

FUND CHARACTERISTICS (AS OF 12/31/13)

NASDAQ Symbol **FFALX** 8/15/03 Fund Inception Date Dividends Semiannually Asset Allocation Investment Style Benchmark S&P 500 Index Lipper Classification Mixed-Asset Target Alloc Growth Funds Morningstar Category™ US OE Aggressive Allocation Total Net Assets—All Share 6,124 million Classes Number of Holdings Maximum Initial Sales Charge 5.75%

THIRD-PARTY FUND DATA

Overall Morningstar Rating™ Traditional



Load Waived



As of December 31, 2013 the fund's Class A shares received a traditional 3 star overall Morningstar Rating™ and a load waived 4 star Morningstar Rating™, measuring risk-adjusted returns against 328, 298 and 154 U.S.-domiciled US OE Aggressive Allocation funds over the 3-, 5- and 10-year periods, respectively. A fund's overall rating is derived from a weighted average of the performance figures associated with its 3-, 5- and 10-year (if applicable) rating metrics.

Load waived Class A share Morningstar Ratings do not include front-end sales charges and are intended for investors who have access to such purchase terms (e.g., fee-based programs and participants of a defined contribution plan). Investors should contact their financial advisor to determine their eligibility to purchase Class A shares without paying the sales charge.

Franklin Templeton Founding Funds Allocation Fund—Class A

PRODUCT PROFILE FOURTH QUARTER 2013

FUND DESCRIPTION

The fund seeks capital appreciation through a diversified, value-oriented approach—investing in a fixed allocation of three Franklin Templeton mutual funds — Franklin Income Fund, Templeton Growth Fund and Mutual Shares Fund — that specifically target stocks and bonds trading at a discount to their true worth. The fund seeks income as a secondary goal.

PERFORMANCE DATA

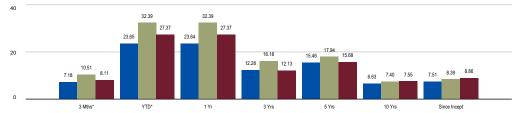
Average Annual Total Returns for Periods Ended December 31, 2013 (%)

	3 Mths*	YTD*	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (8/15/03)
With Sales Charge	1.05	16.53	16.53	10.08	14.10	6.00	6.90
Without Sales Charge	7.18	23.65	23.64	12.28	15.46	6.63	7.51
S&P 500 Index	10.51	32.39	32.39	16.18	17.94	7.40	8.39
MSCI World Index	8.11	27.37	27.37	12.13	15.68	7.55	8.86

Total Annual Operating Expenses—1.05%

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment returns and principal values will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com for the most recent month-end performance.

Average Annual Total Returns for Periods Ended December 31, 2013 (%)



Franklin Templeton Founding Funds Allocation Fund—Class A Without Sales Charge S&P 500 Index

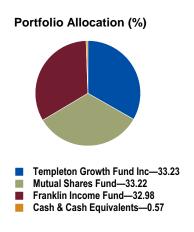
MSCI World Index

^{*}Cumulative Total Returns.

PORTFOLIO DIVERSIFICATION (AS OF 12/31/13)

Underlying Funds' Top Equity Holdings

Name	% of Total
MERCK & CO INC	1.95
ROYAL DUTCH SHELL	1.65
MICROSOFT CORP	1.47
VODAFONE GROUP PLC	1.36
JPMORGAN CHASE & CO	1.24
BP PLC	1.16
MEDTRONIC INC	1.08
CISCO SYSTEMS INC	0.97
ROCHE HOLDING AG	0.96
PFIZER INC	0.93



PERFORMANCE RISK STATISTICS - Class A

Modern Portfolio Theory (MPT) Statistics (As of 12/31/13)

Performance Risk Statistics	3 Years	5 Years	10 Years
Standard Deviation	11.79	14.19	13.69
Alpha	-2.59	-0.05	-0.17
Beta	0.95	0.87	0.90
Sharpe Ratio	1.04	1.08	0.37
Information Ratio	-1.14	-0.55	-0.18
Tracking Error	3.43	4.48	4.22
R-Squared	91.84	92.14	91.64

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GLOSSARY

Alpha: Alpha measures the difference between a fund's actual returns and its expected returns given its risk level as measured by its beta. A positive alpha figure indicates the fund has performed better than its beta would predict. In contrast, a negative alpha indicates a fund has underperformed, given the expectations established by the fund's beta. Some investors see alpha as a measurement of the value added or subtracted by a fund's manager.

<u>Beta:</u> A measure of the magnitude of a portfolio's past share-price fluctuations in relation to the ups and downs of the overall market (or appropriate market index). The market (or index) is assigned a beta of 1.00, so a portfolio with a beta of 1.20 would have seen its share price rise or fall by 12% when the overall market rose or fell by 10%.

Information Ratio: In investing terminology, the ratio of expected return to risk. Usually, this statistical technique is used to measure a manager's performance against a benchmark. This measure explicitly relates the degree by which an investment has beaten the benchmark to the consistency by which the investment has beaten the benchmark.

R-Squared: A measure of how much of a portfolio's performance can be explained by the returns from the overall market (or a benchmark index). If a portfolio's total return precisely matched that of the overall market or benchmark, its R-squared would be 100. If a portfolio's return bore no relationship to the market's returns, its R-squared would be 0.

Sharpe Ratio: To calculate a Sharpe ratio, an asset's excess returns (its return in excess of the return generated by risk-free assets such as Treasury bills) are divided by the asset's standard deviation.

<u>Standard Deviation</u>: A measure of the degree to which a fund's return varies from its previous returns or from the average of all similar funds. The larger the standard deviation, the greater the likelihood (and risk) that a security's performance will fluctuate from the average return.

<u>Tracking Error:</u> Measure of the deviation of the return of a fund compared to the return of a benchmark over a fixed period of time. Expressed as a percentage. The more passively the investment fund is managed, the smaller the tracking error.

MARKET REVIEW

Global stock markets generally advanced in 2013's fourth quarter as developed-market equities delivered strong gains and outperformed emerging-market stocks, which also produced positive results. During the quarter, the US Federal Reserve (Fed) deemed that the US economy was stable enough for the central bank to start measuredly reducing its asset-purchase program in January 2014. However, the Fed's promise to keep short-term interest rates ultralow was extended into 2015. This rate reassurance and the relatively modest nature of the pullback helped drive US equities higher through year-end.

Overall, Asian equities advanced slightly during the fourth quarter, with both China and Japan posting positive returns. Although China's economy accelerated in the third quarter, it likely lost some steam in the fourth quarter as export orders and manufacturing activity weakened. Japan's economy continued to expand in the third quarter, and the country seemed to be emerging from deflation. Elsewhere, although Mexico's equity market produced a positive return, the stock markets of Colombia, Chile and Brazil fell, resulting in a negative fourth-quarter return for the Latin American region. Mexico's economy benefited from a stronger US recovery, while Brazil's economy decelerated in the third quarter mainly due to industrial weakness.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

Performance Review

Franklin Income Fund

Equity Analysis: The energy sector rebounded in the fourth quarter, and most of our related holdings had positive returns. Large, multinational energy conglomerates such as BP, Royal Dutch Shell and Exxon Mobil benefited from rising global crude oil prices and demand, and they were top contributors from the group. Solid contributors in the materials sector included diversified chemicals manufacturers such as Dow Chemical, as well as large diversified metals and mining companies that benefited from signs of increased global industrial demand for raw material inputs, including key contributors Rio Tinto and Freeport McMoRan Copper & Gold. Within financials, fund results benefited most from JPMorgan Chase and Wells Fargo. Despite absolute gains for the fourth quarter, some security weakness occurred in the utilities sector. Key utilities detractors for the fourth quarter included Exelon and FirstEnergy. In the materials sector, gold-focused mining companies Newmont Mining and Goldcorp were detractors from results in an environment of depressed gold prices that pressured profit margins. Other major detractors included Anadarko Petroleum and Halcon Resources in the energy sector.

Fixed Income Analysis: A three-decade tailwind of falling US interest rates and broadly rising bond prices reversed in 2013, causing bonds viewed as higher quality, such as US Treasuries, to generally suffer significant declines. However, below-investment-grade corporate bonds that dominated the fund's fixed income portion generally performed well in the fourth quarter, as did leveraged loans. Most of our fixed income holdings advanced, and the biggest contributors to fund results included Quicksilver Resources and Chesapeake Energy in the energy sector, Clear Channel Communications and Sprint in the communications sector, and First Data and Freescale Semiconductor in the technology sector. The fixed income portion was broadly positive across individual securities and had only a few, though negligible, individual detractors from results for the quarter.

Mutual Shares Fund

During the fourth quarter of 2013, three of the fund's largest contributors to absolute performance were CVS Caremark, Apple and Huntington Ingalls. CVS Caremark operates a retail drug store chain and a pharmacy benefit manager business. During the period, the company continued to improve operating profitability and management increased its earnings projections for the full year. Apple's shares performed well for the period amid apparent strong sales of its new iPhone 5s and were further supported in October by a prominent investors's appeal for Apple to raise its share buyback plan. Huntington Ingalls Industries builds nuclear submarines, aircraft carriers and amphibious assault ships for the US Navy and also provides ship support services. The company continued to show signs of a turnaround and appeared to us to be on track with the latest quarterly earnings results topping consensus expectations. In contrast, three of the fund's main detractors from absolute performance for the quarter were Avon Products, CNH Industrial and Tesco. Shares of the international cosmetics company Avon Products declined during the period after quarterly results fell short of consensus expectations and investors became concerned about the potential cost to settle a U.S. government investigation examining payments made to foreign entities. CNH Industrial, formally known as Fiat Industrial, was a material detractor from performance during the period as quarterly revenues fell short of consensus expectations and results were also negatively impacted by the stronger euro. Shares of Tesco declined during the period, due in part to data showing further market share loss to hard discount retailers in the UK.

Templeton Growth Fund

Sector Analysis: Stock selection in the financials sector was one of the strongest contributor to relative performance for the quarter. Dutch financial services firm ING Groep and French insurer AXA were leading contributors as their stock prices rose to a post-crisis high. Results in the industrials sector also benefited from stock selection during the review period, and European airlines International Consolidated Airlines Group and US-based air freight firm FedEx led contributors. In consumer staples, a US pharmacy retailer and health benefits provider posted strong results. Among our few materials sector positions, a Dutch paint manufacturer was the sector's top contributor. Conversely, in the information technology sector, shares of Swedish communications equipment company Ericsson and US networking equipment company Cisco Systems traded lower and hampered relative results. Singapore-based electronics manufacturer Flextronics was a top sector detractor. South Korean semiconductor manufacturer Samsung Electronics posted anemic results and further hampered sector results. Stock selection in the energy sector also hindered performance despite absolute gains from the sector, largely due to major Brazilian oil company Petrobras. Stock selection in the consumer discretionary sector was pressured by weak performance from Japanese automobile manufacturer Nissan and French tire manufacturer Michelin.

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PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE (CONTINUED)

Country Analysis

From a regional standpoint, stock selection in Europe was a major source of value during the fourth quarter. At the country level, a lack of exposure to Australia proved beneficial to relative performance, while investments in Brazil curbed relative results.

Portfolio Positioning

Franklin Income Fund: In 2013's fourth quarter, we continued to emphasize equity securities, with a period-end equity weighting of 63.1% of total holdings versus 36.1% for fixed income securities. For comparison, these positions were 55.7% and 44.2%, respectively, at year-end 2012.

Mutual Shares Fund: The fund's investment in equities was approximately 87.1%, while the level of cash and cash equivalents stood near 5.7%. The fund had approximately 6.9% invested in distressed debt and a 0.2% merger arbitrage exposure in a lone holding.

Templeton Growth Fund: The largest new acquisitions included stakes in a Chinese coal energy company and an Israeli pharmaceuticals manufacturer. Liquidations included an Irish biotechnology firm and a Swiss-based capital markets company.

Outlook & Strategy

The decision regarding Fed tapering has come and gone, albeit with much less volatility than many observers had expected. Looking forward, we believe one of the biggest factors affecting our portfolio decisions is how the Fed's transition to a more normalized monetary policy will be received by investors. So far, the market reaction to Fed tapering has been encouraging to us as the limited volatility reveals that the Fed has indeed convinced investors that tapering is not tightening, at least for now. Short-term interest rates are still anchored near zero and have disassociated from Fed tapering talk, which is a much different situation than last summer, when tapering talk coincided with changes in expected short-term rates such as the US federal funds target rate. Ultimately, we believe the Fed's decision reflects its view that the US economy is strengthening. Furthermore, the US economy has shown to have great influence on the global economy, particularly in the past several years, which is reassuring to us.

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INVESTMENT PHILOSOPHY AND PROCESS

Philosophy

Through an equal allocation to the following underlying funds—Franklin Income Fund, Templeton Growth Fund and Mutual Shares Fund—this combination provides diversification and an automatic rebalancing feature to help maintain equal exposure to three distinct investment strategies in any market environment.

Process

The Fund will invest equal portions in shares of the three underlying funds, providing a cost-effective means of allocating assets across different investment advisors and types of investments.

- Franklin Income Fund focuses on undervalued dividend-paying stocks and bonds across a wide range of industries.
- Templeton Growth Fund searches worldwide for stocks selling at low prices relative to manager's appraisal of value.
- Mutual Shares Fund seeks to invest primarily in undervalued stocks, and to a lesser extent, distressed securities and merger arbitrage.

INVESTMENT AND MANAGEMENT TEAM (AS OF 12/31/13)

Franklin Templeton Founding Funds Allocation Fund Management Team	Years with Firm	Years Experience	
T. Anthony Coffey, CFA	24	24	
Franklin Templeton Solutions	Number of Members	Average Years Experience	
Portfolio Managers	7	22	
Research Analysts	19	10	
Additional Resources			
Research Technology Group	Global Trading Platform	Global Portfolio Compliance Group	
Global Research Library	Performance Analysis and Investment Risk Group		

WHAT ARE THE RISKS

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, Franklin Templeton Founding Funds Allocation Fund is 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 credit worthiness 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 investmentgrade securities. Foreign investing carries additional risks such as currency and market volatility and political or social instability; risks which are heightened in developing countries. Value securities may not increase in price as anticipated or may decline further in value. These and other risks are discussed in the fund's prospectus.

EXPLANATORY NOTES

FUND CHARACTERISTICS

Number of Holdings: All portfolio holdings are subject to change.

THIRD-PARTY FUND DATA

Morningstar Rating™: Source: Morningstar® 12/31/13. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on how a fund ranks on a Morningstar Risk-Adjusted Return measure against other funds in the same category. This measure takes into account variations in a fund's monthly performance after adjusting for sales loads (except for load-waived A shares), redemption fees, and the risk free rate, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. Class A shares of Franklin Templeton Founding Funds Allocation Fund received a traditional Morningstar Rating of 3, 3 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. Load-waived Class A shares of Franklin Templeton Founding Funds Allocation Fund received Morningstar Ratings of 4, 4 and 3 star(s) for the 3-, 5- and 10-year periods, respectively. The Morningstar Rating™ may differ among share classes of a mutual fund as a result of different sales loads and/or expense structure. Past performance does not guarantee future results. ©2014 Morningstar, Inc. All rights reserved. The information contained herein is proprietary to Morningstar and/or its content providers; may not be copied or distributed; and is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information.

PERFORMANCE DATA

The fund offers other share classes subject to different fees and expenses, which will affect their performance. Source for Index: FactSet. Indexes are unmanaged and one cannot invest directly in an index.

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PORTFOLIO DIVERSIFICATION

<u>Top Ten Holdings</u>: Based on a combined investment consisting of equal allocations to the three underlying funds. Information is historical and may not reflect current or future portfolio characteristics. All portfolio holdings are subject to change. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included. For updated information, call Franklin Templeton Investments at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com.



Franklin Templeton Distributors, Inc. One Franklin Parkway San Mateo, California 94403-1906 (800) DIAL BEN® (800) 342-5236 franklintempleton.com Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/(800) 342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

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