FRANKLIN TEMPLETON INVESTMENTS

Franklin Founding Funds Allocation Fund —Class A

Product Profile First Quarter 2016

FUND CHARACTERISTICS (AS OF 3/31/16)

NASDAQ Symbol	FFALX
Fund Inception Date	8/15/03
Dividends	Semiannually
Investment Style	Asset Allocation
Benchmark	S&P 500 Index
Lipper Classification	Mixed-Asset Target Alloc Growth Funds
Morningstar Category™	Aggressive Allocation
Total Net Assets—All Share Classes	4,794 million
Number of Holdings	5
Maximum Initial Sales Charge	5.75%

FUND DESCRIPTION

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

PERFORMANCE DATA

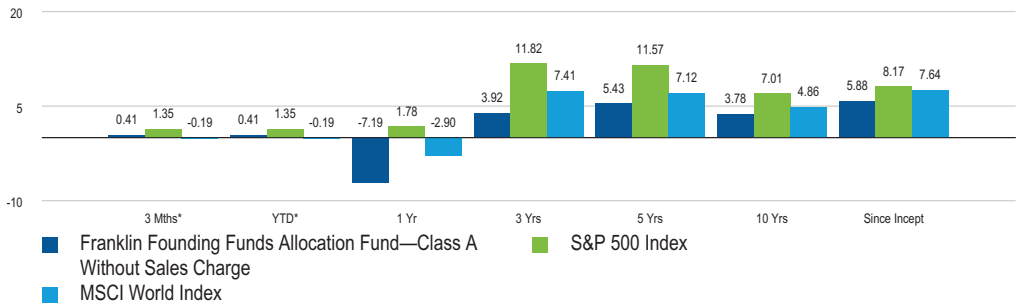
Average Annual Total Returns for Periods Ended March 31, 2016 (%)

	3 Mths*	YTD*	1 Yr	3 Yrs	5 Yrs	10 Yrs	Since Incept (8/15/03)
With Sales Charge	-5.36	-5.36	-12.50	1.88	4.19	3.16	5.38
Without Sales Charge	0.41	0.41	-7.19	3.92	5.43	3.78	5.88
S&P 500 Index	1.35	1.35	1.78	11.82	11.57	7.01	8.17
MSCI World Index	-0.19	-0.19	-2.90	7.41	7.12	4.86	7.64

Total Annual Operating Expenses—*0.99%*

Performance data represents past performance, which does not guarantee future results. Current performance may differ from figures shown. The fund's investment return and principal value 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 March 31, 2016 (%)



*Cumulative Total Returns.

For information related to the "Fund Characteristics" and "Performance Data" sections, please see Explanatory Notes.

Not FDIC Insured | May Lose Value | No Bank Guarantee

PORTFOLIO DIVERSIFICATION (AS OF 3/31/16)

Underlying Funds' Top Equity Holdings

Issuer Name	% of Total
MICROSOFT CORP	3.62
MERCK & CO INC	2.60
APPLE INC	2.54
WHITE MOUNTAINS INSURANCE GROU	2.42
MEDTRONIC PLC	2.13
ROYAL DUTCH SHELL	2.11
ELI LILLY & CO	2.08
CISCO SYSTEMS INC	1.72
TIME WARNER CABLE INC	1.67
PEPSICO INC	1.51

Portfolio Allocation

	%
Franklin Income Fund	33.07
Templeton Growth Fund Inc	33.07
Franklin Mutual Shares Fund	33.06
Cash & Cash Equivalents	0.80

PERFORMANCE RISK STATISTICS - Class A

Modern Portfolio Theory (MPT) Statistics (As of 3/31/16)

Performance Risk Statistics	3 Years	5 Years	10 Years
Standard Deviation	10.74	11.91	14.42
Alpha	-6.17	-4.88	-2.53
Beta	0.91	0.94	0.91
Sharpe Ratio	0.36	0.45	0.19
Information Ratio	-2.21	-1.68	-0.76
Tracking Error	3.57	3.66	4.25
R-Squared	89.84	90.95	92.21

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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.
Beta: 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.
Standard Deviation: 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.
Tracking Error: 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 equities began the first quarter of 2016 with a notable decline as ongoing global growth concerns, falling commodity prices and worries about the health of banks, particularly in Europe, weighed on investor sentiment. They ended the period with marginal gains after key central banks announced additional easing measures and as crude oil prices advanced during the second half of the period. In broad terms, developed-market equities trailed their emerging-market peers for the quarter. By region, US equity markets rose and outperformed global equities, while Asian and European equity markets declined. Latin American stock markets advanced substantially as a group.

US economic data released during the quarter were somewhat mixed, though robust job additions continued and consumer confidence improved toward period-end, along with sentiment in the manufacturing sector. The US Federal Reserve kept interest rates unchanged and reduced its forecast for the federal funds rate to reflect the likelihood of two 25-basis-point increases in 2016. During the same month, the European Central Bank responded to the reappearance of deflation in the eurozone by cutting in its benchmark rate and deposit rate--moving the latter further into negative territory--and expanding its bond-buying program. This announcement followed the Bank of Japan's surprise January adoption of a negative interest rate, which was aimed at boosting lending and pushing inflation to its target range.

Among emerging markets, China's purchasing managers' index contracted twice in the first quarter due to a decline in production growth and manufacturing demand, but it edged up slightly toward period-end, indicating some expansion. The People's Bank of China announced in February another reduction in the reserve requirement ratio for banks--the fifth cut in a year--to help boost the cooling economy. In Latin America, the rebound in commodity prices during the quarter's second half assisted Brazilian equities, though the country's macroeconomic data remained weak.

PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE

Performance Review

Franklin Income Fund

Equity Analysis

Dividend yield remained an important component of the fund's equity selection process. Companies with sustainable and/or growing dividends generally outperformed across all capitalization ranges in the first quarter but were particularly robust in the large-capitalization tier. As investors sought yield in a low interest-rate environment, the fund's large-capitalization holdings generally benefited.

Traditionally defensive equity sectors performed better than the broader market during the selloff in January and early February; utilities fared best among them, and they continued to trade higher through March as well. Exelon, Dominion Resources, Duke Energy, PG&E and Public Service Enterprise Group were among the fund's leading utilities contributors for the quarter overall. Given the level of positive performance we experienced in the utilities sector, some utility stock positions were used as a source of cash for the fund during the period. As a result, the portfolio's utilities allocation declined to multi-year low levels.

Energy-linked equities rallied as oil prices continued to rebound sharply from February's nearly 13-year low. As the quarter came to an end, investors saw the shares of large, oil-related companies with little debt outperforming the broader equity market. As a result, most of our key sector contributors were integrated oil and gas conglomerates with a global reach, including Royal Dutch Shell and Chevron.

In the health care sector, intensifying speculation over drug pricing by governments and leading US presidential candidates was a headwind for pharmaceutical and biotechnology investors. Against this backdrop, our exposures to Eli Lilly, Pfizer, AstraZeneca, Sanofi and others proved detrimental to absolute returns. Financials also had a challenging start to the year amid expectations for deteriorating earnings. Bank stocks, in particular, underwent a prolonged selloff fueled by worries about slowing global growth, multi-year low oil prices (causing investors to anticipate mounting loan losses from energy companies), and projections for continued ultra-low interest rates to put pressure on interest margins. Although Bank of America was one of several banking-related detractors, our position in insurer MetLife had a significant negative impact on absolute returns in the financials sector. MetLife's common stock dropped to a 52-week low amid an earnings slowdown and increased pressure from US regulators who want to designate the company as a “systemically important financial institution.” Life insurance companies, like banks, have been hit recently by concerns about their capacity to withstand a prolonged period of low interest rates.

Fixed Income Analysis

Following a difficult 2015 in which financially stressed corporate bond issuers in the below-investment-grade universe endured a protracted selloff, investor confidence returned and the high-yield market rebounded late in 2016's first quarter as most industries were not experiencing problems in terms of non-payments or defaults. At the sector/industry level, the fund's communications, capital goods, electric utility and basic industry bonds were key contributors. Wireless communication services provider Sprint and pay-television services provider DISH were key contributors in telecommunication services, while CEMEX led a host of capital goods-related contributors. Dynegy and Calpine provided gains among electric utilities holdings. Within basic industry (comprised primarily of companies within the materials sector), several positions enjoyed sizable three-month gains, including Fortescue Metals Group.

Conversely, energy high-yield bonds continued to be a substantial drag on returns despite signs of fundamental improvement and issuers increasing ability to renegotiate debt terms with lenders. However, some companies in the sector continued to face uncertainties about liquidity and their ability to refinance debt if necessary, which has been particularly true among independent oil and gas exploration and production (E&P) firms. In this environment, several E&Ps suffered double-digit percentage declines, and the fund exited certain positions for which additional challenges seemed to be mounting.

Franklin Mutual Shares Fund

During the quarter, three of the fund's largest contributors to absolute performance were White Mountains Insurance Group, Time Warner Cable (TWC) and Kinder Morgan. White Mountains Insurance Group invests capital primarily in companies associated with the insurance and reinsurance industry. The insurer's stock price rallied in February due to solid quarterly results released early in the month and the authorization of a significant stock buyback program near the end of February.

Shares of US-based TWC rose, due in part to increased investor confidence that the proposed acquisition of TWC by a US-based cable operator will be cleared by state and federal regulators. By period-end, meaningful progress on an agreement with the Federal Communications Commission was reported and every state decision was positive, with California still yet to decide.

Kinder Morgan is a US-based energy infrastructure company. While the stock price generally followed the volatile moves in crude oil prices, we believe the shares also began to reflect reduced uncertainty about Kinder Morgan's ability to fund growth projects. The company scaled back its capital budget, presented what we viewed as a credible plan that does not rely on external funding, and continued to benefit from a solidified investment-grade credit rating on the back of a dividend cut announced in December 2015. In mid-February, investors also responded favorably to the public disclosure that Berkshire Hathaway took a stake in Kinder Morgan during the fourth quarter of 2015.

The fund's detractors from returns included Eli Lilly, American International Group (AIG) and Barclays. Eli Lilly, a US-based pharmaceutical company, announced a change to its clinical trial for the Alzheimer's drug

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PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE (*CONTINUED)*

Solanezumab that led to a drop in the stock price. Investors view Solanezumab as a key compound in Lilly's drug pipeline, which led to a meaningful negative reaction. However, we believe that Lilly has one of the strongest and broadest drug pipelines in the industry.

Shares of US-based insurer AIG retreated as investors were frustrated by the January announcement of a $3.6 billion reserve shortfall. Further downward pressure on the stock was due to investor uncertainty regarding AIG's ability to hit its financial targets.

Much of the decline in UK-based Barclays stock was due to industry-wide trends such as slow economic growth and weak capital markets, as well as to growing uncertainty about the June UK referendum vote on leaving the European Union. In addition, the bank's share price was also negatively impacted by a disappointing strategic update in early March that included limited downsizing to the investment banking unit and a dividend cut to fund an accelerated run-down of its non-core activities. We continue to see upside potential in Barclays given a number of strong retail franchises and the likelihood of a sharply lower non-core earnings drag beyond this year.

Templeton Growth Fund

The fund underperformed its benchmark for the quarter. Encouragingly, however, value stocks led the market upswing late in the first quarter as the value recovery gathered steam.

In the financials sector, Swiss financial services firm Credit Suisse Group and US universal lender Citigroup detracted from relative returns. Shares of Credit Suisse declined to 25-year lows after the company reported rising costs and disappointing earnings in fixed income. According to our analysis, at Credit Suisse's significant discount to tangible book value, the depressed valuation levels failed to reflect what we viewed as the firm's strong capital position, updated strategic plan and profitability targets, and lower reliance on investment banking for profits. Citi's weakness was largely attributable to the perception of high exposure to risky energy credits and emerging markets. Yet Citi's energy exposure is primarily investment grade and in total comprised just a small percentage of its loan book.

Two of the fund's main detractors during the period hailed from the health care sector: Israeli specialty drug-maker Teva Pharmaceutical Industries and US pharmaceutical firm Allergan. Shares of Teva fell to a four-month low after sales of one of the firm's blockbuster drugs fell short of consensus expectations; however, we see continued value in Teva's fundamentally solid business and what we regard as its attractive and diversified growth prospects. Meanwhile, Allergan made headlines shortly following the close of the reporting period after the US Treasury Department announced rules intended to curb corporate tax inversions, leading to the termination of the firm's planned acquisition by Pfizer (not a fund holding) in what would have been the largest pharmaceuticals deal ever. Our analysis leading up to the deal indicated that Allergan represented compelling value with or without Pfizer. The resolution of uncertainty around the deal should allow investors to focus on what we see as Allergan's attractive fundamentals.

While the huge sentiment shifts in financials and health care have refreshed our opportunity set in those areas, the near-term detriment to performance overshadowed encouraging gains experienced elsewhere in the fund during the first quarter. As an example, strong stock selection resulted in outperformance in the consumer discretionary sector. Shares of US fashion retailer Michael Kors Holdings rallied significantly after sales rose the most in almost four years on better-than-expected holiday results. The improvements we anticipated through an accessories revamp and a strengthened e-commerce platform appeared to be coming to fruition, allowing the firm to bolster growth during a holiday period that was mediocre for many other retailers.

Our value conviction in the energy sector was at least partially vindicated during the quarter as oil prices rebounded from a 12-year nadir and energy stocks that had largely been left for dead suddenly showed signs of life. US-based Apache, a leading international E&P company focused on the production of oil, natural gas and natural gas liquids, performed well. We believe Apache is a “shrink-to-grow” story, with production growth and margins likely to expand after a major asset disposal program.

Portfolio Positioning

Franklin Income Fund: Sector diversification in the equity portfolio increased in early 2016 even as the overall weighting was reduced. In particular, strong performance in the utilities sector made holding several positions less attractive to us, driving our decision to look to other areas for new ideas. While our in-depth analysis indicated that utilities had become more expensive, our appetite for certain pharmaceutical names grew during the quarter as valuations became incrementally more compelling. In fixed income, we saw a broadening opportunity set outside the energy sector, where the weighting has been reduced thus far in 2016. Overall, the fund's equity allocation at the end of March was 60.7% of total holdings versus 37.4% for fixed income securities. For comparison, these positions were 61.8% and 34.1%, respectively, at year-end 2015. The largest period-end equity allocations were energy, industrials and health care. Our largest exposures in fixed income were communications, consumer non-cyclical and banking.

Franklin Mutual Shares Fund: At the conclusion of the first quarter, the fund's investment in equities was 83.8% while the level of cash and cash equivalents stood at 4.4%. In addition, 77.4% of foreign securities exposure was hedged back to the US dollar at quarter-end. The fund initiated a few positions in the quarter, including two US-based financials sector companies. The risk/reward profile of these financial companies became more attractive to us when the market declined early in the quarter. We also added a US-based retailer. We exited a position in an independent oil and gas company as the stock price rallied sharply in the

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PERFORMANCE REVIEW AND CONTRIBUTORS TO PERFORMANCE (*CONTINUED)*

second half of the quarter. Compared to the benchmark, the fund continued to have a meaningful overweight in financials and sizable underweights in information technology and industrials.

Templeton Growth Fund: During the quarter, the fund's most overweight sectors relative to the benchmark included energy, financials and health care, while its underweight sectors included consumer staples, industrials and consumer discretionary. The fund had no exposure to the utilities sector.

Outlook & Strategy

We and the underlying investment managers were encouraged by the nascent rebound in value stocks that occurred partway through the first quarter, and we continue to believe that conditions are favorable for a potentially sustainable recovery in lowly valued stocks. The underperformance of value versus growth, momentum and quality has been extreme by historical standards over the past number of years, and by March cheap stocks were trading at the widest discount to expensive stocks since the height of the Technology, Media and Telecom Bubble in 2000. We believe it was investor greed that propelled growth stocks to extreme valuations back then; today, fear seems to be sustaining the momentum as investors pay up for the perception of earnings safety and stability in an uncertain environment. Now, as then, we have a distinctly two-tiered market. The momentum drivers today--caution and risk aversion--may be less exciting than the promise of a new technology paradigm, but the consequent valuation disparity is roughly the same. According to our analysis, when value stocks historically have gotten as relatively cheap as they are today, their subsequent long-term performance has been prodigious. Consequently, we believe the current risk/reward proposition is heavily skewed in favor of long-term value investors, and we think those who follow a disciplined strategy of patiently buying value in today's depressed environment can ultimately benefit.

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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 Franklin 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.
- Franklin 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 3/31/16)

Franklin Founding Funds Allocation Fund Management Team	Years with Firm	Years Experience
T. Anthony Coffey, CFA	26	26
Franklin Templeton Solutions	**Number of Members**	**Average Years Experience**
Portfolio Managers	16	20
Research Analysts	62	11
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 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 prices 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 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.

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EXPLANATORY NOTES

FUND CHARACTERISTICS

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

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. They do not reflect any fees, expenses or sales charges.

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PORTFOLIO DIVERSIFICATION

Top Ten Holdings: 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.

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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