JUNE 30, 2013

SEMIANNUAL 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

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INVESTMENTS

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Franklin Templeton Investments

Gain From Our Perspective®

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

SPECIALIZED EXPERTISE

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

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

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

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

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 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

Not part of the semiannual report

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Shareholder Letter

Dear Shareholder:

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

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

Franklin Templeton Fund Allocator Series' semiannual report goes into greater detail about prevailing conditions during the period under review. In addition, you will find Fund performance data, financial information and portfolio reviews. Please remember all securities markets fluctuate, as do mutual fund share prices.

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

If you would like more frequent updates, **franklintempleton.com** provides daily prices, monthly performance figures, portfolio holdings and other information. You can also access your account, buy and sell shares, 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 may continue to be uneven, we are confident investors with a well-diversified portfolio and a patient, long-term outlook will be well positioned in the years ahead.

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

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

Sincerely,

Rupert H. Johnson, Jr.
Chairman
Franklin Templeton Fund Allocator Series

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

Semiannual Report

Economic and Market Overview

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

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

Amid these fiscal and monetary developments, a slow and steady U.S. recovery continued. U.S. stocks generated healthy returns as the Standard & Poor's® 500 Index and Dow Jones Industrial Average reached all-time highs during the period, even though Chairman Bernanke's statements sparked volatility.[1] Rising corporate profits and generally favorable economic data bolstered investor confidence, but caution remained about the extent to which positive business and market results were dependent on continuation of the Fed's accommodative monetary policy.

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

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increased their already unprecedented efforts to supply liquidity. Actions elsewhere in the world were mixed, with some policymakers less willing to reverse previous tightening efforts in response to the external environment.

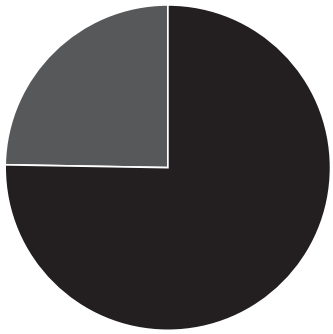
Global developed and emerging market stocks, as measured by the MSCI All Country World Index, advanced during the first six months of 2013. Although emerging markets declined, the losses were more than offset by developed market gains. Regional performance was more consistent with local economic trends,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

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

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 6/30/13



*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 semiannual report for Franklin Templeton Corefolio Allocation Fund covers the period ended June 30, 2013.

Performance Overview

Franklin Templeton Corefolio Allocation Fund – Class A delivered a +10.34% cumulative total return for the six 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, posted a +13.82% cumulative total return and the MSCI World Index, which tracks equity performance in global developed markets, posted a total return of +8.79%.[1] 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 23.

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, Franklin Growth Fund – Class R6 and Mutual Shares Fund – Class R6 underperformed the S&P 500, and Templeton Growth Fund – Class R6 performed comparably to 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 June 30, 2013, the end of the reporting period. The way we implement our main investment strategies and the resulting portfolio holdings may change depending on factors such as market and economic conditions. These opinions may not be relied upon as investment advice or an offer for a particular security. The information is not a complete analysis of every aspect of any market, country, industry, security or the Fund. Statements of fact are from sources considered reliable, but the investment manager makes no representation or warranty as to their completeness or accuracy. Although historical performance is no guarantee of future results, these insights may help you understand our investment management philosophy.

Performance Summary as of 6/30/13

Franklin 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 does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

Price and Distribution Information

Class A (Symbol: FEMGX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+$1.38	$14.95	$13.57
Distributions (1/1/13–6/30/13)				
Dividend Income	$0.0225			
Class C (Symbol: FTCLX)		**Change**	**6/30/13**	**12/31/12**
Net Asset Value (NAV)		+$1.32	$14.77	$13.45
Distributions (1/1/13–6/30/13)				
Dividend Income	$0.0225			
Class R (Symbol: n/a)		**Change**	**6/30/13**	**12/31/12**
Net Asset Value (NAV)		+$1.37	$14.93	$13.56
Distributions (1/1/13–6/30/13)				
Dividend Income	$0.0225			
Advisor Class (Symbol: FCAZX)		**Change**	**6/30/13**	**12/31/12**
Net Asset Value (NAV)		+$1.41	$15.00	$13.59
Distributions (1/1/13–6/30/13)				
Dividend Income	$0.0225			

Performance Summary *(continued)*

Performance[1]

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	6-Month	1-Year	5-Year	Inception (8/15/03)
Cumulative Total Return[2]	+10.34%	+18.72%	+30.42%	+83.03%
Average Annual Total Return[3]	+3.98%	+11.93%	+4.22%	+5.68%
Value of $10,000 Investment[4]	$10,398	$11,193	$12,293	$17,250
Total Annual Operating Expenses[5]	1.14%			
Class C	**6-Month**	**1-Year**	**5-Year**	**Inception (8/15/03)**
Cumulative Total Return[2]	+9.98%	+17.96%	+25.85%	+70.87%
Average Annual Total Return[3]	+8.98%	+16.96%	+4.71%	+5.57%
Value of $10,000 Investment[4]	$10,898	$11,696	$12,585	$17,087
Total Annual Operating Expenses[5]	1.84%			
Class R	**6-Month**	**1-Year**	**5-Year**	**Inception (8/15/03)**
Cumulative Total Return[2]	+10.27%	+18.52%	+29.03%	+79.60%
Average Annual Total Return[3]	+10.27%	+18.52%	+5.23%	+6.11%
Value of $10,000 Investment[4]	$11,027	$11,852	$12,903	$17,960
Total Annual Operating Expenses[5]	1.34%			
Advisor Class	**6-Month**	**1-Year**	**5-Year**	**Inception (8/15/03)**
Cumulative Total Return[2]	+10.54%	+19.09%	+32.29%	+88.42%
Average Annual Total Return[3]	+10.54%	+19.09%	+5.76%	+6.62%
Value of $10,000 Investment[4]	$11,054	$11,909	$13,229	$18,842
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****.*

Performance Summary *(continued)*

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: Prior to 1/1/04, these shares were offered with an initial sales charge; thus actual total returns would have differed. These shares have higher annual fees and expenses than Class A shares.

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

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

1. Fund investment results reflect past expense reductions, without which the results would have been lower.
2. Cumulative total return represents the change in value of an investment over the periods indicated.
3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
4. These figures represent the value of a hypothetical $10,000 investment in the Fund over the periods indicated.
5. Figures are as stated in the current prospectus and include the effect of acquired fund fees and expenses. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

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 ÷ $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 x $7.50 = $64.50.

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

Hypothetical Example for Comparison with Other Funds

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

Your Fund's Expenses *(continued)*

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

Class A	Beginning Account Value 1/1/13	Ending Account Value 6/30/13	Expenses Paid During Period* 1/1/13–6/30/13	Expenses Paid During Period** 1/1/13–6/30/13
Actual	$1,000	$1,103.40	$2.14	$5.82
Hypothetical (5% return before expenses)	$1,000	$1,022.76	$2.06	$5.59
Class C				
Actual	$1,000	$1,099.80	$5.83	$9.51
Hypothetical (5% return before expenses)	$1,000	$1,019.24	$5.61	$9.13
Class R				
Actual	$1,000	$1,102.70	$3.23	$6.92
Hypothetical (5% return before expenses)	$1,000	$1,021.72	$3.11	$6.64
Advisor Class				
Actual	$1,000	$1,105.40	$0.63	$4.32
Hypothetical (5% return before expenses)	$1,000	$1,024.20	$0.60	$4.14

*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: 1.12%; R: 0.62%; and Advisor: 0.12%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period. Effective 5/1/13, the expenses for Class A, C, R and Advisor changed and the new annualized expense ratios excluding expenses of the fund investments for each class were: A: 0.55%; C: 1.25%, R: 0.75% and Advisor: 0.25%. Had the new expenses been in effect for the full period, the expenses paid during the period would have been:

	Class A	Class C	Class R	Advisor Class
Actual	$2.87	$6.51	$3.91	$1.31
Hypothetical	$2.76	$6.26	$3.76	$1.25

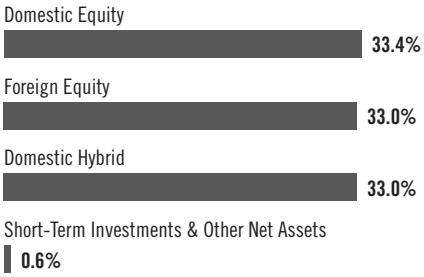
**Expenses are calculated using the most recent six-month expense ratio including expenses of the underlying funds, annualized for each class (A: 1.12%; C: 1.83%; R: 1.33%; and Advisor: 0.83%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year 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.*

Asset Allocation*
Franklin Templeton
Founding Funds Allocation Fund
Based on Total Net Assets as of 6/30/13



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

This semiannual report for Franklin Templeton Founding Funds Allocation Fund covers the period ended June 30, 2013.

Performance Overview

Franklin Templeton Founding Funds Allocation Fund – Class A delivered a cumulative total return of +8.36% for the six 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 +13.82% total return and the MSCI World Index, which tracks equity performance in global developed markets, posted a total return of +8.79%.[1] You can find the Fund's long-term performance data in the Performance Summary beginning on page 14.

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 33⅓% 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 28.

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

Performance Summary as of 6/30/13

Franklin 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 does not reflect any taxes that a shareholder would pay on Fund dividends, capital gain distributions, if any, or any realized gains on the sale of Fund shares. Total return reflects reinvestment of the Fund's dividends and capital gain distributions, if any, and any unrealized gains or losses.

Price and Distribution Information

Class A (Symbol: FFALX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+$0.78	$11.92	$11.14
Distributions (1/1/13–6/30/13)				
Dividend Income	$0.1499			
Class C (Symbol: FFACX)		**Change**	**6/30/13**	**12/31/12**
Net Asset Value (NAV)		+$0.76	$11.75	$10.99
Distributions (1/1/13–6/30/13)				
Dividend Income	$0.1066			
Class R (Symbol: FFARX)		**Change**	**6/30/13**	**12/31/12**
Net Asset Value (NAV)		+$0.78	$11.94	$11.16
Distributions (1/1/13–6/30/13)				
Dividend Income	$0.1344			
Advisor Class (Symbol: FFAAX)		**Change**	**6/30/13**	**12/31/12**
Net Asset Value (NAV)		+$0.78	$11.98	$11.20
Distributions (1/1/13–6/30/13)				
Dividend Income	$0.1647			

Performance Summary *(continued)*

Performance[1]

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	6-Month	1-Year	5-Year	Inception (8/15/03)
Cumulative Total Return[2]	+8.36%	+19.57%	+27.16%	+85.88%
Average Annual Total Return[3]	+2.12%	+12.68%	+3.69%	+5.84%
Value of $10,000 Investment[4]	$10,212	$11,268	$11,983	$17,520
Total Annual Operating Expenses[5]	1.05%			
Class C	**6-Month**	**1-Year**	**5-Year**	**Inception (8/15/03)**
Cumulative Total Return[2]	+7.89%	+18.65%	+22.45%	+73.45%
Average Annual Total Return[3]	+6.89%	+17.65%	+4.13%	+5.73%
Value of $10,000 Investment[4]	$10,689	$11,765	$12,245	$17,345
Total Annual Operating Expenses[5]	1.80%			
Class R	**6-Month**	**1-Year**	**5-Year**	**Inception (8/15/03)**
Cumulative Total Return[2]	+8.20%	+19.22%	+25.62%	+82.41%
Average Annual Total Return[3]	+8.20%	+19.22%	+4.67%	+6.27%
Value of $10,000 Investment[4]	$10,820	$11,922	$12,562	$18,241
Total Annual Operating Expenses[5]	1.30%			
Advisor Class	**6-Month**	**1-Year**	**5-Year**	**Inception (8/15/03)**
Cumulative Total Return[2]	+8.44%	+19.87%	+28.76%	+91.43%
Average Annual Total Return[3]	+8.44%	+19.87%	+5.19%	+6.80%
Value of $10,000 Investment[4]	$10,844	$11,987	$12,876	$19,143
Total Annual Operating Expenses[5]	0.80%			

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****.*

Performance Summary *(continued)*

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 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: Prior to 1/1/04, these shares were offered with an initial sales charge; thus actual total returns would have differed. These shares have higher annual fees and expenses than Class A shares.

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

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

1. Fund investment results reflect past expense reductions, without which the results would have been lower.
2. Cumulative total return represents the change in value of an investment over the periods indicated.
3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
4. These figures represent the value of a hypothetical $10,000 investment in the Fund over the periods indicated.
5. Figures are as stated in the current prospectus and include the effect of acquired fund fees and expenses. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

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 ÷ $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 x $7.50 = $64.50.

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

Hypothetical Example for Comparison with Other Funds

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

Your Fund's Expenses *(continued)*

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

Class A	Beginning Account Value 1/1/13	Ending Account Value 6/30/13	Expenses Paid During Period* 1/1/13–6/30/13	Expenses Paid During Period** 1/1/13–6/30/13
Actual	$1,000	$1,083.60	$1.86	$5.32
Hypothetical (5% return before expenses)	$1,000	$1,023.01	$1.81	$5.16
Class C				
Actual	$1,000	$1,078.90	$5.72	$9.18
Hypothetical (5% return before expenses)	$1,000	$1,019.29	$5.56	$8.90
Class R				
Actual	$1,000	$1,082.00	$3.15	$6.61
Hypothetical (5% return before expenses)	$1,000	$1,021.77	$3.06	$6.41
Advisor Class				
Actual	$1,000	$1,084.40	$0.57	$4.03
Hypothetical (5% return before expenses)	$1,000	$1,024.25	$0.55	$3.91

*Expenses are calculated using the most recent six-month expense ratio excluding expenses of the underlying funds, annualized for each class (A: 0.36%; C: 1.11%; R: 0.61%; and Advisor: 0.11%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period. Effective 5/1/13, the expenses for Class A, C, R and Advisor changed and the new annualized expense ratios excluding expenses of the fund investments for each class were: A: 0.45%; C: 1.20%, R: 0.70% and Advisor: 0.20%. Had the new expenses been in effect for the full period, the expenses paid during the period would have been:

	Class A	Class C	Class R	Advisor Class
Actual	$2.32	$6.19	$3.61	$1.03
Hypothetical	$2.26	$6.01	$3.51	$1.00

**Expenses are calculated using the most recent six-month expense ratio including expenses of the underlying funds, annualized for each class (A: 1.03%; C: 1.78%; R: 1.28%; and Advisor: 0.78%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period.

Franklin Templeton Fund Allocator Series

Financial Highlights

Franklin Templeton Corefolio Allocation Fund

Class A	Six Months Ended June 30, 2013 (unaudited)	Year Ended December 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$13.57	$11.93	$12.41	$11.08	$ 8.46	$14.22
Income from investment operations[a]:						
Net investment income (loss)[b,c]	(0.03)	0.11	0.11	0.15	0.12	0.12
Net realized and unrealized gains (losses)	1.43	1.65	(0.47)	1.30	2.64	(5.46)
Total from investment operations	1.40	1.76	(0.36)	1.45	2.76	(5.34)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.02)	(0.12)	(0.12)	(0.12)	(0.14)	(0.13)
Net realized gains	—	—	—	—	—	(0.29)
Total distributions	(0.02)	(0.12)	(0.12)	(0.12)	(0.14)	(0.42)
Redemption fees[d]	—	—	—	—	—	—[e]
Net asset value, end of period	$14.95	$13.57	$11.93	$12.41	$11.08	$ 8.46
Total return[f]	10.34%	14.80%	(2.90)%	13.13%	32.74%	(38.13)%
Ratios to average net assets[g]						
Expenses before waiver and payments by affiliates[h]	0.41%	0.36%	0.39%	0.45%	0.51%	0.62%
Expenses net of waiver and payments by affiliates[h]	0.41%	0.36%	0.39%	0.38%	0.38%	0.48%
Net investment income (loss)[c]	(0.41)%	0.86%	0.89%	1.26%	1.31%	1.01%
Supplemental data						
Net assets, end of period (000's)	$479,114	$449,252	$418,444	$479,773	$319,688	$278,539
Portfolio turnover rate	0.03%	2.14%	2.50%	21.72%	2.01%	3.20%

[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.

[b]Based on average daily shares outstanding.

[c]Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds in which the Fund invests.

[d]Effective September 1, 2008, the redemption fee was eliminated.

[e]Amount rounds to less than $0.01 per share.

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

[g]Ratios are annualized for periods less than one year.

[h]Does not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.71% for the period ended June 30, 2013.

Franklin Templeton Fund Allocator Series

Financial Highlights *(continued)*

Franklin Templeton Corefolio Allocation Fund

Class C	Six Months Ended June 30, 2013 (unaudited)	Year Ended December 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$13.45	$11.82	$12.30	$10.99	$ 8.40	$14.08
Income from investment operations[a]:						
Net investment income (loss)[b,c]	(0.08)	0.02	0.02	0.06	0.05	0.03
Net realized and unrealized gains (losses)	1.42	1.64	(0.47)	1.30	2.61	(5.37)
Total from investment operations	1.34	1.66	(0.45)	1.36	2.66	(5.34)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.02)	(0.03)	(0.03)	(0.05)	(0.07)	(0.05)
Net realized gains	—	—	—	—	—	(0.29)
Total distributions	(0.02)	(0.03)	(0.03)	(0.05)	(0.07)	(0.34)
Redemption fees[d]	—	—	—	—	—	—[e]
Net asset value, end of period	$14.77	$13.45	$11.82	$12.30	$10.99	$ 8.40
Total return[f]	9.98%	14.04%	(3.67)%	12.39%	31.80%	(38.58)%
Ratios to average net assets[g]						
Expenses before waiver and payments by affiliates[h]	1.12%	1.07%	1.10%	1.17%	1.23%	1.31%
Expenses net of waiver and payments by affiliates[h]	1.12%	1.07%	1.10%	1.10%	1.10%	1.17%
Net investment income (loss)[c]	(1.12)%	0.15%	0.18%	0.54%	0.59%	0.32%
Supplemental data						
Net assets, end of period (000's)	$149,352	$142,879	$138,447	$162,084	$113,040	$99,663
Portfolio turnover rate	0.03%	2.14%	2.50%	21.72%	2.01%	3.20%

[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.

[b]Based on average daily shares outstanding.

[c]Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds in which the Fund invests.

[d]Effective September 1, 2008, the redemption fee was eliminated.

[e]Amount rounds to less than $0.01 per share.

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

[g]Ratios are annualized for periods less than one year.

[h]Does not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.71% for the period ended June 30, 2013.

Franklin Templeton Fund Allocator Series

Financial Highlights *(continued)*

Franklin Templeton Corefolio Allocation Fund

Class R	Six Months Ended June 30, 2013 (unaudited)	Year Ended December 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$13.56	$11.93	$12.41	$11.08	$ 8.46	$14.20
Income from investment operations[a]:						
Net investment income (loss)[b,c]	(0.04)	0.09	0.08	0.12	0.11	0.08
Net realized and unrealized gains (losses)	1.43	1.64	(0.47)	1.31	2.63	(5.43)
Total from investment operations	1.39	1.73	(0.39)	1.43	2.74	(5.35)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.02)	(0.10)	(0.09)	(0.10)	(0.12)	(0.10)
Net realized gains	—	—	—	—	—	(0.29)
Total distributions	(0.02)	(0.10)	(0.09)	(0.10)	(0.12)	(0.39)
Redemption fees[d]	—	—	—	—	—	—[e]
Net asset value, end of period	$14.93	$13.56	$11.93	$12.41	$11.08	$ 8.46
Total return[f]	10.27%	14.49%	(3.15)%	12.93%	32.49%	(38.28)%
Ratios to average net assets[g]						
Expenses before waiver and payments by affiliates[h]	0.62%	0.57%	0.60%	0.67%	0.74%	0.82%
Expenses net of waiver and payments by affiliates[h]	0.62%	0.57%	0.60%	0.60%	0.61%	0.68%
Net investment income (loss)[c]	(0.62)%	0.65%	0.68%	1.04%	1.08%	0.81%
Supplemental data						
Net assets, end of period (000's)	$1,662	$1,856	$1,686	$2,188	$1,365	$1,182
Portfolio turnover rate	0.03%	2.14%	2.50%	21.72%	2.01%	3.20%

[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.

[b]Based on average daily shares outstanding.

[c]Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds in which the Fund invests.

[d]Effective September 1, 2008, the redemption fee was eliminated.

[e]Amount rounds to less than $0.01 per share.

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

[g]Ratios are annualized for periods less than one year.

[h]Does not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.71% for the period ended June 30, 2013.

Franklin Templeton Fund Allocator Series

Financial Highlights *(continued)*

Franklin Templeton Corefolio Allocation Fund

Advisor Class	Six Months Ended June 30, 2013 (unaudited)	Year Ended December 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$13.59	$11.95	$12.44	$11.09	$ 8.47	$14.25
Income from investment operations[a]:						
Net investment income (loss)[b,c]	(0.01)	0.18	0.17	0.26	0.15	0.15
Net realized and unrealized gains (losses)	1.44	1.62	(0.50)	1.24	2.64	(5.47)
Total from investment operations	1.43	1.80	(0.33)	1.50	2.79	(5.32)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.02)	(0.16)	(0.16)	(0.15)	(0.17)	(0.17)
Net realized gains	—	—	—	—	—	(0.29)
Total distributions	(0.02)	(0.16)	(0.16)	(0.15)	(0.17)	(0.46)
Redemption fees[d]	—	—	—	—	—	—[e]
Net asset value, end of period	$15.00	$13.59	$11.95	$12.44	$11.09	$ 8.47
Total return[f]	10.54%	15.11%	(2.67)%	13.56%	33.01%	(37.92)%
Ratios to average net assets[g]						
Expenses before waiver and payments by affiliates[h]	0.12%	0.07%	0.10%	0.17%	0.24%	0.32%
Expenses net of waiver and payments by affiliates[h]	0.12%	0.07%	0.10%	0.10%	0.11%	0.18%
Net investment income (loss)[c]	(0.12)%	1.15%	1.18%	1.54%	1.58%	1.31%
Supplemental data						
Net assets, end of period (000's)	$11,540	$10,245	$7,815	$7,357	$1,915	$1,654
Portfolio turnover rate	0.03%	2.14%	2.50%	21.72%	2.01%	3.20%

[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.

[b]Based on average daily shares outstanding.

[c]Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds in which the Fund invests.

[d]Effective September 1, 2008, the redemption fee was eliminated.

[e]Amount rounds to less than $0.01 per share.

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

[g]Ratios are annualized for periods less than one year.

[h]Does not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.71% for the period ended June 30, 2013.

Franklin Templeton Fund Allocator Series

Statement of Investments, June 30, 2013 (unaudited)

Franklin Templeton Corefolio Allocation Fund	Shares	Value
Investments in Underlying Funds[a]		
Domestic Equity 75.4%		
Franklin Flex Cap Growth Fund, Class R6	3,033,567	$161,325,086
Franklin Growth Fund, Class R6	2,896,699	161,056,448
Mutual Shares Fund, Class R6	6,379,620	161,340,592
		483,722,126
Foreign Equity 24.6%		
Templeton Growth Fund Inc., Class R6	7,475,662	158,110,259
Total Investments in Underlying Funds before Short Term Investments (Cost $520,478,375) 100.0%		641,832,385
Short Term Investments (Cost $829,398) 0.1%		
Money Market Funds 0.1%		
[b] Institutional Fiduciary Trust Money Market Portfolio	829,398	829,398
Total Investments in Underlying Funds (Cost $521,307,773) 100.1%		642,661,783
Other Assets, less Liabilities (0.1)%		(994,407)
Net Assets 100.0%		$641,667,376

[a]See Note 6 regarding investments in Underlying Funds.

[b]Non-income producing.

Franklin Templeton Fund Allocator Series

Financial Highlights

Franklin Templeton Founding Funds Allocation Fund

Class A	Six Months Ended June 30, 2013 (unaudited)	Year Ended December 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$11.14	$ 9.88	$10.46	$ 9.82	$7.83	$13.50
Income from investment operations[a]:						
Net investment income[b,c]	0.10	0.35	0.35	0.36	0.33	0.37
Net realized and unrealized gains (losses)	0.83	1.28	(0.55)	0.66	2.06	(5.38)
Total from investment operations	0.93	1.63	(0.20)	1.02	2.39	(5.01)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.15)	(0.37)	(0.38)	(0.38)	(0.40)	(0.38)
Net realized gains	—	—	—	—	—	(0.28)
Total distributions	(0.15)	(0.37)	(0.38)	(0.38)	(0.40)	(0.66)
Redemption fees[d]	—	—	—	—	—	—[e]
Net asset value, end of period	$11.92	$11.14	$ 9.88	$10.46	$9.82	$ 7.83
Total return[f]	8.36%	16.76%	(1.95)%	10.61%	31.05%	(37.66)%
Ratios to average net assets[g]						
Expenses before waiver and payments by affiliates[h]	0.36%	0.33%	0.34%	0.41%	0.44%	0.54%
Expenses net of waiver and payments by affiliates[h]	0.36%	0.33%	0.34%	0.35%	0.37%	0.48%
Net investment income[c]	1.61%	3.24%	3.36%	3.61%	3.94%	3.27%
Supplemental data						
Net assets, end of period (000's)	$3,849,820	$3,766,640	$3,773,080	$4,771,043	$5,333,275	$5,015,566
Portfolio turnover rate	0.99%	3.59%	3.69%	3.99%	4.32%	4.16%

[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.

[b]Based on average daily shares outstanding.

[c]Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds in which the Fund invests.

[d]Effective September 1, 2008, the redemption fee was eliminated.

[e]Amount rounds to less than $0.01 per share.

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

[g]Ratios are annualized for periods less than one year.

[h]Does not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.67% for the period ended June 30, 2013.

Franklin Templeton Fund Allocator Series

Financial Highlights *(continued)*

Franklin Templeton Founding Funds Allocation Fund

Class C	Six Months Ended June 30, 2013 (unaudited)	Year Ended December 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$10.99	$ 9.75	$10.32	$ 9.70	$7.74	$13.29
Income from investment operations[a]:						
Net investment income[b,c]	0.05	0.26	0.27	0.28	0.27	0.28
Net realized and unrealized gains (losses)	0.82	1.27	(0.54)	0.64	2.02	(5.26)
Total from investment operations	0.87	1.53	(0.27)	0.92	2.29	(4.98)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.11)	(0.29)	(0.30)	(0.30)	(0.33)	(0.29)
Net realized gains	—	—	—	—	—	(0.28)
Total distributions	(0.11)	(0.29)	(0.30)	(0.30)	(0.33)	(0.57)
Redemption fees[d]	—	—	—	—	—	—[e]
Net asset value, end of period	$11.75	$10.99	$ 9.75	$10.32	$9.70	$ 7.74
Total return[f]	7.89%	15.87%	(2.65)%	9.69%	30.11%	(38.04)%
Ratios to average net assets[g]						
Expenses before waiver and payments by affiliates[h]	1.11%	1.08%	1.09%	1.16%	1.18%	1.21%
Expenses net of waiver and payments by affiliates[h]	1.11%	1.08%	1.09%	1.10%	1.11%	1.15%
Net investment income[c]	0.86%	2.49%	2.61%	2.86%	3.20%	2.60%
Supplemental data						
Net assets, end of period (000's)	$1,677,526	$1,657,087	$1,743,292	$2,252,033	$2,573,664	$2,491,516
Portfolio turnover rate	0.99%	3.59%	3.69%	3.99%	4.32%	4.16%

[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.

[b]Based on average daily shares outstanding.

[c]Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds in which the Fund invests.

[d]Effective September 1, 2008, the redemption fee was eliminated.

[e]Amount rounds to less than $0.01 per share.

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

[g]Ratios are annualized for periods less than one year.

[h]Does not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.67% for the period ended June 30, 2013.

Franklin Templeton Fund Allocator Series

Financial Highlights *(continued)*

Franklin Templeton Founding Funds Allocation Fund

Class R	Six Months Ended June 30, 2013 (unaudited)	Year Ended December 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$11.16	$ 9.89	$10.48	$ 9.84	$7.84	$13.50
Income from investment operations[a]:						
Net investment income[b,c]	0.08	0.31	0.35	0.34	0.31	0.35
Net realized and unrealized gains (losses)	0.83	1.30	(0.58)	0.65	2.07	(5.38)
Total from investment operations	0.91	1.61	(0.23)	0.99	2.38	(5.03)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.13)	(0.34)	(0.36)	(0.35)	(0.38)	(0.35)
Net realized gains	—	—	—	—	—	(0.28)
Total distributions	(0.13)	(0.34)	(0.36)	(0.35)	(0.38)	(0.63)
Redemption fees[d]	—	—	—	—	—	—[e]
Net asset value, end of period	$11.94	$11.16	$ 9.89	$10.48	$9.84	$ 7.84
Total return[f]	8.20%	16.52%	(2.27)%	10.31%	30.83%	(37.77)%
Ratios to average net assets[g]						
Expenses before waiver and payments by affiliates[h]	0.61%	0.58%	0.59%	0.66%	0.68%	0.74%
Expenses net of waiver and payments by affiliates[h]	0.61%	0.58%	0.59%	0.60%	0.61%	0.68%
Net investment income[c]	1.36%	2.99%	3.11%	3.36%	3.70%	3.07%
Supplemental data						
Net assets, end of period (000's)	$9,956	$10,058	$11,922	$12,568	$13,331	$14,300
Portfolio turnover rate	0.99%	3.59%	3.69%	3.99%	4.32%	4.16%

[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.

[b]Based on average daily shares outstanding.

[c]Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds in which the Fund invests.

[d]Effective September 1, 2008, the redemption fee was eliminated.

[e]Amount rounds to less than $0.01 per share.

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

[g]Ratios are annualized for periods less than one year.

[h]Does not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.67% for the period ended June 30, 2013.

Franklin Templeton Fund Allocator Series

Financial Highlights *(continued)*

Franklin Templeton Founding Funds Allocation Fund

Advisor Class	Six Months Ended June 30, 2013 (unaudited)	Year Ended December 31, 2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	$11.20	$ 9.93	$10.52	$ 9.87	$7.87	$13.58
Income from investment operations[a]:						
Net investment income[b,c]	0.11	0.38	0.39	0.40	0.39	0.47
Net realized and unrealized gains (losses)	0.83	1.29	(0.57)	0.66	2.03	(5.49)
Total from investment operations	0.94	1.67	(0.18)	1.06	2.42	(5.02)
Less distributions from:						
Net investment income and short term gains received from Underlying Funds	(0.16)	(0.40)	(0.41)	(0.41)	(0.42)	(0.41)
Net realized gains	—	—	—	—	—	(0.28)
Total distributions	(0.16)	(0.40)	(0.41)	(0.41)	(0.42)	(0.69)
Redemption fees[d]	—	—	—	—	—	—[e]
Net asset value, end of period	$11.98	$11.20	$ 9.93	$10.52	$9.87	$ 7.87
Total return[f]	8.44%	17.08%	(1.78)%	10.95%	31.35%	(37.44)%
Ratios to average net assets[g]						
Expenses before waiver and payments by affiliates[h]	0.11%	0.08%	0.09%	0.16%	0.18%	0.24%
Expenses net of waiver and payments by affiliates[h]	0.11%	0.08%	0.09%	0.10%	0.11%	0.18%
Net investment income[c]	1.86%	3.49%	3.61%	3.86%	4.20%	3.57%
Supplemental data						
Net assets, end of period (000's)	$78,990	$71,487	$72,427	$71,126	$63,994	$35,445
Portfolio turnover rate	0.99%	3.59%	3.69%	3.99%	4.32%	4.16%

[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.

[b]Based on average daily shares outstanding.

[c]Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds in which the Fund invests.

[d]Effective September 1, 2008, the redemption fee was eliminated.

[e]Amount rounds to less than $0.01 per share.

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

[g]Ratios are annualized for periods less than one year.

[h]Does not include expenses of the Underlying Funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds was 0.67% for the period ended June 30, 2013.

Franklin Templeton Fund Allocator Series

Statement of Investments, June 30, 2013 (unaudited)

Franklin Templeton Founding Funds Allocation Fund	Shares	Value
Investments in Underlying Funds[a]		
Domestic Equity 33.4%		
Mutual Shares Fund, Class R6	74,086,762	$1,873,654,221
Domestic Hybrid 33.0%		
Franklin Income Fund, Class R6	819,268,961	1,851,547,853
Foreign Equity 33.0%		
Templeton Growth Fund Inc., Class R6	87,738,094	1,855,660,696
Total Investments in Underlying Funds before Short Term Investments (Cost $5,673,358,915) 99.4%		5,580,862,770
Short Term Investments (Cost $44,467,336) 0.8%		
Money Market Funds 0.8%		
[b] Institutional Fiduciary Trust Money Market Portfolio	44,467,336	44,467,336
Total Investments in Underlying Funds (Cost $5,717,826,251) 100.2%		5,625,330,106
Other Assets, less Liabilities (0.2)%		(9,037,940)
Net Assets 100.0%		$5,616,292,166

[a]See Note 6 regarding investments in Underlying Funds.

[b]Non-income producing.

Franklin Templeton Fund Allocator Series

Financial Statements

Statements of Assets and Liabilities

June 30, 2013 (unaudited)

	Franklin Templeton Corefolio Allocation Fund	Franklin Templeton Founding Funds Allocation Fund
Assets:		
Investments in Underlying Funds: (Note 6)		
Cost	$521,307,773	$ 5,717,826,251
Value	$642,661,783	$ 5,625,330,106
Receivables from capital shares sold	153,032	4,393,568
Other assets	176	1,547
Total assets	642,814,991	5,629,725,221
Liabilities:		
Payables:		
Capital shares redeemed	400,701	6,709,991
Affiliates	665,425	6,289,680
Accrued expenses and other liabilities	81,489	433,384
Total liabilities	1,147,615	13,433,055
Net assets, at value	$641,667,376	$ 5,616,292,166
Net assets consist of:		
Paid-in capital	$557,995,070	$ 8,390,512,961
Undistributed net investment income (loss)	(1,838,265)	—
Distributions in excess of net investment income	—	(592,708)
Net unrealized appreciation (depreciation)	121,354,010	(92,496,145)
Accumulated net realized gain (loss)	(35,843,439)	(2,681,131,942)
Net assets, at value	$641,667,376	$ 5,616,292,166

Franklin Templeton Fund Allocator Series

Financial Statements *(continued)*

Statements of Assets and Liabilities *(continued)*

June 30, 2013 (unaudited)

	Franklin Templeton Corefolio Allocation Fund	Franklin Templeton Founding Funds Allocation Fund
Class A:		
Net assets, at value	$479,113,511	$ 3,849,820,116
Shares outstanding	32,042,280	323,102,474
Net asset value per share[a]	$14.95	$11.92
Maximum offering price per share (net asset value per share ÷ 94.25%)	$15.86	$12.65
Class C:		
Net assets, at value	$149,351,826	$ 1,677,525,970
Shares outstanding	10,114,463	142,727,343
Net asset value and maximum offering price per share[a]	$14.77	$11.75
Class R:		
Net assets, at value	$ 1,662,461	$ 9,955,801
Shares outstanding	111,338	833,972
Net asset value and maximum offering price per share	$14.93	$11.94
Advisor Class:		
Net assets, at value	$ 11,539,578	$ 78,990,279
Shares outstanding	769,326	6,594,005
Net asset value and maximum offering price per share	$15.00	$11.98

[a]Redemption price is equal to net asset value less contingent deferred sales charges, if applicable.

Franklin Templeton Fund Allocator Series

Financial Statements *(continued)*

Statements of Operations

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

	Franklin Templeton Corefolio Allocation Fund	Franklin Templeton Founding Funds Allocation Fund
Investment income:		
Dividends from Underlying Funds (Note 6)	$ —	$ 56,002,298
Expenses:		
Administrative fees (Note 3a)	95,321	846,824
Distribution fees: (Note 3b)		
Class A	694,879	4,867,506
Class B	3,178	35,987
Class C	744,839	8,499,194
Class R	4,426	25,665
Transfer agent fees: (Note 3d)		
Class A	402,957	2,716,878
Class B	554	5,016
Class C	126,730	1,186,238
Class R	1,508	7,161
Advisor Class	9,417	53,113
Reports to shareholders	40,895	341,480
Registration and filing fees	40,569	77,580
Professional fees	16,257	37,084
Trustees' fees and expenses	2,436	22,668
Other	8,264	19,006
Expenses borne by Underlying Funds (Note 7)	(356,362)	(2,263,748)
Total expenses	1,835,868	16,477,652
Net investment income (loss)	(1,835,868)	39,524,646
Realized and unrealized gains (losses):		
Net realized gain (loss) from sale of investments in Underlying Funds (Note 6)	7,229,284	23,188,870
Net change in unrealized appreciation (depreciation) on investments in Underlying Funds	56,386,504	388,339,100
Net realized and unrealized gain (loss)	63,615,788	411,527,970
Net increase (decrease) in net assets resulting from operations	$61,779,920	$451,052,616

Franklin Templeton Fund Allocator Series

Financial Statements *(continued)*

Statements of Changes in Net Assets

	Franklin Templeton Corefolio Allocation Fund		Franklin Templeton Founding Funds Allocation Fund	
	Six Months Ended June 30, 2013 (unaudited)	Year Ended December 31, 2012	Six Months Ended June 30, 2013 (unaudited)	Year Ended December 31, 2012
Increase (decrease) in net assets:				
Operations:				
Net investment income (loss)	$ (1,835,868)	$ 4,169,918	$ 39,524,646	$ 170,201,757
Net realized gain (loss) from Underlying Funds	7,229,284	21,012,932	23,188,870	(11,105,539)
Net change in unrealized appreciation (depreciation) on investments in Underlying Funds	56,386,504	57,758,458	388,339,100	708,660,878
Net increase (decrease) in net assets resulting from operations	61,779,920	82,941,308	451,052,616	867,757,096
Distributions to shareholders from:				
Net investment income:				
Class A	(720,440)	(4,029,814)	(47,925,153)	(127,242,038)
Class B	—	(24,175)	—	(1,344,544)
Class C	(227,765)	(304,941)	(15,108,812)	(44,880,709)
Class R	(2,501)	(12,993)	(110,778)	(315,322)
Advisor Class	(17,313)	(117,263)	(1,071,328)	(2,550,398)
Total distributions to shareholders	(968,019)	(4,489,186)	(64,216,071)	(176,333,011)
Capital share transactions: (Note 2)				
Class A	(15,681,070)	(25,871,568)	(181,326,531)	(464,323,347)
Class B	(3,233,173)	(21,587,349)	(34,596,414)	(178,686,934)
Class C	(7,421,211)	(13,935,555)	(94,943,675)	(293,143,365)
Class R	(370,848)	(53,130)	(816,849)	(3,219,844)
Advisor Class	233,546	1,312,010	2,588,854	(9,692,136)
Total capital share transactions	(26,472,756)	(60,135,592)	(309,094,615)	(949,065,626)
Net increase (decrease) in net assets	34,339,145	18,316,530	77,741,930	(257,641,541)
Net assets:				
Beginning of period	607,328,231	589,011,701	5,538,550,236	5,796,191,777
End of period	$641,667,376	$607,328,231	$5,616,292,166	$5,538,550,236
Undistributed net investment income (loss) included in net assets, end of period	$ (1,838,265)	$ 965,622	$ —	$ 24,098,717
Distributions in excess of net investment income included in net assets, end of period	$ —	$ —	$ (592,708)	$ —

Franklin Templeton Fund Allocator Series

Notes to Financial Statements (unaudited)

1. Organization and Significant Accounting Policies

Franklin Templeton Fund Allocator Series (Trust) is registered under the Investment Company Act of 1940, as amended, (1940 Act) as an open-end investment company, consisting of ten separate funds, 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. Under procedures approved by the Trust's Board of Trustees (the Board), the Fund's 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 June 30, 2013, and for all open tax years, each fund has determined that no liability for unrecognized tax benefits is required in each fund's financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

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.

2. Shares of Beneficial Interest

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

	Franklin Templeton Corefolio Allocation Fund		Franklin Templeton Founding Funds Allocation Fund	
	Shares	Amount	Shares	Amount
Class A Shares:				
Six Months ended June 30, 2013				
Shares sold	1,605,202	$ 23,424,310	12,453,473	$ 147,439,858
Shares issued in reinvestment of distributions	47,001	698,836	3,869,092	45,771,414
Shares redeemed	(2,718,887)	(39,804,216)	(31,441,202)	(374,537,803)
Net increase (decrease)	(1,066,684)	$(15,681,070)	(15,118,637)	$(181,326,531)
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 Shares[a]:				
Six Months ended June 30, 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 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:				
Six Months ended June 30, 2013				
Shares sold	458,837	$ 6,662,609	4,661,309	$ 54,740,218
Shares issued in reinvestment of distributions	14,747	216,631	1,182,137	13,795,577
Shares redeemed	(984,445)	(14,300,451)	(13,931,028)	(163,479,470)
Net increase (decrease)	(510,861)	$ (7,421,211)	(8,087,582)	$ (94,943,675)
Year ended December 31, 2012				
Shares sold	879,209	$ 11,343,194	7,224,788	$ 75,666,193
Shares issued in reinvestment of 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)

2. Shares of Beneficial Interest *(continued)*

	Franklin Templeton Corefolio Allocation Fund		Franklin Templeton Founding Funds Allocation Fund	
	Shares	Amount	Shares	Amount
Class R Shares:				
Six Months ended June 30, 2013				
Shares sold	1,259	$ 17,694	80,172	$ 961,805
Shares issued in reinvestment of distributions	168	2,501	9,321	110,546
Shares redeemed	(26,932)	(391,043)	(157,063)	(1,889,200)
Net increase (decrease)	(25,505)	$ (370,848)	(67,570)	$ (816,849)
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:				
Six Months ended June 30, 2013				
Shares sold	56,419	$ 830,108	1,068,274	$ 12,900,087
Shares issued in reinvestment of distributions	1,094	16,321	78,493	934,072
Shares redeemed	(41,986)	(612,883)	(938,082)	(11,245,305)
Net increase (decrease)	15,527	$ 233,546	208,685	$ 2,588,854
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)

[a]Effective March 1, 2013, all 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

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 Fund's shares up to the maximum annual plan rate for each class. Under the Class A reimbursement distribution plans, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Funds' Class 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 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 Templeton 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 period:

	Franklin Templeton Corefolio Allocation Fund	Franklin Templeton Founding Funds Allocation Fund
Sales charges retained net of commissions paid to unaffiliated broker/dealers	$91,465	$478,522
CDSC retained	$ 3,064	$ 22,141

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

	Franklin Templeton Corefolio Allocation Fund	Franklin Templeton Founding Funds Allocation Fund
Transfer agent fees	$355,866	$1,929,491

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 period ended June 30, 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, 2012, the capital loss carryforwards were as follows:

	Franklin Templeton Corefolio Allocation Fund	Franklin Templeton Founding Funds Allocation Fund
Capital loss carryforwards subject to expiration:		
2016	$ —	$ 666,677,037
2017	38,824,943[a]	1,091,470,427
2018	—	465,945,460
Capital loss carryforwards not subject to expiration	—	443,003,890
Total capital loss carryforwards	$38,824,943	$2,667,096,814

[a]Includes $21,270,397 from the merged Franklin Templeton Perspectives Allocation Fund, which may be carried over to offset future capital gains, subject to certain limitations.

4. Income Taxes *(continued)*

For tax purposes, the Funds may elect to defer any portion of a post-October capital loss to the first day of the following fiscal year. At December 31, 2012, the Franklin Templeton Founding Funds Allocation Fund deferred post-October capital losses of $5,367,675.

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

	Franklin Templeton Corefolio Allocation Fund	Franklin Templeton Founding Funds Allocation Fund
Cost of investments	$524,867,641	$5,746,415,697
Unrealized appreciation	$122,181,556	$ 140,684,435
Unrealized depreciation	(4,387,414)	(261,770,026)
Net unrealized appreciation (depreciation)	$117,794,142	$ (121,085,591)

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatment of wash sales.

5. Investment Transactions

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

	Franklin Templeton Corefolio Allocation Fund	Franklin Templeton Founding Funds Allocation Fund
Purchases	$ 200,000	$ 56,002,298
Sales	$29,700,000	$399,000,000

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.

6. Investments in Underlying Funds *(continued)*

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

Underlying Funds	Number of Shares Held at Beginning of Period[a]	Gross Additions	Gross Reductions	Number of Shares Held at End of Period	Value at End of Period	Investment Income	Realized Capital Gain (Loss)	% of Underlying Fund Shares Outstanding Held at End of Period
Franklin Templeton Corefolio Allocation Fund								
Franklin Flex Cap Growth Fund, Class R6	3,145,368	—	111,801	3,033,567	$ 161,325,086	$ —	$ 1,773,438	4.78%
Franklin Growth Fund, Class R6	3,009,533	3,588	116,422	2,896,699	161,056,448	—	2,824,479	2.08%
Institutional Fiduciary Trust Money Market Portfolio	1,039,910	17,795,285	18,005,797	829,398	829,398	—	—	0.01%
Mutual Shares Fund, Class R6	6,769,027	—	389,407	6,379,620	161,340,592	—	1,497,668	1.10%
Templeton Growth Fund Inc., Class R6	7,856,853	—	381,191	7,475,662	158,110,259	—	1,133,699	0.99%
Total					$ 642,661,783	$ —	$ 7,229,284	
Franklin Templeton Founding Funds Allocation Fund								
Franklin Income Fund, Class R6	826,732,566	24,484,775	31,948,380	819,268,961	$1,851,547,853	$56,002,298	$ 1,598,821	2.45%
Institutional Fiduciary Trust Money Market Portfolio	43,452,070	232,615,606	231,600,340	44,467,336	44,467,336	—	—	0.27%
Mutual Shares Fund, Class R6	81,205,536	—	7,118,774	74,086,762	1,873,654,221	—	21,669,224	12.78%
Templeton Growth Fund Inc., Class R6	94,913,411	—	7,175,317	87,738,094	1,855,660,696	—	(79,175)	11.67%
Total					$5,625,330,106	$56,002,298	$23,188,870	

[a]Effective May 1, 2013, the Underlying Fund's shares were exchanged from Advisor Class to Class R6, if applicable.

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 period ended June 30, 2013 is noted in the Statements of Operations. Effective May 1, 2013, the SSA was discontinued until further notice and approval by the Board.

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 matures on January 17, 2014. This Global Credit Facility provides a source of funds to the Borrowers for temporary and emergency purposes, including the ability to meet future unanticipated or unusually large redemption requests.

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

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)

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

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

At June 30, 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. The Funds are currently reviewing the requirements and believe 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.

Franklin Templeton Fund Allocator Series

Shareholder Information

Board Review of Investment Management Agreement

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

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

Board Review of Investment Management Agreement *(continued)*

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

INVESTMENT PERFORMANCE. The Board placed significant emphasis on the investment performance of each Fund in view of its importance to shareholders. While consideration was given to performance reports and discussions with portfolio managers at Board meetings throughout the year, particular attention in assessing performance was given to the Lipper reports furnished for the

Board Review of Investment Management Agreement *(continued)*

agreement renewals. The Lipper reports prepared for each individual Fund showed the investment performance of its Class A shares, in comparison to a performance universe selected by Lipper. Comparative performance for each Fund was shown for the one-year period ended December 31, 2012, and for additional periods ended that date depending on when a particular Fund commenced operations. The following summarizes the performance results for each of the Funds and the Board's view of such performance.

Franklin Templeton Corefolio Allocation Fund – The performance universe for this Fund consisted of the Fund and all retail and institutional multi-cap core funds as selected by Lipper. The Fund has been in operation for less than 10 years and the Lipper report showed its 2012 total return to be in the middle performing quintile of such universe, and its total return on an annualized basis, to be in the second-lowest performing quintile of such universe for the previous three-year period and the middle performing quintile of such universe for the previous five-year period. The Fund's performance reflects those of the four underlying funds in which it invests in approximately equal allocations, and the Board has reviewed such performance and discussed with management the relative performance of certain of such underlying funds. Based on such review and discussions, the Board believes the Fund's investment strategy continues to be an appropriate one, and noted that as shown in the Lipper report, the Fund's 2012 total return exceeded 14.5% and its annualized three-year return, while underperforming its performance universe, exceeded 8%.

Franklin Templeton Founding Funds Allocation Fund – The performance universe for this Fund consisted of the Fund and all retail and institutional mixed-asset target allocation growth funds as selected by Lipper. This Fund has been in operation for less than 10 years and seeks income as a secondary goal. The Lipper report showed its income return for both the one-year period and each of the annualized three- and five-year periods to be in the highest performing quintile of such universe. The Lipper report showed the Fund's total return for the one-year period to also be in the highest performing quintile of its Lipper performance universe, and on an annualized basis for the previous three- and five-year periods to be in the second-highest performing quintile and the second-lowest performing quintile, respectively, of such universe. The Fund's performance reflects that of the three underlying funds in which it invests in approximately equal allocations, and the Board was satisfied with such performance and believes such investment strategy continues to be an appropriate one.

COMPARATIVE EXPENSES. Consideration was given to the management fee and total expense ratio of each Fund compared with those of a group of retail front-end load fund of funds selected by Lipper as its appropriate Lipper expense group. Lipper expense data is based upon information taken from each such fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Lipper

Board Review of Investment Management Agreement *(continued)*

to be an appropriate measure of comparative expenses. In reviewing comparative costs, Lipper provides information on each Fund's contractual investment management fee in comparison with the contractual investment management fee that would have been charged by other funds within its Lipper expense group assuming they were similar in size to the Fund, as well as the actual total expense ratios of the Funds including expenses of the underlying funds they invest in. The Board noted that for Franklin Templeton Corefolio Allocation Fund and Franklin Templeton Founding Funds Allocation Fund there is no investment advisory contract or investment advisory fee, but only an administration agreement with FT Services, LLC. The Lipper contractual investment management fee analysis includes the administrative fee and asset allocation advisory fee directly charged to the Funds as being part of the contractual investment management fee, with the investment management fees charged underlying funds being included within actual total expenses. Contractual investment management fees and total expenses, for comparative consistency, are shown by Lipper for Fund Class A shares. In the case of Franklin Templeton Corefolio Allocation Fund and Franklin Templeton Founding Funds Allocation Fund, their Lipper reports in each case showed both the contractual management fee rates as well as actual total expense ratios to be below the median of their respective expense groups. The Board was satisfied with the comparative expenses of these Funds as shown in the Lipper reports.

MANAGEMENT PROFITABILITY. The Board also considered the level of profits realized by the Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board reviewed the Fund profitability analysis that addresses the overall profitability of Franklin Templeton's U.S. fund business, as well as its profits in providing management and other services to each of the individual funds during the 12-month period ended September 30, 2012, being the most recent fiscal year-end for Franklin Resources, Inc., the Manager's parent. In reviewing the analysis, attention was given to the methodology followed in allocating costs to each Fund, it being recognized that allocation methodologies are inherently subjective and various allocation methodologies may each be reasonable while producing different results. In this respect, the Board noted that, while being continuously refined and reflecting changes in the Manager's own cost accounting, the allocation methodology was consistent with that followed in profitability report presentations for the Funds made in prior years and that the Funds' independent registered public accounting firm had been engaged by the Manager to periodically review the reasonableness of the allocation methodologies solely for use by the Funds' Board in reference to the profitability analysis. In reviewing and discussing such analysis, management discussed with the Board its belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to each Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. The Board also took into account management's expenditures in improving shareholder services provided the Funds, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from statutes such as the Sarbanes-Oxley and Dodd-Frank Acts and recent SEC and other regulatory requirements. In addition, the Board considered a third-party study comparing the profitability of

Board Review of Investment Management Agreement *(continued)*

the Manager's parent on an overall basis to other publicly held managers broken down to show profitability from management operations exclusive of distribution expenses, as well as profitability including distribution expenses. The Board also considered the extent to which the Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services and potential benefits resulting from allocation of fund brokerage and the use of commission dollars to pay for research. Based upon its consideration of all these factors, and taking into account the fact that Fund expenses were being subsidized through fee waivers, the Board determined that the level of profits realized by the Manager and its affiliates from providing services to each Fund was not excessive in view of the nature, quality and extent of services provided.

ECONOMIES OF SCALE. The Board also considered whether economies of scale are realized by the Managers as the Funds grow larger and the extent to which this is reflected in the level of management fees charged. While recognizing that any precise determination is inherently subjective, the Board noted that based upon the Fund profitability analysis, it appears that as some funds get larger, at some point economies of scale do result in the Managers realizing a larger profit margin on management services provided such a fund. The Board also noted that economies of scale are shared with a fund and its shareholders through management fee breakpoints so that as a fund grows in size, its effective management fee rate declines. The management fees charged by all or substantially all the underlying funds in which the Funds invest provide for such management fee breakpoints. Consequently, to the extent economies of scale may be realized by the investment managers of these funds, the benefits are shared with each Fund and its shareholders through a reduction in actual total expense ratios.

Proxy Voting Policies and Procedures

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

Quarterly Statement of Investments

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

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Franklin Templeton Funds

Literature Request. *To receive a summary prospectus and/or prospectus, please call us at (800) DIAL BEN/342-5236 or visit* ***franklintempleton.com****. Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. The prospectus contains this and other information. Please carefully read a prospectus before investing. To ensure the highest quality of service, we may monitor, record and access telephone calls to or from our service departments. These calls can be identified by the presence of a regular beeping tone.*

VALUE
Franklin All Cap Value Fund
Franklin Balance Sheet Investment Fund
Franklin Large Cap Value Fund
Franklin MicroCap Value Fund[1]
Franklin MidCap Value Fund
Franklin Small Cap Value Fund
Mutual Beacon Fund
Mutual Quest Fund
Mutual Recovery Fund[2]
Mutual Shares Fund

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

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

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

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

INTERNATIONAL
Franklin India Growth Fund
Franklin International Growth Fund
Franklin International Small Cap Growth Fund[3]
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[4]

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

ASSET ALLOCATION
Franklin Templeton Corefolio® Allocation Fund
Franklin Templeton Founding Funds Allocation Fund
Franklin Templeton Conservative Allocation Fund
Franklin Templeton Growth Allocation Fund
Franklin Templeton Moderate Allocation Fund
Franklin LifeSmart™ 2015 Retirement Target Fund[5]
Franklin LifeSmart™ 2020 Retirement Target Fund
Franklin LifeSmart™ 2025 Retirement Target Fund[5]
Franklin LifeSmart™ 2030 Retirement Target Fund
Franklin LifeSmart™ 2035 Retirement Target Fund[5]
Franklin LifeSmart™ 2040 Retirement Target Fund
Franklin LifeSmart™ 2045 Retirement Target Fund[5]
Franklin LifeSmart™ 2050 Retirement Target Fund
Franklin Templeton Global Allocation Fund
Franklin Templeton Multi-Asset Real Return Fund

FIXED INCOME
Franklin Adjustable U.S. Government Securities Fund[6]
Franklin Floating Rate Daily Access Fund
Franklin High Income Fund
Franklin Limited Maturity U.S. Government Securities Fund[6]
Franklin Low Duration Total Return Fund
Franklin Real Return Fund
Franklin Strategic Income Fund
Franklin Strategic Mortgage Portfolio
Franklin Templeton Hard Currency Fund
Franklin Total Return Fund
Franklin U.S. Government Securities Fund[6]
Templeton Emerging Markets Bond Fund
Templeton Global Bond Fund
Templeton Global Total Return Fund
Templeton International Bond Fund

TAX-FREE INCOME[7]
National
Double Tax-Free Income Fund[8]
Federal Tax-Free Income Fund
High Yield Tax-Free Income Fund
Insured Tax-Free Income Fund[9, 10]

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

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

INSURANCE FUNDS
Franklin Templeton Variable Insurance Products Trust[11]

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

VALUE | BLEND | GROWTH | SECTOR | GLOBAL | INTERNATIONAL | HYBRID | **ASSET ALLOCATION** | FIXED INCOME | TAX-FREE INCOME

< GAIN FROM OUR PERSPECTIVE® >

Semiannual Report and Shareholder Letter

Franklin Templeton Fund Allocator Series

Investment Manager
Franklin Advisers, Inc.

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

Shareholder Services
(800) 632-2301

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

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

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