audit Committee since 2006. As a result of such background and experience, the Board believes that Mr. Wilson has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Mr. Wilson is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

The Statement of Additional Information (SAI) includes additional information about the board members and is available, without charge, upon request. Shareholders may call (800) DIAL BEN/342-5236 to request the SAI.

^{*}We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers.

^{**}Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as officer and director and major shareholder of Resources.

Shareholder Information

Proxy Voting Policies and Procedures

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

Quarterly Statement of Investments

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

Householding of Reports and Prospectuses

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

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Franklin Templeton Funds

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

VALUE

Franklin All Cap Value Fund
Franklin Balance Sheet Investment Fund
Franklin Large Cap Value Fund
Franklin MicroCap Value Fund
Franklin MidCap Value Fund
Franklin Small Cap Value Fund
Mutual Beacon Fund
Mutual Quest Fund
Mutual Recovery Fund
Mutual Shares Fund

BLEND

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

GROWTH

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

SECTOR

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

GLOBAL

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

INTERNATIONAL

Franklin India Growth Fund
Franklin International Growth Fund
Franklin International Small Cap Growth Fund
Mutual European Fund
Mutual International Fund
Templeton Asian Growth Fund
Templeton BRIC Fund
Templeton China World Fund
Templeton Developing Markets Trust
Templeton Emerging Markets Small Cap Fund
Templeton Foreign Fund
Templeton Foreign Smaller Companies Fund
Templeton Frontier Markets Fund

HYBRID

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

ALTERNATIVE

Franklin K2 Alternative Strategies Fund Franklin Pelagos Commodities Strategy Fund

ASSET ALLOCATION

Franklin LifeSmart™ Retirement Target Funds (2015-2050)⁶

Franklin Templeton Corefolio® Allocation Fund Franklin Templeton Founding Funds Allocation Fund Franklin Templeton Conservative Allocation Fund Franklin Templeton Growth Allocation Fund Franklin Templeton Moderate Allocation Fund Franklin Templeton Global Allocation Fund Franklin Templeton Multi-Asset Real Return Fund

FIXED INCOME

Franklin Adjustable U.S. Government Securities Fund⁷ Franklin Floating Rate Daily Access Fund Franklin Global Government Bond Fund Franklin High Income Fund Franklin Limited Maturity U.S. Government Securities Fund⁷

Franklin Low Duration Total Return Fund

Franklin Real Return Fund

Franklin Short Duration U.S. Government ETF

Franklin Strategic Income Fund Franklin Strategic Mortgage Portfolio Franklin Templeton Hard Currency Fund

Franklin Total Return Fund

Franklin U.S. Government Securities Fund⁷ Templeton Constrained Bond Fund Templeton Emerging Markets Bond Fund

Templeton Global Bond Fund Templeton Global Total Return Fund Templeton International Bond Fund

TAX-FREE INCOME⁸

National

Double Tax-Free Income Fund⁹ Federal Tax-Free Income Fund High Yield Tax-Free Income Fund Insured Tax-Free Income Fund^{10, 11}

Limited-/Intermediate-Term

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

State-Specific

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

INSURANCE FUNDS

Franklin Templeton Variable Insurance Products Trust¹²

- 1. The fund is closed to new investors. Existing shareholders and select retirement plans may add to their accounts.
- 2. The fund is a continuously offered, closed-end fund. Shares may be purchased daily; there is no daily redemption. However, each quarter, pending board approval, the fund will authorize the repurchase of 5%–25% of the outstanding number of shares. Investors may tender all or a portion of their shares during the tender period.
- 3. Effective 6/3/13, the fund closed to new investors, with limited exceptions.
- 4. Effective 12/10/13, the fund closed to new investors, with limited exceptions.
- 5. Effective 6/28/13, the fund closed to new investors. Existing shareholders and select retirement plans may add to their accounts.
- 6. Effective 5/1/13, the Franklin Templeton Retirement Target Funds changed their names to Franklin LifeSmart Retirement Target Funds. The funds' investment goals and principal investment strategies remained unchanged. These funds' target dates are in five-year increments.

- 7. An investment in the fund is neither insured nor guaranteed by the U.S. government or by any other entity or institution.
- 8. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.
- The fund is closed to all new investments (other than reinvestment of dividends and capital gains distributions).
- 10. The fund invests primarily in insured municipal securities.
- 11. Effective at the close of market on 3/1/13, Franklin Insured Tax-Free Income Fund and Franklin California Insured Tax-Free Income Fund closed to all new investments (other than reinvestment of dividends and capital gains distributions).
- 12. The funds of the Franklin Templeton Variable Insurance Products Trust are generally available only through insurance company variable contracts.

VALUE | BLEND | GROWTH | SECTOR | GLOBAL | INTERNATIONAL | HYBRID | ALTERNATIVE | **Asset Allocation** | Fixed income | Tax-free income



< GAIN FROM OUR PERSPECTIVE® >

Annual 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.

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