JUNE 30, 2013

#### SEMIANNUAL REPORT AND SHAREHOLDER LETTER

Franklin Templeton Conservative Allocation Fund

Franklin Templeton Moderate Allocation Fund

Franklin Templeton Growth Allocation Fund

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ASSET ALLOCATION

# FRANKLIN TEMPLETON FUND ALLOCATOR SERIES



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# Franklin Templeton Investments

### Gain From Our Perspective®

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

#### SPECIALIZED EXPERTISE

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

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

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

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

#### 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



### Contents

Shareholder Letter 1	Semiannual Report		Franklin Templeton		Notes to	
	Economic and Market Overview	3	Growth Allocation Fund	21	Financial Statements	55
Franklin Templeton Conservative Allocation Fund	5	Financial Highlights and Statements of Investments		Shareholder Information	71	
	Franklin Templeton Moderate Allocation Fund	13				

### 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.

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

NOT FDIC INSURED | MAY LOSE VALUE | NO BANK GUARANTEE

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

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

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

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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.<sup>1</sup> 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.

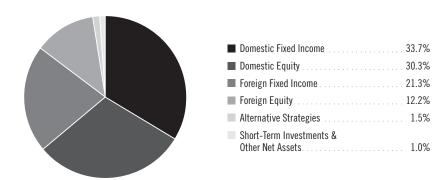
### Franklin Templeton Conservative Allocation Fund

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

Fund seeks the highest level of long-term total return consistent with a lower level of risk.1

#### Asset Allocation\*

Franklin Templeton Conservative Allocation Fund Based on Total Net Assets as of 6/30/13



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

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

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

#### **Performance Overview**

Franklin Templeton Conservative Allocation Fund – Class A delivered a +1.82% cumulative total return for the six months under review. By comparison, the Fund's equity benchmarks, the Standard & Poor's 500 Index (S&P 500®), a broad measure of U.S. stock performance, and MSCI Europe, Australasia, Far

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 34.

<sup>1.</sup> The risk/reward potential is based on the Fund's goal and level of risk. It is not indicative of the Fund's actual or implied performance or portfolio composition, which may change on a continuous basis.

#### Top 10 Fund Holdings

Franklin Templeton Conservative Allocation Fund 6/30/13

	% of Total Net Assets
Templeton Global Total Return Fund -	=
Class R6	18.1%
Franklin U.S. Government Securities	
Fund — Class R6	15.6%
Franklin Total Return Fund — Class R	6 11.2%
Franklin Growth Fund — Class R6	9.1%
Franklin Rising Dividends Fund —	
Class R6	6.4%
iShares iBoxx \$ Investment Grade Co	rp.
Bond Fund (Exchange Traded Fund)	4.8%
Franklin DynaTech Fund — Class R6	3.7%
Templeton Foreign Fund — Class R6	3.7%
Franklin Templeton Emerging Market	
Debt Opportunities Fund	3.2%
Franklin Utilities Fund — Class R6	2.8%

East (EAFE) Index, which measures global stock performance for developed markets excluding the U.S. and Canada, produced total returns of +13.82% and +4.47%.<sup>2</sup> The Fund's fixed income benchmark, the Barclays U.S. Aggregate Index, which tracks U.S. investment-grade bonds, had a -2.44% total return.<sup>2</sup> You can find the Fund's long-term performance data in the Performance Summary beginning on page 8.

#### **Investment Strategy**

Whenever possible, we attempt to hold the same underlying Franklin Templeton funds and other fund investments (collectively, "fund investments") in each Allocation Fund's portfolio and will vary the allocation percentages of the fund investments based upon each Allocation Fund's risk/return level. Maintaining similarity of the fund investments across the Conservative, Moderate and Growth Allocation Funds is intended to increase the consistency of their results relative to one another. We allocate the Fund's assets among the broad asset classes, and when selecting equity funds, we consider the fund investments' foreign and domestic exposure, market capitalization ranges and investment styles (growth versus value). When selecting fixed income funds, we focus primarily on maximizing income appropriate to the Fund's risk profile.

#### Manager's Discussion

The Fund's performance can be attributed to its allocation among equities, fixed income securities, and to a lesser extent short-term investments and other net assets, and to the actual performance of the fund investments.

At period-end, Franklin Templeton Conservative Allocation Fund allocated 55.0% of total net assets to fixed income and 42.5% of total net assets to equity. Domestic fixed income exposure was 61.3% of the total fixed income weighting, with the balance represented by foreign fixed income. Franklin Global Total Return Fund - Class R6, representing 18.1% of the Fund's total net assets, was our largest fixed income fund weighting at period-end. On the equity side, domestic exposure was 71.3% of the Fund's total equity weighting, with the balance represented by foreign equity. The portfolio was diversified across capitalization sizes and investment styles, and on June 30, 2013, we held shares in large-, mid- and small-capitalization equity funds, representing both

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growth and value styles. Franklin Growth Fund - Class R6 was our largest equity fund weighting at 9.1% of total net assets.

During the six-month reporting period, our largest domestic growth fund holding, Franklin Growth Fund - Class R6, underperformed the S&P 500, and our largest domestic value fund holding, Franklin Rising Dividends Fund – Class R6, performed comparably to the S&P 500. Our largest foreign equity fund holding, Templeton Foreign Fund – Class R6, underperformed the MSCI EAFE Index. On the fixed income side, Templeton Global Total Return Fund – Class R6 and Franklin U.S. Government Securities Fund – Class R6 performed better than the Barclays U.S. Aggregate Index.

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



T. Anthony Coffey, CFA Portfolio Manager

Franklin Templeton Conservative 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 Conservative 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: FTCIX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		-\$0.03	\$14.03	\$14.06
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0908			
Long-Term Capital Gain	\$0.1944			
Total	\$0.2852			
Class C (Symbol: FTCCX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		-\$0.03	\$13.80	\$13.83
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0405			
Long-Term Capital Gain	\$0.1944			
Total	\$0.2349			
Class R (Symbol: FTCRX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		-\$0.03	\$13.98	\$14.01
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0728			
Long-Term Capital Gain	\$0.1944			
Total	\$0.2672			
Class R6 (Symbol: n/a)		Change	6/30/13	5/1/13
Net Asset Value (NAV)		-\$0.61	\$14.01	\$14.62
Distributions (5/1/13-6/30/13)				
Dividend Income	\$0.0684			
Long-Term Capital Gain	\$0.1944			
Total	\$0.2628			
Advisor Class (Symbol: FTCZX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		-\$0.03	\$14.02	\$14.05
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.1081			
Long-Term Capital Gain	\$0.1944			
Total	\$0.3025			

# Performance Summary (continued)

#### Performance<sup>1</sup>

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

Class A	6-Month	1-Year	5-Year	10-Year	
Cumulative Total Return <sup>2</sup>	+1.82%	+6.89%	+26.17%	+78.82%	
Average Annual Total Return <sup>3</sup>	-4.05%	+0.75%	+3.52%	+5.36%	
Value of \$10,000 Investment <sup>4</sup>	\$9,595	\$10,075	\$11,888	\$16,861	
Total Annual Operating Expenses <sup>5</sup>					
Without Waiver	1.1				
With Waiver	1.1	- / -			
Class C	6-Month	1-Year	5-Year	10-Year	
Cumulative Total Return <sup>2</sup>	+1.49%	+6.14%	+21.58%	+65.90%	
Average Annual Total Return <sup>3</sup>	+0.49%	+5.14%	+3.98%	+5.19%	
Value of \$10,000 Investment <sup>4</sup>	\$10,049	\$10,514	\$12,158	\$16,590	
Total Annual Operating Expenses <sup>5</sup>					
Without Waiver	1.9	0%			
With Waiver	1.8	9%			
Class R	6-Month	1-Year	5-Year	10-Year	
Cumulative Total Return <sup>2</sup>	+1.70%	+6.64%	+24.59%	+74.45%	
Average Annual Total Return <sup>3</sup>	+1.70%	+6.64%	+4.50%	+5.72%	
Value of \$10,000 Investment <sup>4</sup>	\$10,170	\$10,665	\$12,459	\$17,445	
Total Annual Operating Expenses <sup>5</sup>					
Without Waiver	1.4	0%			
With Waiver	1.39%				
Class R6				Inception (5/1/13)	
Cumulative Total Return <sup>2</sup>				-2.36%	
Aggregate Total Return <sup>6</sup>				-2.36%	
Value of \$10,000 Investment <sup>4</sup>				\$9,764	
Total Annual Operating Expenses <sup>5</sup>					
Without Waiver	0.7	8%			
With Waiver	0.7	7%			
Advisor Class <sup>7</sup>	6-Month	1-Year	5-Year	10-Year	
Cumulative Total Return <sup>2</sup>	+1.95%	+7.16%	+27.73%	+82.16%	
Average Annual Total Return <sup>3</sup>	+1.95%	+7.16%	+5.02%	+6.18%	
Value of \$10,000 Investment <sup>4</sup>	\$10,195	\$10,716	\$12,773	\$18,216	
Total Annual Operating Expenses <sup>5</sup>					
Without Waiver	Without Waiver 0.90%				
With Waiver	0.8	9%			

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

Management has contractually agreed to waive or assume certain fees and expenses so that total annual Fund operating expenses (excluding Rule 12b-1 fees and acquired fund fees and expenses) for each class of the Fund do not exceed (and could be less than) 0.40% except for Class R6, which cannot exceed 0.28% (other than certain nonroutine expenses), until 4/30/14.

# Performance Summary (continued)

#### **Endnotes**

While an asset allocation plan can be a valuable tool to help reduce overall volatility, all investments involve risks, including possible loss of principal. Typically, the more aggressive the investment, or the greater the potential return, the more risk involved. Generally, investors should be comfortable with some fluctuation in the value of their investments, especially over the short term. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in a fund adjust to a rise in interest rates, that fund's share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. Because this Fund invests in underlying funds, which may engage in a variety of investment strategies involving certain risks, the Fund may be subject to those same risks. These risks are described in the Fund's prospectus. Investors should consult their financial advisors for help selecting the appropriate fund of funds, or fund combination, based on an evaluation of their investment objectives and risk tolerance. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

Class C: 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.

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

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

1. Fund investment results reflect the expense reduction, without which the results would have been lower. As of 1/1/13, the Fund changed its target allocation, with short-term investments (formerly a targeted allocation of 20%) combined into the fixed income allocations; such a change can impact performance.

- 2. Cumulative total return represents the change in value of an investment over the periods indicated.
- 3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
- 4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
- 5. Figures are as stated in the current prospectus and include the effect of acquired fund fees and expenses. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 6. Aggregate total return represents the change in value of an investment for the period indicated. Since Class R6 shares have existed for less than one year, average annual total return is not available.
- 7. Effective 12/1/05, the Fund began offering Advisor Class shares, which do not have sales charges or a Rule 12b-1 plan. Performance quotations for this class reflect the following methods of calculation: (a) For periods prior to 12/1/05, a restated figure is used based upon the Fund's Class A performance, excluding the effect of Class A's maximum initial sales charge, but reflecting the effect of the Class A Rule 12b-1 fees; and (b) for periods after 12/1/05, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 12/1/05 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +48.51% and +5.36%.

### Your Fund's Expenses

### Franklin Templeton Conservative Allocation Fund

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

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

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

#### **Actual Fund Expenses**

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

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

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

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

#### Hypothetical Example for Comparison with Other Funds

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

### Your Fund's Expenses (continued)

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

Class A	Beginning Account Value 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	\$1,018.20	\$2.75	\$6.04
Hypothetical (5% return before expenses)	\$1,000	\$1,022.12	\$2.76	\$6.04
Class C				
Actual	\$1,000	\$1,014.90	\$6.49	\$9.78
Hypothetical (5% return before expenses)	\$1,000	\$1,018.40	\$6.51	\$9.78
Class R				
Actual	\$1,000	\$1,017.00	\$4.00	\$7.28
Hypothetical (5% return before expenses)	\$1,000	\$1,020.88	\$4.01	\$7.29
Class R6				
Actual (5/1/13-6/30/13)	\$1,000	\$ 976.40	\$0.46	\$1.55
Hypothetical (5% return before expenses)	\$1,000	\$1,023.36	\$1.40	\$4.69
Advisor Class				
Actual	\$1,000	\$1,019.50	\$1.50	\$4.79
Hypothetical (5% return before expenses)	\$1,000	\$1,023.36	\$1.51	\$4.79

<sup>\*</sup>Expenses are calculated using the most recent six-month expense ratio excluding expenses of the fund investments, net of expense waivers, annualized for each class (A: 0.55%; Class C: 1.30%; Class R: 0.80%; Class R6: 0.28%; and Advisor: 0.30%), multiplied by 181/365 to reflect the one-half year period for Class R6 Hypothetical expenses and Actual and Hypothetical expenses for Classes A, C, R and Advisor. The multiplier is 61/365 for Actual Class R6 expenses to reflect the number of days since inception. Effective 5/1/13, the expense waivers for Classes A, C, R and Advisor changed and the new annualized net expense ratios excluding expenses of the fund investments for each class were: A: 0.65%; C: 1.40%, R: 0.90% and Advisor: 0.40%. Had such expense waivers been in effect for the full period, the expenses paid during the period would have been:

	Actual	Hypothetical (5% return before expenses)
Class A	\$3.25	\$3.26
Class C	\$6.99	\$7.00
Class R	\$4.50	\$4.51
Advisor Class	\$2.00	\$2.01

<sup>\*\*</sup>Expenses are calculated using the most recent six-month expense ratio including expenses of the fund investments, net of expense waivers, annualized for each class (A: 1.21%; Class C: 1.96%; Class R: 1.46%; Class R6: 0.94%; and Advisor; 0.96%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period for Class R6 Hypothetical expenses and Actual and Hypothetical expenses for Classes A, C, R and Advisor. The multiplier is 61/365 for Actual Class R6 expenses to reflect the number of days since inception. Effective 5/1/13, the expense waivers for Classes A, C, R and Advisor changed and the new annualized net expense ratios including expenses of the fund investments, which were also restated to reflect current fees and expenses for each class were: A: 1.25%; C: 2.00%, R: 1.50% and Advisor: 1.00%. Had such expense waivers been in effect for the full period, the expenses paid during the period would have been:

	Actual	Hypothetical (5% return before expenses)
Class A	\$6.26	\$6.26
Class C	\$9.99	\$9.99
Class R	\$7.50	\$7.50
Advisor Class	\$5.01	\$5.01

### Franklin Templeton Moderate Allocation Fund

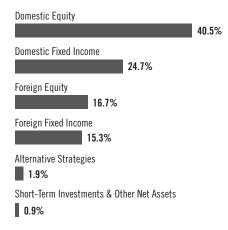
Your Fund's Goal and Main Investments: Franklin Templeton Moderate Allocation Fund

seeks the highest level of long-term total return consistent with a moderate level of risk.1

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 Moderate 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 and other fund investments into a broad asset class based on its predominant investments under normal conditions.

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

#### **Performance Overview**

Franklin Templeton Moderate Allocation Fund – Class A delivered a +3.25% cumulative total return for the six months under review. By comparison, the Fund's equity benchmarks, the Standard & Poor's 500 Index (S&P 500), a broad measure of U.S. stock performance, and MSCI Europe, Australasia, Far East (EAFE) Index, which measures global stock performance for developed markets excluding the U.S. and Canada, produced total returns of +13.82% and +4.47%.2 The Fund's fixed income benchmark, the Barclays U.S. Aggregate Index, which tracks U.S. investment-grade bonds, had a -2.44% total return.<sup>2</sup> You can find the Fund's long-term performance data in the Performance Summary beginning on page 16.

#### **Investment Strategy**

Whenever possible, we attempt to hold the same underlying Franklin Templeton funds and other fund investments (collectively, "fund investments") in each Allocation Fund's portfolio and will vary the allocation percentages of the fund investments based upon each Allocation Fund's risk/return level. Maintaining similarity of the fund investments across the Conservative, Moderate and Growth Allocation Funds is intended to increase the consistency of their results relative to one another. We allocate the Fund's assets among the broad asset classes, and when selecting equity funds, we consider the fund investments' foreign and domestic exposure, market capitalization ranges and investment styles (growth

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 41.

<sup>1.</sup> The risk/reward potential is based on the Fund's goal and level of risk. It is not indicative of the Fund's actual or implied performance or portfolio composition, which may change on a continuous basis.

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

Top 10 Fund Holdings

Franklin Templeton Moderate Allocation Fund 6/30/13

	% of Total Net Assets
Templeton Global Total Return Fund -	-
Class R6	12.9%
Franklin Growth Fund — Class R6	12.3%
Franklin U.S. Government Securities	
Fund — Class R6	11.3%
Franklin Total Return Fund — Class R	6 8.3%
Franklin Rising Dividends Fund —	
Class R6	8.3%
Templeton Foreign Fund — Class R6	4.9%
Franklin DynaTech Fund — Class R6	4.6%
Franklin Utilities Fund — Class R6	4.1%
Mutual European Fund — Class R6	3.8%
iShares iBoxx \$ Investment Grade Co	rp.
Bond Fund (Exchange Traded Fund)	3.6%

versus value). When selecting fixed income funds, we focus primarily on maximizing income appropriate to the Fund's risk profile.

#### Manager's Discussion

The Fund's performance can be attributed to its allocation among equities, fixed income securities, and to a lesser extent short-term investments and other net assets, and to the actual performance of the fund investments.

At period-end, Franklin Templeton Moderate Allocation Fund allocated 57.2% of total net assets to equity and 40.0% to fixed income. Domestic equity exposure was 70.8% of the total equity weighting, with the balance represented by foreign equity. The portfolio was diversified across capitalization sizes and investment styles, and on June 30, 2013, we held shares in large-, mid- and small-capitalization equity funds, representing both growth and value styles. Franklin Growth Fund - Class R6, representing 12.3% of the Fund's total net assets, was our largest equity fund weighting at period-end. On the fixed income side, domestic exposure was 61.8% of the Fund's total income weighting, with the balance represented by foreign fixed income. Templeton Global Total Return Fund - Class R6 was our largest fixed income fund weighting at 12.9% of total net assets.

During the six-month reporting period, our largest domestic growth fund holding, Franklin Growth Fund - Class R6, underperformed the S&P 500, and our largest domestic value fund holding, Franklin Rising Dividends Fund – Class R6, performed comparably to the S&P 500. Our largest foreign equity fund holding, Templeton Foreign Fund – Class R6, underperformed the MSCI EAFE Index. On the fixed income side, Templeton Global Total Return Fund - Class R6 and Franklin U.S. Government Securities Fund – Class R6 performed better than the Barclays U.S. Aggregate Index.

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



T. Anthony Coffey, CFA Portfolio Manager

Franklin Templeton Moderate 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 Moderate 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: FMTIX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.15	\$14.74	\$14.59
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0677			
Long-Term Capital Gain	\$0.2555			
Total	\$0.3232			
Class C (Symbol: FTMTX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.13	\$14.41	\$14.28
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0147			
Long-Term Capital Gain	\$0.2555			
Total	\$0.2702			
Class R (Symbol: FTMRX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.15	\$14.70	\$14.55
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0491			
Long-Term Capital Gain	\$0.2555			
Total	\$0.3046			
Class R6 (Symbol: n/a)		Change	6/30/13	5/1/13
Net Asset Value (NAV)		-\$0.57	\$14.76	\$15.33
Distributions (5/1/13-6/30/13)				
Dividend Income	\$0.0514			
Long-Term Capital Gain	\$0.2555			
Total	\$0.3069			
Advisor Class (Symbol: FMTZX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.15	\$14.75	\$14.60
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0861			
Long-Term Capital Gain	\$0.2555			
Total	\$0.3416			

# Performance Summary (continued)

#### Performance<sup>1</sup>

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

Class A	6-Month	1-Year	5-Year	10-Year	
Cumulative Total Return <sup>2</sup>	+3.25%	+9.34%	+29.02%	+94.98%	
Average Annual Total Return <sup>3</sup>	-2.68%	+3.03%	+3.99%	+6.28%	
Value of \$10,000 Investment <sup>4</sup>	\$9,732	\$10,303	\$12,161	\$18,384	
Total Annual Operating Expenses <sup>5</sup>					
Without Waiver	1.2	2%			
With Waiver	1.2	0%			
Class C	6-Month	1-Year	5-Year	10-Year	
Cumulative Total Return <sup>2</sup>	+2.89%	+8.60%	+24.39%	+81.05%	
Average Annual Total Return <sup>3</sup>	+1.89%	+7.60%	+4.46%	+6.12%	
Value of \$10,000 Investment <sup>4</sup>	\$10,189	\$10,760	\$12,439	\$18,105	
Total Annual Operating Expenses <sup>5</sup>					
Without Waiver	1.9	7%			
With Waiver	1.9	5%			
Class R	6-Month	1-Year	5-Year	10-Year	
Cumulative Total Return <sup>2</sup>	+3.14%	+9.10%	+27.58%	+90.31%	
Average Annual Total Return <sup>3</sup>	+3.14%	+9.10%	+4.99%	+6.65%	
Value of \$10,000 Investment <sup>4</sup>	\$10,314	\$10,910	\$12,758	\$19,031	
Total Annual Operating Expenses <sup>5</sup>					
Without Waiver	1.47%				
With Waiver	1.45%				
Class R6				Inception (5/1/13)	
Cumulative Total Return <sup>2</sup>				-1.77%	
Aggregate Total Return <sup>6</sup>				-1.77%	
Value of \$10,000 Investment <sup>4</sup>				\$9,823	
Total Annual Operating Expenses <sup>5</sup>					
Without Waiver	0.8	3%			
With Waiver	0.8	1%			
Advisor Class <sup>7</sup>	6-Month	1-Year	5-Year	10-Year	
Cumulative Total Return <sup>2</sup>	+3.38%	+9.61%	+30.69%	+98.86%	
Average Annual Total Return <sup>3</sup>	+3.38%	+9.61%	+5.50%	+7.12%	
Value of \$10,000 Investment <sup>4</sup>	\$10,338	\$10,961	\$13,069	\$19,886	
Total Annual Operating Expenses <sup>5</sup>					
Without Waiver	0.97%				
With Waiver	0.9	5%			

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

Management has contractually agreed to waive or assume certain fees and expenses so that total annual operating expenses (excluding Rule 12b-1 fees and acquired fund fees and expenses) for each class of the Fund do not exceed (and could be less than) 0.40% except for Class R6, which cannot exceed 0.26% (other than certain nonroutine expenses), until 4/30/14.

# Performance Summary (continued)

#### **Endnotes**

While an asset allocation plan can be a valuable tool to help reduce overall volatility, all investments involve risks, including possible loss of principal. Typically, the more aggressive the investment, or the greater the potential return, the more risk involved. Generally, investors should be comfortable with some fluctuation in the value of their investments, especially over the short term. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in a fund adjust to a rise in interest rates, that fund's share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. Because this Fund invests in underlying funds, which may engage in a variety of investment strategies involving certain risks, the Fund may be subject to those same risks. These risks are described in the Fund's prospectus. Investors should consult their financial advisors for help selecting the appropriate fund of funds, or fund combination, based on an evaluation of their investment objectives and risk tolerance. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

Class C: 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.

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

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

1. Fund investment results reflect the expense reduction, without which the results would have been lower. As of 1/1/13, the Fund changed its target allocation, with short-term investments (formerly a targeted allocation of 10%) combined into the fixed income allocations; such a change can impact performance.

- 2. Cumulative total return represents the change in value of an investment over the periods indicated.
- 3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
- 4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
- 5. Figures are as stated in the current prospectus and include the effect of acquired fund fees and expenses. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 6. Aggregate total return represents the change in value of an investment for the period indicated. Since Class R6 shares have existed for less than one year, average annual total return is not available.
- 7. Effective 12/1/05, the Fund began offering Advisor Class shares, which do not have sales charges or a Rule 12b-1 plan. Performance quotations for this class reflect the following methods of calculation: (a) For periods prior to 12/1/05, a restated figure is used based upon the Fund's Class A performance, excluding the effect of Class A's maximum initial sales charge, but reflecting the effect of the Class A Rule 12b-1 fees; and (b) for periods after 12/1/05, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 12/1/05 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +53.22% and +5.79%.

### Your Fund's Expenses

#### Franklin Templeton Moderate Allocation Fund

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

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

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

#### **Actual Fund Expenses**

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

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

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

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

#### Hypothetical Example for Comparison with Other Funds

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

### Your Fund's Expenses (continued)

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

Class A	Beginning Account Value 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	\$1,032.50	\$2.77	\$ 6.25
Hypothetical (5% return before expenses)	\$1,000	\$1,022.07	\$2.76	\$ 6.21
Class C				
Actual	\$1,000	\$1,028.90	\$6.54	\$10.01
Hypothetical (5% return before expenses)	\$1,000	\$1,018.35	\$6.51	\$ 9.94
Class R				
Actual	\$1,000	\$1,031.40	\$4.03	\$ 7.50
Hypothetical (5% return before expenses)	\$1,000	\$1,020.83	\$4.01	\$ 7.45
Class R6				
Actual (5/1/13-6/30/13)	\$1,000	\$ 982.30	\$0.43	\$ 1.57
Hypothetical (5% return before expenses)	\$1,000	\$1,023.31	\$1.30	\$ 4.76
Advisor Class				
Actual	\$1,000	\$1,033.80	\$1.51	\$ 4.99
Hypothetical (5% return before expenses)	\$1,000	\$1,023.31	\$1.51	\$ 4.96

<sup>\*</sup>Expenses are calculated using the most recent six-month expense ratio excluding expenses of the fund investments, net of expense waivers, annualized for each class (A: 0.55%; C: 1.30%; R: 0.80%; R6: 0.26%; and Advisor: 0.30%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period for Class R6 Hypothetical expenses and Actual and Hypothetical expenses for Classes A, C, R and Advisor. The multiplier is 61/365 for Actual Class R6 expenses to reflect the number of days since inception. Effective 5/1/13, the expense waivers for Classes A, C, R and Advisor changed and the new annualized net expense ratios excluding expenses of the fund investments for each class were: A: 0.65%; C: 1.40%, R: 0.90% and Advisor: 0.40%. Had such expense waivers been in effect for the full period, the expenses paid during the period would have been:

	Actual	Hypothetical (5% return before expenses)
Class A	\$3.28	\$3.26
Class C	\$7.04	\$7.00
Class R	\$4.53	\$4.51
Advisor Class	\$2.02	\$2.01

<sup>\*\*</sup>Expenses are calculated using the most recent six-month expense ratio including expenses of the fund investments, net of expense waivers, annualized for each class (A: 1.24%; C: 1.99%; R: 1.49%; R6: 0.95%; and Advisor: 0.99%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period for Class R6 Hypothetical expenses and Actual and Hypothetical expenses for Classes A, C, R and Advisor. The multiplier is 61/365 for Actual Class R6 expenses to reflect the number of days since inception. Effective 5/1/13, the expense waivers for Classes A, C, R and Advisor changed and the new annualized net expense ratios including expenses of the fund investments, which were also restated to reflect current fees and expenses for each class were: A: 1.28%; C: 2.03%, R: 1.53% and Advisor: 1.03%. Had such expense waivers been in effect for the full period, the expenses paid during the period would have been:

	Actual	Hypothetical (5% return before expenses)
Class A	\$ 6.45 \$10.21 \$ 7.71 \$ 5.19	\$ 6.41 \$10.14 \$ 7.65 \$ 5.16

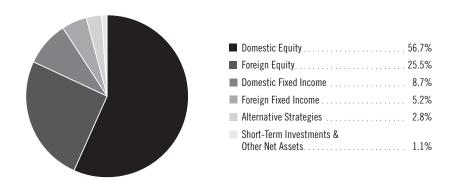
### Franklin Templeton Growth Allocation Fund

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

seeks the highest level of long-term total return consistent with a higher level of risk.1

#### Asset Allocation\*

Franklin Templeton Growth Allocation Fund Based on Total Net Assets as of 6/30/13



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

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

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

#### **Performance Overview**

Franklin Templeton Growth Allocation Fund – Class A delivered a +5.57% cumulative total return for the six months under review. By comparison, the Fund's equity benchmarks, the Standard & Poor's 500 Index (S&P 500), a broad measure of U.S. stock performance, and MSCI Europe, Australasia,

1. The risk/reward potential is based on the Fund's goal and level of risk. It is not indicative of the Fund's actual or implied performance or portfolio composition, which may change on a continuous basis.

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 48.

Top 10 Fund Holdings

Franklin Templeton Growth Allocation Fund 6/30/13

	% of Total Net Assets
Franklin Growth Fund — Class R6	16.5%
Franklin Rising Dividends Fund —	
Class R6	11.7%
Templeton Foreign Fund — Class R6	7.2%
Franklin DynaTech Fund — Class R6	6.8%
Mutual European Fund — Class R6	5.7%
Franklin Utilities Fund — Class R6	5.4%
Franklin International Small Cap Gro	wth
Fund — Class R6	4.7%
iShares Core S&P 500 (Exchange Trad	ded
Fund)	4.5%
Templeton Global Total Return Fund -	-
Class R6	4.4%
Franklin Flex Cap Growth Fund —	
Class R6	4.2%

Far East (EAFE) Index, which measures global stock performance for developed markets excluding the U.S. and Canada, produced total returns of +13.82% and +4.47%.<sup>2</sup> The Fund's fixed income benchmark, the Barclays U.S. Aggregate Index, which tracks U.S. investment-grade bonds, had a -2.44% total return.<sup>2</sup> You can find the Fund's long-term performance data in the Performance Summary beginning on page 24.

#### **Investment Strategy**

Whenever possible, we attempt to hold the same underlying Franklin Templeton funds and other fund investments (collectively, "fund investments") in each Allocation Fund's portfolio and will vary the allocation percentages of the fund investments based upon each Allocation Fund's risk/return level. Maintaining similarity of the fund investments across the Conservative, Moderate and Growth Allocation Funds is intended to increase the consistency of their results relative to one another. We allocate the Fund's assets among the broad asset classes, and when selecting equity funds, we consider the fund investments' foreign and domestic exposure, market capitalization ranges and investment styles (growth versus value). When selecting fixed income funds, we focus primarily on maximizing income appropriate to the Fund's risk profile.

#### Manager's Discussion

The Fund's performance can be attributed to its allocation among equities, fixed income securities, and to a lesser extent short-term investments and other net assets, and to the actual performance of the fund investments.

At period-end, Franklin Templeton Growth Allocation Fund allocated 82.2% of total net assets to equity and 13.9% to fixed income. Domestic equity exposure was 69.0% of the total equity weighting, with the balance represented by foreign equity. The portfolio was diversified across capitalization sizes and investment styles, and on June 30, 2013, we held shares in large-, mid- and small-capitalization equity funds, representing both growth and value styles. Franklin Growth Fund - Class R6, representing 16.5% of the Fund's total net assets, was our largest equity fund weighting at period-end. On the fixed income side, domestic exposure was 62.6% of the Fund's total income weighting, with

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

the balance represented by foreign fixed income. Templeton Global Total Return Fund – Class R6 was our largest fixed income fund weighting at 4.4% of total net assets.

During the six-month reporting period, our largest domestic growth fund holding, Franklin Growth Fund - Class R6, underperformed the S&P 500, and our largest domestic value fund holding, Franklin Rising Dividends Fund -Class R6, performed comparably to the S&P 500. Our largest foreign equity fund holding, Templeton Foreign Fund – Class R6, underperformed the MSCI EAFE Index. On the fixed income side, Templeton Global Total Return Fund – Class R6 performed better than the Barclays U.S. Aggregate Index.

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



T. Anthony Coffey, CFA Portfolio Manager

Franklin Templeton Growth 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 Growth 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: FGTIX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.64	\$16.45	\$15.81
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0140			
Long-Term Capital Gain	\$0.2251			
Total	\$0.2391			
Class C (Symbol: FTGTX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.56	\$16.06	\$15.50
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0140			
Long-Term Capital Gain	\$0.2251			
Total	\$0.2391			
Class R (Symbol: FGTRX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.61	\$16.24	\$15.63
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0140			
Long-Term Capital Gain	\$0.2251			
Total	\$0.2391			
Class R6 (Symbol: n/a)		Change	6/30/13	5/1/13
Net Asset Value (NAV)		-\$0.36	\$16.52	\$16.88
Distributions (5/1/13-6/30/13)				
Long-Term Capital Gain	\$0.2251			
Advisor Class (Symbol: FGTZX)		Change	6/30/13	12/31/12
Net Asset Value (NAV)		+\$0.66	\$16.51	\$15.85
Distributions (1/1/13-6/30/13)				
Dividend Income	\$0.0140			
Long-Term Capital Gain	\$0.2251			
Total	\$0.2391			

# Performance Summary (continued)

#### Performance<sup>1</sup>

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

Class A	6-Month	1-Year	5-Year	10-Year
Class A				
Cumulative Total Return <sup>2</sup>	+5.57%	+12.79%	+27.62%	+109.07%
Average Annual Total Return <sup>3</sup>	-0.47%	+6.33%	+3.76%	+7.02%
Value of \$10,000 Investment <sup>4</sup>	\$9,953	\$10,633	\$12,024	\$19,714
Total Annual Operating Expenses <sup>5</sup>				
Without Waiver	1.3	32%		
With Waiver	1.2	25%		
Class C	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return <sup>2</sup>	+5.16%	+11.91%	+22.92%	+93.89%
Average Annual Total Return <sup>3</sup>	+4.16%	+10.91%	+4.21%	+6.85%
Value of \$10,000 Investment <sup>4</sup>	\$10,416	\$11,091	\$12,292	\$19,389
Total Annual Operating Expenses <sup>5</sup>				
Without Waiver	2.0	)7%		
With Waiver	2.0	00%		
Class R	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return <sup>2</sup>	+5.44%	+12.45%	+26.04%	+104.14%
Average Annual Total Return <sup>3</sup>	+5.44%	+12.45%	+4.74%	+7.40%
Value of \$10,000 Investment <sup>4</sup>	\$10,544	\$11,245	\$12,604	\$20,414
Total Annual Operating Expenses <sup>5</sup>				
Without Waiver	1.5	57%		
With Waiver	1.5	50%		
Class R6				Inception (5/1/13)
Cumulative Total Return <sup>2</sup>				-0.79%
Aggregate Total Return <sup>6</sup>				-0.79%
Value of \$10,000 Investment <sup>4</sup>				\$9,921
Total Annual Operating Expenses <sup>5</sup>				
Without Waiver	0.8	39%		
With Waiver	0.8	32%		
Advisor Class <sup>7</sup>	6-Month	1-Year	5-Year	10-Year
Cumulative Total Return <sup>2</sup>	+5.68%	+13.01%	+29.28%	+113.21%
Average Annual Total Return <sup>3</sup>	+5.68%	+13.01%	+5.27%	+7.86%
Value of \$10,000 Investment <sup>4</sup>	\$10,568	\$11,301	\$12,928	\$21,321
Total Annual Operating Expenses <sup>5</sup>				
Without Waiver	1.0	)7%		
With Waiver	1.0	00%		

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

Management has contractually agreed to waive or assume certain fees and expenses so that total annual Fund operating expenses (excluding Rule 12b-1 fees and acquired fund fees and expenses) for each class of the Fund do not exceed (and could be less than) 0.40% except for Class R6, which cannot exceed 0.22% (other than certain nonroutine expenses), until 4/30/14.

# Performance Summary (continued)

#### **Endnotes**

While an asset allocation plan can be a valuable tool to help reduce overall volatility, all investments involve risks, including possible loss of principal. Typically, the more aggressive the investment, or the greater the potential return, the more risk involved. Generally, investors should be comfortable with some fluctuation in the value of their investments, especially over the short term. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in a fund adjust to a rise in interest rates, that fund's share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability, risks that are heightened in developing countries. Because this Fund invests in underlying funds, which may engage in a variety of investment strategies involving certain risks, the Fund may be subject to those same risks. These risks are described in the Fund's prospectus. Investors should consult their financial advisors for help selecting the appropriate fund of funds, or fund combination, based on an evaluation of their investment objectives and risk tolerance. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results.

Class C: 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.

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

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

1. Fund investment results reflect the expense reduction, without which the results would have been lower. As of 1/1/13, the Fund changed its target allocation, with short-term investments (formerly a targeted allocation of 5%) combined into the fixed income allocations; such a change can impact performance.

- 2. Cumulative total return represents the change in value of an investment over the periods indicated.
- 3. Average annual total return represents the average annual change in value of an investment over the periods indicated. Six-month return has not been annualized.
- 4. These figures represent the value of a hypothetical \$10,000 investment in the Fund over the periods indicated.
- 5. Figures are as stated in the current prospectus and include the effect of acquired fund fees and expenses. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
- 6. Aggregate total return represents the change in value of an investment for the period indicated. Since Class R6 shares have existed for less than one year, average annual total return is not available.
- 7. Effective 12/1/05, the Fund began offering Advisor Class shares, which do not have sales charges or a Rule 12b-1 plan. Performance quotations for this class reflect the following methods of calculation: (a) For periods prior to 12/1/05, a restated figure is used based upon the Fund's Class A performance, excluding the effect of Class A's maximum initial sales charge, but reflecting the effect of the Class A Rule 12b-1 fees; and (b) for periods after 12/1/05, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 12/1/05 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +51.41% and +5.63%.

### Your Fund's Expenses

#### Franklin Templeton Growth Allocation Fund

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

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

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

#### **Actual Fund Expenses**

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

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

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

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

#### Hypothetical Example for Comparison with Other Funds

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

### Your Fund's Expenses (continued)

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

Class A	Beginning Account Value 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	\$1,055.70	\$2.80	\$ 6.58
Hypothetical (5% return before expenses)	\$1,000	\$1,022.07	\$2.76	\$ 6.46
Class C				
Actual	\$1,000	\$1,051.60	\$6.61	\$10.38
Hypothetical (5% return before expenses)	\$1,000	\$1,018.35	\$6.51	\$10.19
Class R				
Actual	\$1,000	\$1,054.40	\$4.08	\$ 7.84
Hypothetical (5% return before expenses)	\$1,000	\$1,020.83	\$4.01	\$ 7.70
Class R6				
Actual (5/1/13-6/30/13)	\$1,000	\$ 992.10	\$0.37	\$ 1.60
Hypothetical (5% return before expenses)	\$1,000	\$1,023.31	\$1.10	\$ 4.81
Advisor Class				
Actual	\$1,000	\$1,056.80	\$1.53	\$ 5.30
Hypothetical (5% return before expenses)	\$1,000	\$1,023.31	\$1.51	\$ 5.21

<sup>\*</sup>Expenses are calculated using the most recent six-month expense ratio excluding expenses of the fund investments, net of expense waivers, annualized for each class (A: 0.55%; C: 1.30%; R: 0.80%; R6: 0.22%; and Advisor: 0.30%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period for Class R6 Hypothetical expenses and Actual and Hypothetical expenses for Classes A, C, R and Advisor. The multiplier is 61/365 for Actual Class R6 expenses to reflect the number of days since inception. Effective 5/1/13, the expense waivers for Classes A, C, R and Advisor changed and the new annualized net expense ratios excluding expenses of the fund investments for each class were: A: 0.65%; C: 1.40%, R: 0.90% and Advisor: 0.40%. Had such expense waivers been in effect for the full period, the expenses paid during the period would have been:

	Actual	Hypothetical (5% return before expenses)
Class A	\$3.31	\$3.26
Class C	\$7.12	\$7.00
Class R	\$4.58	\$4.51
Advisor Class	\$2.04	\$2.01

<sup>\*\*</sup>Expenses are calculated using the most recent six-month expense ratio including expenses of the fund investments, net of expense waivers, annualized for each class (A: 1.29%; C: 2.04%; R: 1.54%; R6: 0.96%; and Advisor: 1.04%), multiplied by the average account value over the period, multiplied by 181/365 to reflect the one-half year period for Class R6 Hypothetical expenses and Actual and Hypothetical expenses for Classes A, C, R and Advisor. The multiplier is 61/365 for Actual Class R6 expenses to reflect the number of days since inception. Effective 5/1/13, the expense waivers for Classes A, C, R and Advisor changed and the new annualized net expense ratios including expenses of the fund investments, which were also restated to reflect current fees and expenses for each class were: A: 1.32%; C: 2.07%, R: 1.57% and Advisor: 1.07%. Had such expense waivers been in effect for the full period, the expenses paid during the period would have been:

	Actual	Hypothetical (5% return before expenses)
Class A	\$ 6.73 \$10.53 \$ 8.00 \$ 5.46	\$ 6.61 \$10.34 \$ 7.85 \$ 5.36

### **Financial Highlights**

	Six Months End June 30, 201		Yea	Ended Dece	mber 31,	
Class A	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$14.06	\$13.33	\$13.74	\$12.72	\$10.92	\$13.59
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.10	0.27	0.30	0.29	0.25	0.39
Net realized and unrealized gains (losses)	0.15	0.79	(0.40)	0.97	1.87	(2.44)
Total from investment operations	0.25	1.06	(0.10)	1.26	2.12	(2.05)
Less distributions from:						
Net investment income	(0.09)	(0.30)	(0.31)	(0.24)	(0.24)	(0.38)
Net realized gains	(0.19)	(0.03)	_	_	(80.0)	(0.24)
Total distributions	(0.28)	(0.33)	(0.31)	(0.24)	(0.32)	(0.62)
Redemption feesd						е
Net asset value, end of period	\$14.03	\$14.06	\$13.33	\$13.74	\$12.72	\$10.92
Total return <sup>f</sup>	1.82%	7.99%	(0.71)%	10.00%	19.67%	(15.41)%
Ratios to average net assets <sup>g</sup>						
Expenses before waiver and payments by affiliates <sup>h</sup>	0.56%	0.53%	0.52%	0.52%	0.56%	0.65%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.55%	0.50%	0.50%	0.50%	0.50%	0.51%
Net investment income <sup>c</sup>	1.36%	1.98%	2.17%	2.25%	2.15%	3.18%
Supplemental data						
Net assets, end of period (000's)	\$804,560	\$794,429	\$725,675	\$612,828	\$443,376	\$282,769
Portfolio turnover rate	33.35%	25.82%	18.67%	10.51%	11.48%	4.84%

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

bBased on average daily shares outstanding.

Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests. dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.66% for the period ended June 30, 2013.

### Financial Highlights (continued)

	Six Months End June 30, 201		Year	<sup>r</sup> Ended Decer	nber 31.	
Class C	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$13.83	\$13.13	\$13.53	\$12.54	\$10.77	\$13.42
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.04	0.17	0.19	0.19	0.16	0.30
Net realized and unrealized gains (losses)	0.16	0.76	(0.38)	0.95	1.85	(2.41)
Total from investment operations	0.20	0.93	(0.19)	1.14	2.01	(2.11)
Less distributions from:						
Net investment income	(0.04)	(0.20)	(0.21)	(0.15)	(0.16)	(0.30)
Net realized gains	(0.19)	(0.03)	_	_	(0.08)	(0.24)
Total distributions	(0.23)	(0.23)	(0.21)	(0.15)	(0.24)	(0.54)
Redemption feesd		_	_	_	_	e
Net asset value, end of period	\$13.80	\$13.83	\$13.13	\$13.53	\$12.54	\$10.77
Total return <sup>f</sup>	1.49%	7.09%	(1.38)%	9.12%	18.84%	(16.04)%
Ratios to average net assets <sup>g</sup>						
Expenses before waiver and payments by affiliates <sup>h</sup>	1.31%	1.28%	1.27%	1.27%	1.30%	1.39%
Expenses net of waiver and payments by affiliates <sup>h</sup>	1.30%	1.25%	1.25%	1.25%	1.24%	1.25%
Net investment income <sup>c</sup>	0.61%	1.23%	1.42%	1.50%	1.41%	2.44%
Supplemental data						
Net assets, end of period (000's)	\$468,257	\$452,211	\$426,775	\$366,892	\$253,622	\$152,773
Portfolio turnover rate	33.35%	25.82%	18.67%	10.51%	11.48%	4.84%

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

bBased on average daily shares outstanding.

Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests. dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.66% for the period ended June 30, 2013.

### Financial Highlights (continued)

	Six Months End June 30, 201		Year	Ended Decen	nber 31,	
Class R	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$14.01	\$13.29	\$13.70	\$12.69	\$10.89	\$13.55
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.08	0.24	0.27	0.27	0.23	0.37
Net realized and unrealized gains (losses)	0.15	0.78	(0.40)	0.95	1.86	(2.44)
Total from investment operations	0.23	1.02	(0.13)	1.22	2.09	(2.07)
Less distributions from:						
Net investment income	(0.07)	(0.27)	(0.28)	(0.21)	(0.21)	(0.35)
Net realized gains	(0.19)	(0.03)	_		(0.08)	(0.24)
Total distributions	(0.26)	(0.30)	(0.28)	(0.21)	(0.29)	(0.59)
Redemption feesd						е
Net asset value, end of period	\$13.98	\$14.01	\$13.29	\$13.70	\$12.69	\$10.89
Total return <sup>f</sup>	1.70%	7.68%	(0.95)%	9.69%	19.45%	(15.58)%
Ratios to average net assets <sup>g</sup>						
Expenses before waiver and payments by affiliates <sup>h</sup>	0.81%	0.78%	0.77%	0.77%	0.81%	0.90%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.80%	0.75%	0.75%	0.75%	0.75%	0.76%
Net investment income <sup>c</sup>	1.11%	1.73%	1.92%	2.00%	1.90%	2.93%
Supplemental data						
Net assets, end of period (000's)	\$164,499	\$178,520	\$149,761	\$109,077	\$59,184	\$29,466
Portfolio turnover rate	33.35%	25.82%	18.67%	10.51%	11.48%	4.84%

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

bBased on average daily shares outstanding.

Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests. dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.66% for the period ended June 30, 2013.

### Financial Highlights (continued)

	Six Months Ended June 30, 2013 <sup>a</sup>
Class R6	(unaudited)
Per share operating performance	
(for a share outstanding throughout the period)	
Net asset value, beginning of period	\$14.62
Income from investment operations <sup>b</sup> :	
Net investment income <sup>c,d</sup>	0.04
Net realized and unrealized gains (losses)	(0.39)
Total from investment operations	(0.35)
Less distributions from:	
Net investment income	(0.07)
Net realized gains	(0.19)
Total distributions	(0.26)
Net asset value, end of period	\$14.01
Total returne	(2.36)%
Ratios to average net assets <sup>f</sup>	
Expenses before waiver and payments by affiliates <sup>g</sup>	0.28%
Expenses net of waiver and payments by affiliatesg	0.28%
Net investment income <sup>d</sup>	1.61%
Supplemental data	
Net assets, end of period (000's)	\$5
Portfolio turnover rate	33.35%

<sup>&</sup>lt;sup>a</sup>For the period May 1, 2013 (effective date) to June 30, 2013.

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

<sup>&</sup>lt;sup>c</sup>Based on average daily shares outstanding.

dRecognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

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

fRatios are annualized for periods less than one year.

<sup>©</sup>Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.66% for the period ended June 30, 2013.

### Financial Highlights (continued)

	Six Months Ende		Year	Ended Decem	ıber 31,	
Advisor Class	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$14.05	\$13.32	\$13.73	\$12.71	\$10.91	\$13.57
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.12	0.31	0.43	0.32	0.30	0.45
Net realized and unrealized gains (losses)	0.15	0.79	(0.49)	0.98	1.85	(2.46)
Total from investment operations	0.27	1.10	(0.06)	1.30	2.15	(2.01)
Less distributions from:						
Net investment income	(0.11)	(0.34)	(0.35)	(0.28)	(0.27)	(0.41)
Net realized gains	(0.19)	(0.03)	_		(80.0)	(0.24)
Total distributions	(0.30)	(0.37)	(0.35)	(0.28)	(0.35)	(0.65)
Redemption feesd						е
Net asset value, end of period	\$14.02	\$14.05	\$13.32	\$13.73	\$12.71	\$10.91
Total return <sup>f</sup>	1.95%	8.27%	(0.47)%	10.27%	19.97%	(15.15)%
Ratios to average net assets <sup>g</sup>						
Expenses before waiver and payments by affiliates <sup>h</sup>	0.31%	0.28%	0.27%	0.27%	0.31%	0.40%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.30%	0.25%	0.25%	0.25%	0.25%	0.26%
Net investment income <sup>c</sup>	1.61%	2.23%	2.42%	2.50%	2.40%	3.43%
Supplemental data						
Net assets, end of period (000's)	\$87,659	\$85,662	\$80,690	\$14,391	\$10,627	\$4,307
Portfolio turnover rate	33.35%	25.82%	18.67%	10.51%	11.48%	4.84%

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

bBased on average daily shares outstanding.

Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests. dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

<sup>&#</sup>x27;Total return is not annualized for periods less than one year.

gRatios are annualized for periods less than one year.

Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.66% for the period ended June 30, 2013.

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

Franklin Templeton Conservative Allocation Fund	Shares/Units	Value
Investments in Underlying Funds and Exchange Traded Funds		
Alternative Strategies 1.5%		
<sup>a</sup> Franklin Pelagos Commodities Strategy Fund	2,355,547	\$ 21,082,149
<sup>a</sup> Franklin Pelagos Managed Futures Strategy Fund	210,781	1,709,438
		22,791,587
Domestic Equity 30.3%		
<sup>a</sup> Franklin Biotechnology Discovery Fund, Class R6	39,443	4,308,779
a,b Franklin DynaTech Fund, Class R6	1,525,276	56,999,581
<sup>a</sup> Franklin Flex Cap Growth Fund, Class R6	612,618	32,578,982
<sup>a</sup> Franklin Growth Fund, Class R6	2,505,199	139,289,059
a,b Franklin Growth Opportunities Fund, Class R6	837,669	21,435,951
<sup>a</sup> Franklin MicroCap Value Fund, Class R6	271,624	10,039,214
<sup>a</sup> Franklin Real Estate Securities Fund, Class R6	951,775	16,989,189
<sup>a</sup> Franklin Rising Dividends Fund, Class R6	2,280,519	97,834,268
<sup>a</sup> Franklin Small Cap Growth Fund, Class R6	332,440	5,408,794
<sup>a</sup> Franklin Utilities Fund, Class R6	2,840,298	42,178,432
iShares Core S&P 500, ETF	216,370	34,829,079
		461,891,328
Domestic Fixed Income 33.7%		
<sup>a</sup> Franklin Limited Maturity U.S. Government Securities Fund, Class R6	3,150,816	31,728,719
<sup>a</sup> Franklin Total Return Fund, Class R6	17,243,799	171,575,797
<sup>a</sup> Franklin U.S. Government Securities Fund, Class R6	36,324,581	237,926,004
iShares iBoxx \$ Investment Grade Corp. Bond Fund, ETF	638,600	72,576,890
		513,807,410
Foreign Equity 12.2%		
<sup>a</sup> Franklin International Growth Fund, Class R6	421,451	4,201,863
<sup>a</sup> Franklin International Small Cap Growth Fund, Class R6	1,921,229	35,024,011
<sup>a</sup> Mutual European Fund, Class R6	1,777,403	39,973,802
<sup>a</sup> Templeton China World Fund, Class R6	369,409	12,984,737
<sup>a</sup> Templeton Foreign Fund, Class R6	7,952,599	55,986,298
<sup>a</sup> Templeton Frontier Markets Fund, Class R6	1,347,456	22,340,813
WisdomTree Japan Hedged Equity Fund (Japan)	348,200	15,881,402
		186,392,926
Foreign Fixed Income 21.3%		
<sup>a</sup> Franklin Templeton Emerging Market Debt Opportunities Fund	4,064,415	48,651,052
<sup>a</sup> Templeton Global Total Return Fund, Class R6	20,785,299	275,820,920
		324,471,972
Total Investments in Underlying Funds and Exchange Traded Funds before		
Short Term Investments (Cost \$1,407,974,537) 99.0%		1,509,355,223

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

Franklin Templeton Conservative Allocation Fund	Shares/Units	Value
Short Term Investments (Cost \$17,818,728) 1.1%  Money Market Funds 1.1%  a.b Institutional Fiduciary Trust Money Market Portfolio	17,818,728	\$ 17,818,728
Total Investments in Underlying Funds and Exchange Traded Funds (Cost \$1,425,793,265) 100.1%		1,527,173,951
Other Assets, less Liabilities (0.1)%		(2,193,668)
Net Assets 100.0%		\$1,524,980,283

See Abbreviations on page 70.

<sup>a</sup>See Note 7 regarding investments in Underlying Funds.

<sup>b</sup>Non-income producing.

## **Financial Highlights**

	Six Months Ende		Year Ended December 31,			
Class A	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$14.59	\$13.69	\$14.21	\$12.93	\$10.67	\$14.35
Income from investment operations <sup>a</sup> :						
Net investment incomeb,c	0.07	0.29	0.30	0.32	0.25	0.35
Net realized and unrealized gains (losses)	0.41	0.97	(0.50)	1.22	2.35	(3.31)
Total from investment operations	0.48	1.26	(0.20)	1.54	2.60	(2.96)
Less distributions from:						
Net investment income	(0.07)	(0.32)	(0.32)	(0.26)	(0.24)	(0.35)
Net realized gains	(0.26)	(0.04)	_		(0.10)	(0.37)
Total distributions	(0.33)	(0.36)	(0.32)	(0.26)	(0.34)	(0.72)
Redemption feesd		_	_	_	_	e
Net asset value, end of period	\$14.74	\$14.59	\$13.69	\$14.21	\$12.93	\$10.67
Total return <sup>f</sup>	3.25%	9.34%	(1.49)%	11.97%	24.68%	(21.22)%
Ratios to average net assets <sup>g</sup>						
Expenses before waiver and payments by affiliates <sup>h</sup>	0.57%	0.53%	0.53%	0.53%	0.57%	0.68%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.55%	0.50%	0.50%	0.50%	0.50%	0.52%
Net investment income <sup>c</sup>	0.97%	2.00%	2.15%	2.42%	2.19%	2.74%
Supplemental data						
Net assets, end of period (000's)	\$1,477,784	\$1,452,659	\$1,322,230	\$1,119,369	\$755,399	\$476,415
Portfolio turnover rate	29.08%	25.36%	19.76%	13.94%	13.71%	7.29%

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

bBased on average daily shares outstanding.

Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests. dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.69% for the period ended June 30, 2013.

## Financial Highlights (continued)

	Six Months End June 30, 201		Year Ended December 31,			
Class C	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$14.28	\$13.40	\$13.92	\$12.68	\$10.47	\$14.11
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.02	0.17	0.19	0.22	0.17	0.25
Net realized and unrealized gains (losses)	0.38	0.97	(0.49)	1.18	2.30	(3.26)
Total from investment operations	0.40	1.14	(0.30)	1.40	2.47	(3.01)
Less distributions from:						
Net investment income	(0.01)	(0.22)	(0.22)	(0.16)	(0.16)	(0.26)
Net realized gains	(0.26)	(0.04)	_		(0.10)	(0.37)
Total distributions	(0.27)	(0.26)	(0.22)	(0.16)	(0.26)	(0.63)
Redemption feesd		_	_	_	_	е
Net asset value, end of period	\$14.41	\$14.28	\$13.40	\$13.92	\$12.68	\$10.47
Total return <sup>f</sup>	2.89%	8.51%	(2.17)%	11.10%	23.82%	(21.87)%
Ratios to average net assets <sup>g</sup>						
Expenses before waiver and payments by affiliates <sup>h</sup>	1.32%	1.28%	1.28%	1.28%	1.32%	1.43%
Expenses net of waiver and payments by affiliates <sup>h</sup>	1.30%	1.25%	1.25%	1.25%	1.25%	1.27%
Net investment income <sup>c</sup>	0.22%	1.25%	1.40%	1.67%	1.44%	1.99%
Supplemental data						
Net assets, end of period (000's)	\$622,933	\$605,490	\$554,603	\$460,531	\$303,794	\$164,355
Portfolio turnover rate	29.08%	25.36%	19.76%	13.94%	13.71%	7.29%

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

bBased on average daily shares outstanding.

Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests. dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.69% for the period ended June 30, 2013.

## Financial Highlights (continued)

	Six Months End June 30, 201		Year Ended December 31,			
Class R	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$14.55	\$13.64	\$14.17	\$12.89	\$10.64	\$14.32
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.05	0.25	0.27	0.30	0.23	0.33
Net realized and unrealized gains (losses)	0.41	0.99	(0.51)	1.21	2.34	(3.32)
Total from investment operations	0.46	1.24	(0.24)	1.51	2.57	(2.99)
Less distributions from:						
Net investment income	(0.05)	(0.29)	(0.29)	(0.23)	(0.22)	(0.32)
Net realized gains	(0.26)	(0.04)	_		(0.10)	(0.37)
Total distributions	(0.31)	(0.33)	(0.29)	(0.23)	(0.32)	(0.69)
Redemption feesd		_	_	_	_	е
Net asset value, end of period	\$14.70	\$14.55	\$13.64	\$14.17	\$12.89	\$10.64
Total return <sup>f</sup>	3.14%	9.11%	(1.73)%	11.75%	24.37%	(21.45)%
Ratios to average net assets <sup>g</sup>						
Expenses before waiver and payments by affiliates <sup>h</sup>	0.82%	0.78%	0.78%	0.78%	0.82%	0.93%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.80%	0.75%	0.75%	0.75%	0.75%	0.77%
Net investment income <sup>c</sup>	0.72%	1.75%	1.90%	2.17%	1.94%	2.49%
Supplemental data						
Net assets, end of period (000's)	\$272,694	\$274,881	\$248,702	\$198,936	\$101,575	\$47,009
Portfolio turnover rate	29.08%	25.36%	19.76%	13.94%	13.71%	7.29%

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

bBased on average daily shares outstanding.

Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests. dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

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

gRatios are annualized for periods less than one year.

Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.69% for the period ended June 30, 2013.

## Financial Highlights (continued)

### Franklin Templeton Moderate Allocation Fund

	Six Months Ended June 30, 2013 <sup>a</sup>
Class R6	(unaudited)
Per share operating performance (for a share outstanding throughout the period)	
Net asset value, beginning of period	\$15.33
Income from investment operations <sup>b</sup> :	
Net investment income <sup>c,d</sup>	0.03
Net realized and unrealized gains (losses)	(0.29)
Total from investment operations	(0.26)
Less distributions from:	
Net investment income	(0.05)
Net realized gains	(0.26)
Total distributions	(0.31)
Net asset value, end of period	\$14.76
Total returne	(1.77)%
Ratios to average net assets <sup>f</sup>	
Expenses before waiver and payments by affiliates <sup>g</sup>	0.28%
Expenses net of waiver and payments by affiliatesg	0.26%
Net investment income <sup>d</sup>	1.36%
Supplemental data	
Net assets, end of period (000's)	\$5
Portfolio turnover rate	29.08%

<sup>&</sup>lt;sup>a</sup>For the period May 1, 2013 (effective date) to June 30, 2013.

Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.69% for the period ended June 30, 2013.

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

<sup>&</sup>lt;sup>c</sup>Based on average daily shares outstanding.

dRecognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

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

fRatios are annualized for periods less than one year.

## Financial Highlights (continued)

	Six Months Ended June 30, 2013			Year Ended December 31,		
Advisor Class	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$14.60	\$13.69	\$14.22	\$12.93	\$10.67	\$14.35
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.09	0.36	0.37	0.36	0.30	0.40
Net realized and unrealized gains (losses)	0.41	0.95	(0.55)	1.22	2.33	(3.33)
Total from investment operations	0.50	1.31	(0.18)	1.58	2.63	(2.93)
Less distributions from:						
Net investment income	(0.09)	(0.36)	(0.35)	(0.29)	(0.27)	(0.38)
Net realized gains	(0.26)	(0.04)	_	_	(0.10)	(0.37)
Total distributions	(0.35)	(0.40)	(0.35)	(0.29)	(0.37)	(0.75)
Redemption feesd		_	_	_	_	е
Net asset value, end of period	\$14.75	\$14.60	\$13.69	\$14.22	\$12.93	\$10.67
Total return <sup>f</sup>	3.38%	9.61%	(1.24)%	12.31%	24.97%	(21.02)%
Ratios to average net assetsg						
Expenses before waiver and payments by affiliates <sup>h</sup>	0.32%	0.28%	0.28%	0.28%	0.32%	0.43%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.30%	0.25%	0.25%	0.25%	0.25%	0.27%
Net investment income <sup>c</sup>	1.22%	2.25%	2.40%	2.67%	2.44%	2.99%
Supplemental data						
Net assets, end of period (000's)	\$133,465	\$123,176	\$78,605	\$39,641	\$27,944	\$11,489
Portfolio turnover rate	29.08%	25.36%	19.76%	13.94%	13.71%	7.29%

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

bBased on average daily shares outstanding.

Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests. dEffective September 1, 2008, the redemption fee was eliminated.

eAmount rounds to less than \$0.01 per share.

<sup>&#</sup>x27;Total return is not annualized for periods less than one year.

gRatios are annualized for periods less than one year.

Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.69% for the period ended June 30, 2013.

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

Franklin Templeton Moderate Allocation Fund	Shares/Units	Value
Investments in Underlying Funds and Exchange Traded Funds		
Alternative Strategies 1.9%		
<sup>a</sup> Franklin Pelagos Commodities Strategy Fund	4,831,333	\$ 43,240,429
<sup>a</sup> Franklin Pelagos Managed Futures Strategy Fund	439,387	3,563,427
		46,803,856
Domestic Equity 40.5%		
<sup>a</sup> Franklin Biotechnology Discovery Fund, Class R6	86,972	9,500,829
a,b Franklin DynaTech Fund, Class R6	3,086,269	115,333,889
<sup>a</sup> Franklin Flex Cap Growth Fund, Class R6	1,436,587	76,397,719
<sup>a</sup> Franklin Growth Fund, Class R6	5,524,719	307,174,377
a,b Franklin Growth Opportunities Fund, Class R6	1,864,389	47,709,711
<sup>a</sup> Franklin MicroCap Value Fund, Class R6	574,148	21,220,503
<sup>a</sup> Franklin Real Estate Securities Fund, Class R6	2,203,415	39,330,966
<sup>a</sup> Franklin Rising Dividends Fund, Class R6	4,859,366	208,466,781
<sup>a</sup> Franklin Small Cap Growth Fund, Class R6	709,786	11,548,210
<sup>a</sup> Franklin Utilities Fund, Class R6	6,866,402	101,966,073
iShares Core S&P 500, ETF	476,740	76,740,838
		1,015,389,896
Domestic Fixed Income 24.7%		
<sup>a</sup> Franklin Limited Maturity U.S. Government Securities Fund, Class R6	3,983,720	40,116,056
<sup>a</sup> Franklin Total Return Fund, Class R6	20,972,150	208,672,896
<sup>a</sup> Franklin U.S. Government Securities Fund, Class R6	43,080,816	282,179,342
iShares iBoxx \$ Investment Grade Corp. Bond Fund, ETF	787,000	89,442,550
		620,410,844
Foreign Equity 16.7%		
<sup>a</sup> Franklin International Growth Fund, Class R6	929,696	9,269,067
<sup>a</sup> Franklin International Small Cap Growth Fund, Class R6	4,199,650	76,559,628
<sup>a</sup> Mutual European Fund, Class R6	4,214,090	94,774,892
<sup>a</sup> Templeton China World Fund, Class R6	757,789	26,636,287
<sup>a</sup> Templeton Foreign Fund, Class R6	17,428,015	122,693,223
<sup>a</sup> Templeton Frontier Markets Fund, Class R6	3,259,339	54,039,842
WisdomTree Japan Hedged Equity Fund (Japan)	785,800	35,840,338
		419,813,277
Foreign Fixed Income 15.3%		
<sup>a</sup> Franklin Templeton Emerging Market Debt Opportunities Fund	4,932,219	59,038,666
<sup>a</sup> Templeton Global Total Return Fund, Class R6	24,375,921	323,468,471
		382,507,137
Total Investments in Underlying Funds and Exchange Traded Funds before		
Short Term Investments (Cost \$2,236,609,179) 99.1%		2,484,925,010

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

Franklin Templeton Moderate Allocation Fund	Shares/Units	Value
Short Term Investments (Cost \$24,019,477) 1.0%  Money Market Funds 1.0%  a.b Institutional Fiduciary Trust Money Market Portfolio	24,019,477	\$ 24,019,477
Total Investments in Underlying Funds and Exchange Traded Funds (Cost \$2,260,628,656) 100.1% Other Assets, less Liabilities (0.1)%		2,508,944,487 (2,063,554)
Net Assets 100.0%		\$2,506,880,933

See Abbreviations on page 70.

<sup>a</sup>See Note 7 regarding investments in Underlying Funds.

<sup>b</sup>Non-income producing.

## **Financial Highlights**

	Six Months Ended June 30, 2013 Year Ended December 31,			mber 31,		
Class A	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$15.81	\$14.53	\$15.25	\$13.51	\$10.48	\$16.17
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.02	0.21	0.22	0.27	0.20	0.19
Net realized and unrealized gains (losses)	0.86	1.32	(0.70)	1.66	3.04	(5.00)
Total from investment operations	0.88	1.53	(0.48)	1.93	3.24	(4.81)
Less distributions from:						
Net investment income and short term gains received from underlying Funds	(0.01)	(0.25)	(0.24)	(0.19)	(0.21)	(0.22)
Net realized gains	(0.23)				d	(0.66)
Total distributions	(0.24)	(0.25)	(0.24)	(0.19)	(0.21)	(0.88)
Redemption feese						d
Net asset value, end of period	\$16.45	\$15.81	\$14.53	\$15.25	\$13.51	\$10.48
Total return <sup>f</sup>	5.57%	10.52%	(3.15)%	14.31%	31.08%	(30.75)%
Ratios to average net assets <sup>g</sup>						
Expenses before waiver and payments by affiliates <sup>h</sup>	0.60%	0.55%	0.54%	0.55%	0.62%	0.76%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.55%	0.50%	0.50%	0.50%	0.50%	0.51%
Net investment income <sup>c</sup>	0.27%	1.34%	1.49%	1.93%	1.72%	1.43%
Supplemental data						
Net assets, end of period (000's)	\$702,966	\$655,585	\$568,998	\$498,511	\$398,288	\$283,111
Portfolio turnover rate	21.13%	31.36%	20.19%	17.28%	16.55%	8.87%

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

bBased on average daily shares outstanding.

eRecognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

dAmount rounds to less than \$0.01 per share.

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

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

gRatios are annualized for periods less than one year.

Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.74% for the period ended June 30, 2013.

## Financial Highlights (continued)

	Six Months End June 30, 201	Year Ended December 31,				
Class C	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$15.50	\$14.25	\$14.97	\$13.28	\$10.31	\$15.90
Income from investment operations <sup>a</sup> :						
Net investment income (loss) $^{b,c}$	(0.04)	0.09	0.11	0.16	0.11	0.09
Net realized and unrealized gains (losses)	0.84	1.29	(0.69)	1.62	2.99	(4.90)
Total from investment operations	0.80	1.38	(0.58)	1.78	3.10	(4.81)
Less distributions from:						
Net investment income and short term gains received from underlying Funds	(0.01)	(0.13)	(0.14)	(0.09)	(0.13)	(0.12)
Net realized gains	(0.23)	_	_	_	d	(0.66)
Total distributions	(0.24)	(0.13)	(0.14)	(0.09)	(0.13)	(0.78)
Redemption feese		_	_	_		d
Net asset value, end of period	\$16.06	\$15.50	\$14.25	\$14.97	\$13.28	\$10.31
Total return <sup>f</sup>	5.16%	9.71%	(3.91)%	13.44%	30.19%	(31.26)%
Ratios to average net assets <sup>g</sup>						
Expenses before waiver and payments by affiliates <sup>h</sup>	1.35%	1.30%	1.29%	1.30%	1.37%	1.51%
Expenses net of waiver and payments by affiliates <sup>h</sup>	1.30%	1.25%	1.25%	1.25%	1.25%	1.26%
Net investment income (loss) <sup>c</sup>	(0.48)%	0.59%	0.74%	1.18%	0.97%	0.68%
Supplemental data						
Net assets, end of period (000's)	\$262,227	\$241,787	\$218,071	\$192,597	\$153,267	\$106,379
Portfolio turnover rate	21.13%	31.36%	20.19%	17.28%	16.55%	8.87%

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

bBased on average daily shares outstanding.

eRecognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

dAmount rounds to less than \$0.01 per share.

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

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

gRatios are annualized for periods less than one year.

Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.74% for the period ended June 30, 2013.

## Financial Highlights (continued)

	Six Months End	3	Year			
Class R	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$15.63	\$14.37	\$15.09	\$13.38	\$10.38	\$16.02
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	d	0.16	0.19	0.25	0.19	0.17
Net realized and unrealized gains (losses)	0.85	1.31	(0.70)	1.63	3.00	(4.96)
Total from investment operations	0.85	1.47	(0.51)	1.88	3.19	(4.79)
Less distributions from:						
Net investment income and short term gains received from underlying Funds	(0.01)	(0.21)	(0.21)	(0.17)	(0.19)	(0.19)
Net realized gains	(0.23)				d	(0.66)
Total distributions	(0.24)	(0.21)	(0.21)	(0.17)	(0.19)	(0.85)
Redemption feese		_	_	_		d
Net asset value, end of period	\$16.24	\$15.63	\$14.37	\$15.09	\$13.38	\$10.38
Total return <sup>f</sup>	5.44%	10.22%	(3.40)%	14.02%	30.87%	(30.92)%
Ratios to average net assets <sup>g</sup>						
Expenses before waiver and payments by affiliates <sup>h</sup>	0.85%	0.80%	0.79%	0.80%	0.87%	1.01%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.80%	0.75%	0.75%	0.75%	0.75%	0.76%
Net investment income <sup>c</sup>	0.02%	1.09%	1.24%	1.68%	1.47%	1.18%
Supplemental data						
Net assets, end of period (000's)	\$174,342	\$169,873	\$147,126	\$120,070	\$68,599	\$35,485
Portfolio turnover rate	21.13%	31.36%	20.19%	17.28%	16.55%	8.87%

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

bBased on average daily shares outstanding.

eRecognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

dAmount rounds to less than \$0.01 per share.

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

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

gRatios are annualized for periods less than one year.

Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.74% for the period ended June 30, 2013.

## Financial Highlights (continued)

	Six Months Ended June 30, 2013 <sup>a</sup>
Class R6	(unaudited)
Per share operating performance	
(for a share outstanding throughout the period)	
Net asset value, beginning of period	\$16.88
Income from investment operations <sup>b</sup> :	
Net investment income <sup>c,d</sup>	0.02
Net realized and unrealized gains (losses)	(0.15)
Total from investment operations	(0.13)
Less distributions from net realized gains	(0.23)
Net asset value, end of period	\$16.52
Total returne	(0.79)%
Ratios to average net assets <sup>f</sup>	
Expenses before waiver and payments by affiliates <sup>g</sup>	0.28%
Expenses net of waiver and payments by affiliates <sup>g</sup>	0.22%
Net investment income <sup>d</sup>	0.70%
Supplemental data	
Net assets, end of period (000's)	\$5
Portfolio turnover rate	21.13%

<sup>&</sup>lt;sup>a</sup>For the period May 1, 2013 (effective date) to June 30, 2013.

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

<sup>&</sup>lt;sup>c</sup>Based on average daily shares outstanding.

<sup>&</sup>quot;Recognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

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

<sup>&</sup>lt;sup>f</sup>Ratios are annualized for periods less than one year.

Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.74% for the period ended June 30, 2013.

## Financial Highlights (continued)

	Six Months Ende		Year	ıber 31,		
Advisor Class	(unaudited)	2012	2011	2010	2009	2008
Per share operating performance (for a share outstanding throughout the period)						
Net asset value, beginning of period	\$15.85	\$14.56	\$15.28	\$13.53	\$10.49	\$16.19
Income from investment operations <sup>a</sup> :						
Net investment income <sup>b,c</sup>	0.04	0.25	0.32	0.30	0.24	0.27
Net realized and unrealized gains (losses)	0.86	1.32	(0.76)	1.68	3.04	(5.06)
Total from investment operations	0.90	1.57	(0.44)	1.98	3.28	(4.79)
Less distributions from:						
Net investment income and short term gains received from underlying Funds	(0.01)	(0.28)	(0.28)	(0.23)	(0.24)	(0.25)
Net realized gains	(0.23)	_	_	_	d	(0.66)
Total distributions	(0.24)	(0.28)	(0.28)	(0.23)	(0.24)	(0.91)
Redemption feese		_	_		_	d
Net asset value, end of period	\$16.51	\$15.85	\$14.56	\$15.28	\$13.53	\$10.49
Total return <sup>f</sup>	5.68%	10.84%	(2.90)%	14.61%	31.43%	(30.56)%
Ratios to average net assets <sup>g</sup>						
Expenses before waiver and payments by affiliates <sup>h</sup>	0.35%	0.30%	0.29%	0.30%	0.37%	0.51%
Expenses net of waiver and payments by affiliates <sup>h</sup>	0.30%	0.25%	0.25%	0.25%	0.25%	0.26%
Net investment income <sup>c</sup>	0.52%	1.59%	1.74%	2.18%	1.97%	1.68%
Supplemental data						
Net assets, end of period (000's)	\$65,296	\$55,810	\$48,957	\$23,313	\$18,994	\$11,059
Portfolio turnover rate	21.13%	31.36%	20.19%	17.28%	16.55%	8.87%

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

bBased on average daily shares outstanding.

eRecognition of net investment income by the Fund is affected by the timing of declaration of dividends by the Underlying Funds and exchange traded funds in which the Fund invests.

dAmount rounds to less than \$0.01 per share.

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

<sup>&</sup>lt;sup>†</sup>Total return is not annualized for periods less than one year.

gRatios are annualized for periods less than one year.

Does not include expenses of the Underlying Funds and exchange traded funds in which the Fund invests. The weighted average indirect expenses of the Underlying Funds and exchange traded funds was 0.74% for the period ended June 30, 2013.

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

Franklin Templeton Growth Allocation Fund	Shares/Units	Value
Investments in Underlying Funds and Exchange Traded Funds		
Alternative Strategies 2.8%		
<sup>a</sup> Franklin Pelagos Commodities Strategy Fund	3,486,326	\$ 31,202,613
<sup>a</sup> Franklin Pelagos Managed Futures Strategy Fund	307,611	2,494,724
		33,697,337
Domestic Equity 56.7%		
<sup>a</sup> Franklin Biotechnology Discovery Fund, Class R6	56,271	6,147,008
a,b Franklin DynaTech Fund, Class R6	2,174,991	81,279,427
<sup>a</sup> Franklin Flex Cap Growth Fund, Class R6	954,766	50,774,451
<sup>a</sup> Franklin Growth Fund, Class R6	3,574,450	198,739,420
a,b Franklin Growth Opportunities Fund, Class R6	1,391,648	35,612,278
<sup>a</sup> Franklin MicroCap Value Fund, Class R6	421,685	15,585,473
<sup>a</sup> Franklin Real Estate Securities Fund, Class R6	1,562,562	27,891,735
<sup>a</sup> Franklin Rising Dividends Fund, Class R6	3,291,752	141,216,174
<sup>a</sup> Franklin Small Cap Growth Fund, Class R6	460,001	7,484,222
<sup>a</sup> Franklin Utilities Fund, Class R6	4,396,044	65,281,256
iShares Core S&P 500, ETF	334,225	53,800,199
		683,811,643
Domestic Fixed Income 8.7%		
<sup>a</sup> Franklin Limited Maturity U.S. Government Securities Fund, Class R6	519,152	5,227,859
<sup>a</sup> Franklin Total Return Fund, Class R6	3,377,821	33,609,321
<sup>a</sup> Franklin U.S. Government Securities Fund, Class R6	7,160,839	46,903,496
iShares iBoxx \$ Investment Grade Corp. Bond Fund, ETF	168,900	19,195,485
		104,936,161
Foreign Equity 25.5%		
<sup>a</sup> Franklin International Growth Fund, Class R6	669,461	6,674,528
<sup>a</sup> Franklin International Small Cap Growth Fund, Class R6	3,128,260	57,028,177
<sup>a</sup> Mutual European Fund, Class R6	3,073,440	69,121,666
<sup>a</sup> Templeton China World Fund, Class R6	568,902	19,996,888
<sup>a</sup> Templeton Foreign Fund, Class R6	12,256,921	86,288,723
<sup>a</sup> Templeton Frontier Markets Fund, Class R6	2,606,866	43,221,837
WisdomTree Japan Hedged Equity Fund (Japan)	548,200	25,003,402
		307,335,221
Foreign Fixed Income 5.2%		
<sup>a</sup> Franklin Templeton Emerging Market Debt Opportunities Fund	776,074	9,289,606
<sup>a</sup> Templeton Global Total Return Fund, Class R6	4,010,433	53,218,452
		62,508,058
Total Investments in Underlying Funds and Exchange Traded Funds before		
Short Term Investments (Cost \$1,012,617,606) 98.9%		1,192,288,420

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

Franklin Templeton Growth Allocation Fund	Shares/Units	Value
Short Term Investments (Cost \$13,876,836) 1.2%  Money Market Funds 1.2%  a,b Institutional Fiduciary Trust Money Market Portfolio	13 876 836	\$ 13,876,836
Total Investments in Underlying Funds and Exchange Traded Funds	13,070,030	
(Cost \$1,026,494,442) 100.1%		1,206,165,256 (1,330,027)
Net Assets 100.0%		\$1,204,835,229

See Abbreviations on page 70.

<sup>a</sup>See Note 7 regarding investments in Underlying Funds.

<sup>b</sup>Non-income producing.

## **Financial Statements**

### Statements of Assets and Liabilities

June 30, 2013 (unaudited)

	Franklin Templeton Conservative Allocation Fund	Franklin Templeton Moderate Allocation Fund	Franklin Templeton Growth Allocation Fund
Assets:			
Cost - Underlying Funds (Note 7)	\$1,298,636,062 127,157,203	\$2,060,761,757 199,866,899	\$ 931,644,834 94,849,608
Total cost of investments	\$1,425,793,265	\$2,260,628,656	\$1,026,494,442
Value - Underlying Funds (Note 7)	\$1,403,886,580 123,287,371	\$2,306,920,761 202,023,726	\$1,108,166,170 97,999,086
Total value of investments	1,527,173,951	2,508,944,487	1,206,165,256
Capital shares sold Dividends Other assets	3,608,242 153,900 423	5,709,014 385,444 698	2,891,543 266,166 222
Total assets	1,530,936,516	2,515,039,643	1,209,323,187
Liabilities: Payables:			
Capital shares redeemed  Affiliates  Unaffiliated transfer agent fees  Accrued expenses and other liabilities	3,906,222 1,652,608 340,485 56,918	4,935,166 2,524,358 580,488 118,698	2,979,317 1,160,300 309,504 38,837
Total liabilities	5,956,233	8,158,710	4,487,958
Net assets, at value	\$1,524,980,283	\$2,506,880,933	\$1,204,835,229
Net assets consist of:			
Paid-in capital Undistributed net investment income Net unrealized appreciation (depreciation) Accumulated net realized gain (loss)	\$1,384,817,952 622,190 101,380,686 38,159,455	\$2,202,424,175 705,247 248,315,831 55,435,680	\$1,004,524,045 516,885 179,670,814 20,123,485
Net assets, at value	\$1,524,980,283	\$2,506,880,933	\$1,204,835,229

## Financial Statements (continued)

### Statements of Assets and Liabilities (continued)

June 30, 2013 (unaudited)

	Franklin Templeton	Franklin Templeton	Franklin Tompleton
	Conservative	Moderate	Templeton Growth
	Allocation Fund	Allocation Fund	Allocation Fund
Class A:			
Net assets, at value	\$ 804,559,937	\$1,477,783,572	\$ 702,965,732
Shares outstanding	57,361,612	100,224,185	42,740,161
Net asset value per sharea	\$14.03	\$14.74	\$16.45
Maximum offering price per share (net asset value per share ÷ 94.25%)	\$14.89	\$15.64	\$17.45
Class C:			_
Net assets, at value	\$ 468,257,314	\$ 622,933,469	\$ 262,226,895
Shares outstanding	33,940,908	43,214,469	16,325,643
Net asset value and maximum offering price per share <sup>a</sup>	\$13.80	\$14.41	\$16.06
Class R:			_
Net assets, at value	\$ 164,498,795	\$ 272,693,613	\$ 174,342,011
Shares outstanding	11,769,875	18,556,645	10,735,589
Net asset value and maximum offering price per share	\$13.98	\$14.70	\$16.24
Class R6			_
Net assets, at value	\$ 4,793	\$ 4,811	\$ 4,891
Shares outstanding	342	326	296
Net asset value and maximum offering price per share	\$14.01	\$14.76	\$16.52
Advisor Class:			_
Net assets, at value	\$ 87,659,444	\$ 133,465,468	\$ 65,295,700
Shares outstanding	6,253,905	9,049,219	3,955,597
Net asset value and maximum offering price per share	\$14.02	\$14.75	\$16.51

<sup>&</sup>lt;sup>a</sup>Redemption price is equal to net asset value less contingent deferred sales charges, if applicable.

## Financial Statements (continued)

### **Statements of Operations**

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

Number   N		Franklin Templeton Conservative Allocation Fund	Franklin Templeton Moderate Allocation Fund	Franklin Templeton Growth Allocation Fund
Underlying Funds (Note 7)         \$13,241,025         \$16,840,061         \$3,923,031           Exhange traded funds         1,394,014         2,168,483         940,034           Total investment income         14,635,039         19,008,544         4,863,065           Expenses:         ************************************	Investment income:	Allocation I und	Anocation rund	Anocation I und
Exchange traded funds         1,394,014         2,168,483         94,0036           Total investment income         14,635,039         19,008,544         4,863,065           Expenses:         ****         ****         1,872,231         3,088,234         1,465,746           Distribution fees: (Note 3c)         ****         1,007,857         1,842,655         861,099           Class A         1,007,857         1,842,655         861,099           Class B         943         1,768         599           Class C         2,307,816         3,115,861         1,280,591           Class R         429,852         697,250         441,151           Transfer agent fees: (Note 3e)         ***         121         246         109           Class A         497,504         1,033,986         60,405           Class B         121         246         109           Class B         121         437,086         225,261           Class G         285,711         437,086         225,261           Class G         106,212         195,692         154,837           Advisor Class         5,087         9,388         55,67           Clust Guisa fees (Note 4)         6,001         122,751				
Total investment income         14,635,039         19,008,544         4,863,065           Expenses:         Asset allocation fees (Note 3a)         1,872,231         3,088,234         1,465,746           Distribution fees: (Note 3c)         1,007,857         1,842,655         861,099           Class A         9,943         1,768         599           Class B         9,435         3,115,861         1,280,591           Class R         429,852         697,250         441,151           Transfer agent fees: (Note 3e)         429,852         697,250         441,151           Class A         497,504         1,033,986         604,405           Class B         121         246         109           Class C         285,711         437,086         225,261           Class B         106,212         195,692         154,837           Advisor Class         55,087         92,388         55,467           Custos R         106,021         195,692         194,837           Advisor Class A         60,715         122,756         198           Custos B         60,702         9,988         415           Reports to shareholders         60,715         122,721         49,698	Underlying Funds (Note 7)	\$ 13,241,025	\$16,840,061	\$ 3,923,031
Expenses:         Asset allocation fees (Note 3a)         1,872,231         3,088,234         1,465,746           Distribution fees: (Note 3c)         1,007,857         1,842,655         861,099           Class A         1,007,857         1,842,655         861,099           Class B         943         1,768         599           Class C         2,307,816         3,115,661         1,280,591           Class R         429,852         697,250         441,151           Transfer agent fees: (Note 3e)         2         697,250         441,151           Class A         497,504         1,033,986         604,405           Class B         121         246         109           Class B         106,212         195,692         154,837           Advisor Class         55,087         92,388         55,467           Custodian fees (Note 4)         56,98         998         415           Reports to shareholders         60,715         122,751         69,089           Registration and filling fees         60,715         122,751         69,089           Registration and filling fees         5,959         9,683         4,382           Expenses borne by Underlying Funds (Note 8)         (567,390)         (1	Exchange traded funds	1,394,014	2,168,483	940,034
Asset allocation fees (Note 3c)         1,872,231         3,088,234         1,465,746           Class A         1,007,857         1,842,655         861,099           Class B         943         1,768         599           Class C         2,307,816         3,115,861         1,280,591           Class R         429,852         697,250         441,151           Transfer agent fees: (Note 3e)         2         677,504         41,151           Class A         497,504         1,033,986         604,405           Class B         121         246         109           Class B         121         246         109           Class C         285,711         437,086         225,261           Class R         106,212         195,692         154,837           Advisor Class         55,087         92,388         55,467           Custodian fees (Note 4)         569         998         415           Reports to shareholders         60,715         122,751         69,089           Registration and filling fees         61,652         84,307         53,513           Professional fees (Note 4)         20,284         24,400         18,679           Tustees' fees and expenses	Total investment income	14,635,039	19,008,544	4,863,065
Asset allocation fees (Note 3c)         1,872,231         3,088,234         1,465,746           Class A         1,007,857         1,842,655         861,099           Class B         943         1,768         599           Class C         2,307,816         3,115,861         1,280,591           Class R         429,852         697,250         441,151           Transfer agent fees: (Note 3e)         2         677,504         41,151           Class A         497,504         1,033,986         604,405           Class B         121         246         109           Class B         121         246         109           Class C         285,711         437,086         225,261           Class R         106,212         195,692         154,837           Advisor Class         55,087         92,388         55,467           Custodian fees (Note 4)         569         998         415           Reports to shareholders         60,715         122,751         69,089           Registration and filling fees         61,652         84,307         53,513           Professional fees (Note 4)         20,284         24,400         18,679           Tustees' fees and expenses	Expenses:			
Distribution fees: (Note 3c)         1,007,857         1,842,655         861,099           Class A         943         1,768         599           Class B         943         1,768         1,280,591           Class R         429,852         697,250         441,151           Transfer agent fees: (Note 3e)         497,504         1,033,986         604,405           Class A         497,504         1,033,986         604,405           Class B         121         246         109           Class C         285,711         437,086         225,261           Class R         106,212         195,692         154,837           Advisor Class         55,087         92,388         55,467           Custodian fees (Note 4)         569         998         415           Reports to shareholders         60,715         122,751         69,089           Registration and filing fees         60,715         122,751         69,089           Registration and filing fees         61,652         84,307         53,513           Professional fees         5,599         9,683         4,382           Other         62,228         42,400         18,679           Tutal expenses and expenses		1,872,231	3,088,234	1,465,746
Class B         943         1,768         599           Class C         2,307,816         3,115,861         1,280,591           Class R         429,852         697,250         441,151           Transfer agent fees: (Note 3e)         497,504         1,033,986         604,405           Class A         497,504         1,033,986         604,405           Class B         121         246         109           Class C         285,711         437,086         225,261           Class R         106,212         195,692         154,837           Advisor Class         55,087         92,388         55,467           Custodian fees (Note 4)         569         998         415           Reports to shareholders         60,715         122,751         69,089           Registration and filing fees         60,715         122,751         69,089           Registration and filing fees         61,652         84,307         53,513           Professional fees         20,284         24,400         18,679           Trustees' fees and expenses         5,959         9,683         4,382           Other         12,722         14,235         9,816           Expenses borne by Underlying Funds	Distribution fees: (Note 3c)			
Class C         2,307,816         3,115,861         1,280,591           Class R         429,852         697,250         441,151           Transfer agent fees: (Note 3e)         497,504         1,033,986         604,405           Class A         497,504         1,033,986         604,405           Class B         121         246         109           Class C         285,711         437,086         225,261           Class R         106,212         195,692         154,837           Advisor Class         55,087         92,388         55,467           Custodian fees (Note 4)         569         998         415           Reports to shareholders         60,715         122,751         69,089           Registration and filing fees         61,652         84,307         53,513           Professional fees Ageneses         5,959         9,683         4,382           Other         12,722         14,235         9,816           Expenses borne by Underlying Funds (Note 8)         (567,390)         (1,046,530)         (596,817)           Total expenses         6,157,845         9,715,010         4,648,434           Expenses waived/paid by affiliates (Note 3f)         (35,776)         (335,479) <td< td=""><td>Class A</td><td>1,007,857</td><td>1,842,655</td><td>861,099</td></td<>	Class A	1,007,857	1,842,655	861,099
Class R       429,852       697,250       441,151         Transfer agent fees: (Note 3e)       497,504       1,033,986       604,405         Class A       497,504       1,033,986       604,405         Class B       121       246       109         Class C       285,711       437,086       225,261         Class R       106,212       195,692       154,837         Advisor Class       55,087       92,388       55,467         Custodian fees (Note 4)       569       998       415         Reports to shareholders       60,715       122,751       69,089         Registration and filling fees       60,607,15       122,751       69,089         Registration and prices       20,284       24,400       18,679         Trustees' fees and expenses       5,959       9,683       4,382         Other       12,722       14,235       9,816         Expenses borne by Underlying Funds (Note 8)       (567,390)       (1,046,530)       (596,817)         Total expenses       6,157,845       9,715,010       4,648,342         Expenses waived/paid by affiliates (Note 3f)       (135,575)       (335,479)       (308,111)         Net realized gain (loss) from sale of investments:	Class B	943	1,768	599
Transfer agent fees: (Note 3e)         497,504         1,033,986         604,405           Class B         121         246         109           Class C         285,711         437,086         225,261           Class R         106,212         195,692         154,837           Advisor Class         55,087         92,388         55,467           Custodian fees (Note 4)         569         998         415           Reports to shareholders         60,715         122,751         69,089           Registration and filing fees         61,652         84,307         53,513           Professional fees         20,284         24,400         18,679           Trustees' fees and expenses         5,959         9,683         4,382           Other         12,722         14,235         9,316           Expenses borne by Underlying Funds (Note 8)         (567,390)         (1,046,530)         (596,817)           Total expenses         6,157,845         9,715,010         4,648,342           Expenses waived/paid by affiliates (Note 3f)         (135,575)         (335,479)         (308,111)           Net expenses         6,022,270         9,379,531         4,340,231           Realized and unrealized gains (losses):         33,	Class C	2,307,816	3,115,861	1,280,591
Class A         497,504         1,033,986         604,405           Class B         121         246         109           Class C         285,711         437,086         225,261           Class R         106,212         195,692         154,837           Advisor Class         55,087         92,388         55,467           Custodian fees (Note 4)         569         998         415           Reports to shareholders         60,715         122,751         69,089           Registration and filing fees         60,715         122,751         69,089           Registration and filing fees         20,284         24,400         18,679           Trustees' fees and expenses         5,959         9,683         4,382           Other         12,722         14,235         9,816           Expenses borne by Underlying Funds (Note 8)         (567,390)         (1,046,530)         (596,817)           Total expenses         6,157,845         9,715,010         4,648,342           Expenses waived/paid by affiliates (Note 3f)         (135,575)         (335,479)         (308,111)           Net expenses         46,022,270         9,379,531         4,340,231           Realized and unrealized gains (loss) from sale of investments:	Class R	429,852	697,250	441,151
Class B         121         246         109           Class C         285,711         437,086         225,261           Class R         106,212         195,692         154,837           Advisor Class         55,087         92,388         55,467           Custodian fees (Note 4)         569         998         415           Reports to shareholders         60,715         122,751         69,089           Registration and filling fees         61,652         84,307         53,513           Professional fees         20,284         24,400         18,679           Trustees' fees and expenses         5,959         9,683         4,382           Other         12,722         14,235         9,816           Expenses borne by Underlying Funds (Note 8)         (567,390)         (1,046,530)         (596,817)           Total expenses         6,157,845         9,715,010         4,648,342           Expenses waived/paid by affiliates (Note 3f)         (135,575)         (335,479)         (308,111)           Net expenses         6,022,270         9,379,531         4,340,231           Realized and unrealized gains (losses):         1,342,40,80         51,384,931         18,280,423           Exchange traded funds         9,9	Transfer agent fees: (Note 3e)			
Class C         285,711         437,086         225,261           Class R         106,212         195,692         154,837           Advisor Class         55,087         92,388         55,467           Custodian fees (Note 4)         569         998         415           Reports to shareholders         60,715         122,751         69,089           Registration and filing fees         61,652         84,307         53,513           Professional fees         20,284         24,400         18,679           Trustees' fees and expenses         5,959         9,683         4,382           Other         12,722         14,235         9,816           Expenses borne by Underlying Funds (Note 8)         (567,390)         (1,046,530)         (596,817)           Total expenses         6,157,845         9,715,010         4,648,342           Expenses waived/paid by affiliates (Note 3f)         (135,575)         (335,479)         (308,111)           Net expenses         6,022,270         9,379,531         4,340,231           Realized and unrealized gains (losses):         8,612,769         9,629,013         522,834           Net realized gain (loss) from sale of investments:         1         1         1         1         1	Class A	•	1,033,986	,
Class R         100,212         195,692         154,837           Advisor Class         55,087         92,388         55,467           Custodian fees (Note 4)         569         998         415           Reports to shareholders         60,715         122,751         69,089           Resistration and filling fees         61,652         84,307         53,513           Professional fees         20,284         24,400         18,679           Trustees' fees and expenses         5,959         9,683         4,382           Other         12,722         14,235         9,816           Expenses borne by Underlying Funds (Note 8)         (567,390)         (1,046,530)         (596,817)           Total expenses         6,157,845         9,715,010         4,648,342           Expenses waived/paid by affiliates (Note 3f)         (135,575)         (335,479)         (308,111)           Net expenses         6,022,270         9,379,531         4,340,231           Net realized gain (loss) from sale of investments:         8,612,769         9,629,013         522,834           Realized and unrealized gains (loss) from sale of investments:         33,314,680         51,384,931         18,280,423           Exchange traded funds         9,927,468         10,756,522 <td></td> <td></td> <td></td> <td></td>				
Advisor Class         55,087         92,388         55,467           Custodian fees (Note 4)         569         998         415           Reports to shareholders         60,715         122,751         69,089           Registration and filing fees         61,652         84,307         53,513           Professional fees         20,284         24,400         18,679           Trustees' fees and expenses         5,959         9,683         4,382           Other         12,722         14,235         9,816           Expenses borne by Underlying Funds (Note 8)         (567,390)         (1,046,530)         (596,817)           Total expenses         6,157,845         9,715,010         4,648,342           Expenses waived/paid by affiliates (Note 3f)         (135,575)         (335,479)         (308,111)           Net expenses         6,022,270         9,379,531         4,340,231           Realized and unrealized gains (losses):         8,612,769         9,629,013         522,834           Net realized gain (loss) from sale of investments:         33,314,680         51,384,931         18,280,423           Exchange traded funds         9,927,468         10,756,522         3,639,748           Net realized gain (loss)         43,242,148         62,141,453 <td>Class C</td> <td>,</td> <td>,</td> <td>,</td>	Class C	,	,	,
Custodian fees (Note 4)         569         998         415           Reports to shareholders         60,715         122,751         69,089           Registration and filing fees         61,652         84,307         53,513           Professional fees         20,284         24,400         18,679           Trustees' fees and expenses         5,959         9,683         4,382           Other         12,722         14,235         9,816           Expenses borne by Underlying Funds (Note 8)         (567,390)         (1,046,530)         (596,817)           Total expenses         6,157,845         9,715,010         4,648,342           Expenses waived/paid by affiliates (Note 3f)         (135,575)         (335,479)         (308,111)           Net expenses         6,022,270         9,379,531         4,340,231           Realized and unrealized gains (losses):         8,612,769         9,629,013         522,834           Realized and unrealized gains (loss) from sale of investments:         33,314,680         51,384,931         18,280,423           Exchange traded funds         9,927,468         10,756,522         3,639,748           Net realized gain (loss)         43,242,148         62,141,453         21,920,171           Net change in unrealized appreciation (depreciat	Class R	•	•	•
Reports to shareholders         60,715         122,751         69,089           Registration and filing fees         61,652         84,307         53,513           Professional fees         20,284         24,400         18,679           Trustees' fees and expenses         5,959         9,683         4,382           Other         12,722         14,235         9,816           Expenses borne by Underlying Funds (Note 8)         (567,390)         (1,046,530)         (596,817)           Total expenses         6,157,845         9,715,010         4,648,342           Expenses waived/paid by affiliates (Note 3f)         (135,575)         (335,479)         (308,111)           Net expenses         6,022,270         9,379,531         4,340,231           Net investment income         8,612,769         9,629,013         522,834           Realized and unrealized gains (losses):         Net realized gain (loss) from sale of investments:         1	Advisor Class	,	,	,
Registration and filing fees         61,652         84,307         53,513           Professional fees         20,284         24,400         18,679           Trustees' fees and expenses         5,959         9,683         4,382           Other         12,722         14,235         9,816           Expenses borne by Underlying Funds (Note 8)         (567,390)         (1,046,530)         (596,817)           Total expenses         6,157,845         9,715,010         4,648,342           Expenses waived/paid by affiliates (Note 3f)         (135,575)         (335,479)         (308,111)           Net expenses         6,022,270         9,379,531         4,340,231           Net investment income         8,612,769         9,629,013         522,834           Realized and unrealized gains (losses):         Value of the control of the	,			
Professional fees         20,284         24,400         18,679           Trustees' fees and expenses         5,959         9,683         4,382           Other         12,722         14,235         9,816           Expenses borne by Underlying Funds (Note 8)         (567,390)         (1,046,530)         (596,817)           Total expenses         6,157,845         9,715,010         4,648,342           Expenses waived/paid by affiliates (Note 3f)         (135,575)         (335,479)         (308,111)           Net expenses         6,022,270         9,379,531         4,340,231           Net investment income         8,612,769         9,629,013         522,834           Realized and unrealized gains (losses):         Value of loss of losses of investments:         Value of loss of losses of losses of investments:         Value of loss of losses of	Reports to shareholders	,	,	,
Trustees' fees and expenses         5,959         9,683         4,382           Other         12,722         14,235         9,816           Expenses borne by Underlying Funds (Note 8)         (567,390)         (1,046,530)         (596,817)           Total expenses         6,157,845         9,715,010         4,648,342           Expenses waived/paid by affiliates (Note 3f)         (135,575)         (335,479)         (308,111)           Net expenses         6,022,270         9,379,531         4,340,231           Net investment income         8,612,769         9,629,013         522,834           Realized and unrealized gains (losses):         Value of the company		,	,	,
Other         12,722         14,235         9,816           Expenses borne by Underlying Funds (Note 8)         (567,390)         (1,046,530)         (596,817)           Total expenses         6,157,845         9,715,010         4,648,342           Expenses waived/paid by affiliates (Note 3f)         (135,575)         (335,479)         (308,111)           Net expenses         6,022,270         9,379,531         4,340,231           Net investment income         8,612,769         9,629,013         522,834           Realized and unrealized gains (losses):         Value of the company of the compan			,	
Expenses borne by Underlying Funds (Note 8)         (567,390)         (1,046,530)         (596,817)           Total expenses         6,157,845         9,715,010         4,648,342           Expenses waived/paid by affiliates (Note 3f)         (135,575)         (335,479)         (308,111)           Net expenses         6,022,270         9,379,531         4,340,231           Net investment income         8,612,769         9,629,013         522,834           Realized and unrealized gains (losses):         Value of the control of the	•			
Total expenses         6,157,845         9,715,010         4,648,342           Expenses waived/paid by affiliates (Note 3f)         (135,575)         (335,479)         (308,111)           Net expenses         6,022,270         9,379,531         4,340,231           Net investment income         8,612,769         9,629,013         522,834           Realized and unrealized gains (losses):         Value of the control of t				
Expenses waived/paid by affiliates (Note 3f)       (135,575)       (335,479)       (308,111)         Net expenses       6,022,270       9,379,531       4,340,231         Net investment income       8,612,769       9,629,013       522,834         Realized and unrealized gains (losses):       Vert realized gain (loss) from sale of investments:         Underlying Funds (Note 7)       33,314,680       51,384,931       18,280,423         Exchange traded funds       9,927,468       10,756,522       3,639,748         Net realized gain (loss)       43,242,148       62,141,453       21,920,171         Net change in unrealized appreciation (depreciation) on investments       (26,414,706)       5,895,545       38,888,569         Net realized and unrealized gain (loss)       16,827,442       68,036,998       60,808,740	Expenses borne by Underlying Funds (Note 8)	·		
Net expenses         6,022,270         9,379,531         4,340,231           Net investment income         8,612,769         9,629,013         522,834           Realized and unrealized gains (losses): <ul></ul>	·		9,715,010	4,648,342
Net investment income         8,612,769         9,629,013         522,834           Realized and unrealized gains (losses):         Net realized gain (loss) from sale of investments:           Underlying Funds (Note 7)         33,314,680         51,384,931         18,280,423           Exchange traded funds         9,927,468         10,756,522         3,639,748           Net realized gain (loss)         43,242,148         62,141,453         21,920,171           Net change in unrealized appreciation (depreciation) on investments         (26,414,706)         5,895,545         38,888,569           Net realized and unrealized gain (loss)         16,827,442         68,036,998         60,808,740	Expenses waived/paid by affiliates (Note 3f)	(135,575)	(335,479)	(308,111)
Realized and unrealized gains (losses):         Net realized gain (loss) from sale of investments:       33,314,680       51,384,931       18,280,423         Exchange traded funds       9,927,468       10,756,522       3,639,748         Net realized gain (loss)       43,242,148       62,141,453       21,920,171         Net change in unrealized appreciation (depreciation) on investments       (26,414,706)       5,895,545       38,888,569         Net realized and unrealized gain (loss)       16,827,442       68,036,998       60,808,740	Net expenses	6,022,270	9,379,531	4,340,231
Net realized gain (loss) from sale of investments:         Underlying Funds (Note 7)       33,314,680       51,384,931       18,280,423         Exchange traded funds       9,927,468       10,756,522       3,639,748         Net realized gain (loss)       43,242,148       62,141,453       21,920,171         Net change in unrealized appreciation (depreciation) on investments       (26,414,706)       5,895,545       38,888,569         Net realized and unrealized gain (loss)       16,827,442       68,036,998       60,808,740	Net investment income	8,612,769	9,629,013	522,834
Underlying Funds (Note 7)       33,314,680       51,384,931       18,280,423         Exchange traded funds       9,927,468       10,756,522       3,639,748         Net realized gain (loss)       43,242,148       62,141,453       21,920,171         Net change in unrealized appreciation (depreciation) on investments       (26,414,706)       5,895,545       38,888,569         Net realized and unrealized gain (loss)       16,827,442       68,036,998       60,808,740	Realized and unrealized gains (losses):			<u>.                                      </u>
Exchange traded funds         9,927,468         10,756,522         3,639,748           Net realized gain (loss)         43,242,148         62,141,453         21,920,171           Net change in unrealized appreciation (depreciation) on investments         (26,414,706)         5,895,545         38,888,569           Net realized and unrealized gain (loss)         16,827,442         68,036,998         60,808,740	Net realized gain (loss) from sale of investments:			
Net realized gain (loss)       43,242,148       62,141,453       21,920,171         Net change in unrealized appreciation (depreciation) on investments       (26,414,706)       5,895,545       38,888,569         Net realized and unrealized gain (loss)       16,827,442       68,036,998       60,808,740	Underlying Funds (Note 7)	33,314,680	51,384,931	18,280,423
Net change in unrealized appreciation (depreciation) on investments         (26,414,706)         5,895,545         38,888,569           Net realized and unrealized gain (loss)         16,827,442         68,036,998         60,808,740	Exchange traded funds	9,927,468	10,756,522	3,639,748
Net realized and unrealized gain (loss)	Net realized gain (loss)	43,242,148	62,141,453	21,920,171
	Net change in unrealized appreciation (depreciation) on investments	(26,414,706)	5,895,545	38,888,569
	Net realized and unrealized gain (loss)	16,827,442	68,036,998	60,808,740
		\$ 25,440,211	\$77,666,011	\$61,331,574

## Financial Statements (continued)

## **Statements of Changes in Net Assets**

		Templeton Allocation Fund		Franklin Templeton Moderate Allocation Fund			
	Six Months Ended June 30, 2013 Year Ended (unaudited) December 31, 2012		Six Months Ended June 30, 2013 (unaudited)	Year Ended December 31, 2012			
Increase (decrease) in net assets:		,		·			
Operations:  Net investment income	\$ 8,612,769	\$ 25,740,307	\$ 9,629,013	\$ 43,249,674			
Funds and Exchange traded funds  Net change in unrealized appreciation	43,242,148	31,831,797	62,141,453	66,463,206			
(depreciation) on investments	(26,414,706)	50,689,377	5,895,545	95,717,335			
Net increase (decrease) in net assets resulting from operations	25,440,211	108,261,481	77,666,011	205,430,215			
Distributions to shareholders from:  Net investment income:							
Class A	(5,119,680)	(16,902,240) (16,144)	(6,639,881)	(32,136,506) (30,222)			
Class C	(1,341,640)	(6,523,335)	(623,278)	(9,224,627)			
Class R	(861,458)	(3,412,606)	(905,227)	(5,505,201)			
Class R6	(23)	(0.045.500)	(17)	(0.660.305)			
Advisor Class	(667,778)	(2,045,502)	(755,363)	(2,662,305)			
Class A	(11,001,495)	(1,499,241)	(25,108,523)	(3,759,993)			
Class B	_	(1,681)		(4,170)			
Class C	(6,493,198)	(869,630)	(10,843,344)	(1,599,514)			
Class R	(2,250,262)	(342,581)	(4,656,623)	(724,273)			
Class R6	(66)	_	(83)	_			
Advisor Class	(1,192,972)	(161,726)	(2,259,174)	(317,817)			
Total distributions to shareholders	(28,928,572)	(31,774,686)	(51,791,513)	(55,964,628)			
Capital share transactions: (Note 2)							
Class A	12,022,629	28,619,249	9,832,343	40,977,549			
Class B	(904,216)	(4,299,894)	(1,651,045)	(8,696,685)			
Class C	17,577,462	2,477,331	11,378,617	14,125,634			
Class R	(14,109,995)	20,071,437	(5,402,904)	9,048,172			
Advisor Class	5,000 2,167,487	473,630	5,000 9,024,266	— 38,942,303			
	16,758,367	47,341,753	23,186,277	94,396,973			
Total capital share transactions	10,738,307	47,541,755	23,180,277	94,390,973			
Net increase (decrease) in net assets	13,270,006	123,828,548	49,060,775	243,862,560			
Beginning of period	1,511,710,277	1,387,881,729	2,457,820,158	2,213,957,598			
End of period	\$1,524,980,283	\$1,511,710,277	\$2,506,880,933	\$2,457,820,158			
Net assets:		+ -, ·, · 10, -, /	+=,000,000,000	42,,020,100			
Undistributed net investment income							
included in net assets:	\$ 622,190	\$ —	\$ 705,247	<u> </u>			

## Financial Statements (continued)

Statements of Changes in Net Assets (continued)

	Franklin Templeton Growth Allocation Fund		
	Six Months Ended June 30, 2013 (unaudited)	Year Ended December 31, 2012	
Increase (decrease) in net assets:			
Operations:  Net investment income	\$ 522,834	\$ 12,576,392	
Net realized gain (loss) from Underlying Funds and Exchange traded funds	21,920,171	42,563,990	
Net change in unrealized appreciation (depreciation) on investments	38,888,569	49,590,409	
Net increase (decrease) in net assets resulting from operations	61,331,574	104,730,791	
Distributions to shareholders from:			
Net investment income:	(500,600)	(10.000.401)	
Class A	(582,622)	(10,062,401)	
Class B	(001.046)	(11,110)	
Class C	(221,846)	(2,049,994)	
Class R	(151,837)	(2,258,982)	
Advisor Class	(53,909)	(980,582)	
Class A	(9,483,691)	_	
Class B	_	_	
Class C	(3,618,733)	_	
Class R	(2,400,516)	_	
Class R6	(67)	_	
Advisor Class	(877,287)		
Total distributions to shareholders	(17,390,508)	(15,363,069)	
Capital share transactions: (Note 2)			
Class A	21,214,898	35,287,382	
Class B	(652,170)	(4,195,799)	
Class C	11,751,795	4,440,651	
Class R	(2,206,997)	8,788,135	
Class R6	5,000	_	
Advisor Class	7,093,880	2,274,206	
Total capital share transactions	37,206,406	46,594,575	
Net increase (decrease) in net assets	81,147,472	135,962,297	
Net assets:	, ,		
Beginning of period	1,123,687,757	987,725,460	
End of period	\$1,204,835,229	\$1,123,687,757	
Undistributed net investment income included in net assets:			
End of period	\$ 516,885	\$ 1,004,265	

## 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, three of which are included in this report (Funds). The financial statements of the remaining funds in the Trust are presented separately. The Funds invest primarily in Franklin Templeton mutual funds (Underlying Funds). The Funds offer five classes of shares: Class A, Class C, Class R, Class R6, and Advisor Class. Effective May 1, 2013 the Funds began offering a new class of shares, Class R6. 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, investment manager and other affiliates have formed the Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Funds' valuation policies and procedures, which are approved annually by the Board. Investments in the Underlying Funds are valued at their closing net asset value each trading day. Exchange traded funds (ETFs) listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively.

### 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 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

## Notes to Financial Statements (unaudited) (continued)

### 1. Organization and Significant Accounting Policies (continued)

### b. Income Taxes (continued)

returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction statute of limitation.

### 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 and realized gain distributions by Underlying Funds and ETFs are 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 and ETFs. Since the Underlying Funds and ETFs have varied expense levels and the Funds may own different proportions of the Underlying Funds and ETFs at different times, the amount of expenses incurred indirectly by the Funds will vary.

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

### 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

## Notes to Financial Statements (unaudited) (continued)

### 1. Organization and Significant Accounting Policies (continued)

### e. Guarantees and Indemnifications (continued)

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		Franklin Templeton		
	Conservative Allocation Fund		Moderate A	Ilocation Fund	
Class A Chauss	Shares	Amount	Shares	Amount	
Class A Shares:					
Six Months ended June 30, 2013 Shares sold	7,745,647	\$ 111,848,245	11,381,203	\$ 172,071,068	
Shares issued in reinvestment of	7,745,647	Ф 111,040,245	11,361,203	\$ 172,071,000	
distributions	1,114,104	15,597,831	2,113,726	31,062,434	
Shares redeemed	(8,005,165)	(115,423,447)	(12,812,656)	(193,301,159)	
Net increase (decrease)	854,586	\$ 12,022,629	682,273	\$ 9,832,343	
Year ended December 31, 2012			,	. , , , ,	
Shares sold	16,160,456	\$ 223,700,018	25,983,423	\$ 372,196,415	
Shares issued in reinvestment of					
distributions	1,268,562	17,646,709	2,424,428	34,953,729	
Shares redeemed	(15,345,153)	(212,727,478)	(25,484,461)	(366,172,595)	
Net increase (decrease)	2,083,865	\$ 28,619,249	2,923,390	\$ 40,977,549	
Class B Shares:					
Six Months ended June 30, 2013a					
Shares redeemed	(63,132)	\$ (904,216)	(110,413)	\$ (1,651,045)	
Net increase (decrease)	(63,132)	\$ (904,216)	(110,413)	\$ (1,651,045)	
Year ended December 31, 2012					
Shares sold	5,982	\$ 82,344	36,373	\$ 521,496	
Shares issued in reinvestment of	1 114	15 470	0.002	20.000	
distributions	1,114	15,472	2,093	30,222	
	(318,452)	(4,397,710)	(647,569)	(9,248,403)	
Net increase (decrease)	(311,356)	\$ (4,299,894)	(609,103)	\$ (8,696,685)	
Class C Shares:					
Six Months ended June 30, 2013 Shares sold	1 616 921	\$ 65,532,975	4 461 770	\$ 65,909,089	
Shares issued in reinvestment of	4,616,834	\$ 60,032,970	4,461,779	ъ 60,909,069	
distributions	541,044	7,430,577	764,494	10,955,665	
Shares redeemed	(3,903,569)	(55,386,090)	(4,426,671)	(65,486,137)	
Net increase (decrease)	1,254,309	\$ 17,577,462	799,602	\$ 11,378,617	
Year ended December 31, 2012		<u> </u>	·	<u> </u>	
Shares sold	7,111,935	\$ 96,802,198	9,337,192	\$ 130,576,558	
Shares issued in reinvestment of					
distributions	503,707	6,908,819	721,400	10,196,369	
Shares redeemed	(7,439,133)	(101,233,686)	(9,044,554)	(126,647,293)	
Net increase (decrease)	176,509	\$ 2,477,331	1,014,038	\$ 14,125,634	

# Notes to Financial Statements (unaudited) (continued)

## 2. Shares of Beneficial Interest (continued)

	Franklin Templeton Conservative Allocation Fund		Franklin Templeto Moderate Allocation I			
Olara D Charra	Shares		Amount	Shares		Amount
Class R Shares:						
Six Months ended June 30, 2013 Shares sold	1 202 262	\$	20 011 057	1 726 246	\$	26 072 667
Shares issued in reinvestment of	1,392,262	Ф	20,011,957	1,736,346	Ф	26,073,667
distributions	216,857		3,023,591	369,763		5,411,835
Shares redeemed	(2,581,778)		(37,145,543)	(2,447,850)		(36,888,406)
Net increase (decrease)	(972,659)	\$	(14,109,995)	(341,741)	\$	(5,402,904)
Year ended December 31, 2012			, , , , , , , , , , , , , , , , , , , ,			
Shares sold	4,392,390	\$	60,445,700	5,967,428	\$	84,831,929
Shares issued in reinvestment of		·	, ,			, ,
distributions	262,159		3,635,818	421,989		6,066,941
Shares redeemed	(3,180,910)		(44,010,081)	(5,722,387)		(81,850,698)
Net increase (decrease)	1,473,639	\$	20,071,437	667,030	\$	9,048,172
Class R6 Shares:						
Six Months ended June 30, 2013 <sup>b</sup>						
Shares sold	342	\$	5,000	326	\$	5,000
Net increase (decrease)	342	\$	5,000	326	\$	5,000
Advisor Class Shares:						_
Six Months ended June 30, 2013						
Shares sold	734,925	\$	10,591,290	1,792,285	\$	27,019,452
Shares issued in reinvestment of						
distributions	128,403		1,797,889	200,407		2,946,936
Shares redeemed	(706,651)		(10,221,692)	(1,381,786)		(20,942,122)
Net increase (decrease)	156,677	\$	2,167,487	610,906	\$	9,024,266
Year ended December 31, 2012						
Shares sold	1,348,239	\$	18,667,747	4,556,914	\$	65,724,093
Shares issued in reinvestment of	152.070		0.100.000	201 251		2.002.150
distributions	153,878		2,138,266	201,251		2,903,150
	(1,460,687)	Φ	(20,332,383)	(2,062,589)	Φ	(29,684,940)
Net increase (decrease)	41,430	\$	473,630	2,695,576	\$	38,942,303

	Franklin Templeton Growth Allocation Fund		
	Shares	Amount	
Class A Shares:			
Six Months ended June 30, 2013			
Shares sold	5,628,225	\$ 93,674,519	
Shares issued in reinvestment of distributions	601,385	9,842,537	
Shares redeemed	(4,954,298)	(82,302,158)	
Net increase (decrease)	1,275,312	\$ 21,214,898	
Year ended December 31, 2012		_	
Shares sold	11,182,793	\$ 171,827,261	
Shares issued in reinvestment of distributions	625,859	9,793,870	
Shares redeemed	(9,506,199)	(146,333,749)	
Net increase (decrease)	2,302,453	\$ 35,287,382	

## Notes to Financial Statements (unaudited) (continued)

## 2. Shares of Beneficial Interest (continued)

	Franklin Templeton Growth Allocation Fund	
	Shares	Amount
Class B Shares:		
Six Months ended June 30, 2013 <sup>a</sup>	(40.007)	¢ (CEO 170)
Shares redeemed	(40,287)	\$ (652,170)
Net increase (decrease)	(40,287)	\$ (652,170)
Year ended December 31, 2012	6.700	ф 100 071
Shares sold	6,729	\$ 100,871
Shares issued in reinvestment of distributions	675	10,436
Shares redeemed	(286,344)	(4,307,106)
Net increase (decrease)	(278,940)	\$ (4,195,799)
Class C Shares:		
Six Months ended June 30, 2013	0 100 414	<b>A</b> 25 65 4 207
Shares sold	2,190,414	\$ 35,654,287
Shares issued in reinvestment of distributions	231,642	3,703,377
Shares redeemed	(1,692,385)	(27,605,869)
Net increase (decrease)	729,671	\$ 11,751,795
Year ended December 31, 2012		<b>.</b>
Shares sold	3,564,030	\$ 53,559,955
Shares issued in reinvestment of distributions	126,835	1,946,906
Shares redeemed	(3,394,737)	(51,066,210)
Net increase (decrease)	296,128	\$ 4,440,651
Class R Shares:		
Six Months ended June 30, 2013		
Shares sold	985,334	\$ 16,206,995
Shares issued in reinvestment of distributions	152,847	2,469,633
Shares redeemed	(1,268,627)	(20,883,625)
Net increase (decrease)	(130,446)	\$ (2,206,997)
Year ended December 31, 2012		
Shares sold	3,813,222	\$ 57,301,873
Shares issued in reinvestment of distributions	141,537	2,190,774
Shares redeemed	(3,327,823)	(50,704,512)
Net increase (decrease)	626,936	\$ 8,788,135
Class R6 Shares:		
Six Months ended June 30, 2013 <sup>b</sup>		
Shares sold	296	\$ 5,000
Net increase (decrease)	296	\$ 5,000

## Notes to Financial Statements (unaudited) (continued)

## 2. Shares of Beneficial Interest (continued)

	Franklin Templeton Growth Allocation Fund		
	Shares		Amount
Advisor Class Shares:			
Six Months ended June 30, 2013			
Shares sold	754,468	\$	12,460,297
Shares issued in reinvestment of distributions	56,124		921,862
Shares redeemed	(376,751)		(6,288,279)
Net increase (decrease)	433,841	\$	7,093,880
Year ended December 31, 2012			
Shares sold	1,180,265	\$	18,209,087
Shares issued in reinvestment of distributions	61,822		969,906
Shares redeemed	(1,082,490)		(16,904,787)
Net increase (decrease)	159,597	\$	2,274,206

<sup>&</sup>lt;sup>a</sup>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 Advisers, Inc. (Advisers)	Investment manager
Franklin Templeton Services, LLC (FT Services)	Administrative manager
Franklin Templeton Distributors, Inc. (Distributors)	Principal underwriter
Franklin Templeton Investor Services, LLC (Investor Services)	Transfer agent

#### a. Asset Allocation Fees

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

#### b. Administrative Fees

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

<sup>&</sup>lt;sup>b</sup>For the period May 1, 2013 (effective date) to May 31, 2013.

## Notes to Financial Statements (unaudited) (continued)

#### 3. Transactions with Affiliates (continued)

#### c. Distribution Fees

The Board has adopted distribution plans for each share class, with the exception of Class R6 and Advisor Class shares, pursuant to Rule 12b-1 under the 1940 Act. Distribution fees are not charged on shares held by affiliates. Under the Funds' Class A reimbursement distribution plans, the Funds reimburse Distributors for costs incurred in connection with the servicing, sale and distribution of each fund's shares up to the maximum annual plan rate. 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	0.25%
Class B	1.00%
Class C	1.00%
Class R	0.50%

### d. Sales Charges/Underwriting Agreements

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

	Franklin	Franklin	Franklin
	Templeton	Templeton	Templeton
	Conservative	Moderate	Growth
	Allocation Fund	Allocation Fund	Allocation Fund
Sales charges retained net of commissions paid to			
unaffiliated broker/dealers	\$315,165	\$645,660	\$349,674
CDSC retained	\$ 26,726	\$ 28,205	\$ 15,477

### e. Transfer Agent Fees

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

## Notes to Financial Statements (unaudited) (continued)

### 3. Transactions with Affiliates (continued)

### e. Transfer Agent Fees (continued)

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

	Franklin	Franklin	Franklin
	Templeton	Templeton	Templeton
	Conservative	Moderate	Growth
	Allocation Fund	Allocation Fund	Allocation Fund
Transfer agent fees	\$365,271	\$725,972	\$477,116

### f. Waiver and Expense Reimbursements

Effective May 1, 2013, Advisers 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 each class of the Funds do not exceed the following (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) until April 30, 2014:

	Franklin	Franklin	Franklin
	Templeton	Templeton	Templeton
	Conservative	Moderate	Growth
	Allocation Fund	Allocation Fund	Allocation Fund
	Allocation Fund	Allocation Fund	Allocation Fund
Class A, Class C, Class R & Advisor Class	0.40%	0.40%	0.40%

Prior to May 1, 2013, expenses were limited to 0.25%.

### 4. EXPENSE OFFSET ARRANGEMENT

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

### 5. INCOME TAXES

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

	Franklin	Franklin	Franklin
	Templeton	Templeton	Templeton
	Conservative	Moderate	Growth
	Allocation Fund	Allocation Fund	Allocation Fund
Cost of investments	\$1,429,588,625	\$2,264,738,096	\$1,027,417,291
Unrealized appreciation	\$ 124,522,169	\$ 278,230,375	\$ 189,194,841
	(26,936,843)	(34,023,984)	(10,446,876)
	\$ 97,585,326	\$ 244,206,391	\$ 178,747,965

## Notes to Financial Statements (unaudited) (continued)

### **5. INCOME TAXES** (continued)

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

### 6. INVESTMENT TRANSACTIONS

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

	Franklin	Franklin	Franklin
	Templeton	Templeton	Templeton
	Conservative	Moderate	Growth
	Allocation Fund	Allocation Fund	Allocation Fund
Purchases	\$748,527,031	\$864,481,639	\$288,399,927
Sales	\$482,999,443	\$706,095,196	\$244,604,142

### 7. INVESTMENTS IN UNDERLYING FUNDS

The Funds invest primarily in the Underlying Funds which are managed by Advisers (or by an affiliate of Advisers). The Funds do not invest in the Underlying Funds for the purpose of exercising a controlling influence over the management or policies. Asset allocation fees paid by the Funds are reduced on assets invested in the Institutional Fiduciary Trust Money Market Portfolio (Sweep Money Fund) in an amount not to exceed the management and administrative fees paid by the Sweep Money Fund.

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

Underlying Funds	Number of Shares Held at Beginning of Period <sup>a</sup>	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 Conservative Allocation Fund								
Franklin Biotechnology Discovery Fund, R6	_	39,443	_	39,443	\$ 4,308,779	\$ —	\$	0.56%
Franklin DynaTech Fund, Class R6	1,271,884	253,392	_	1,525,276	56,999,581	_	_	3.73%
Franklin Flex Cap Growth Fund, Class R6	612,618	_	_	612,618	32,578,982	_	_	0.97%
Franklin Gold and Precious Metals Fund, Advisor Class	403,260	_	403,260	2 505 100	t	_	2,322,379	1 000/
Franklin Growth Fund, Class R6 Franklin Growth Opportunities Fund, Class R6	2,785,302 761,790	75,879	280,103	2,505,199 837,669	139,289,059 21,435,951	_	1,306,128	1.80% 4.16%

# Notes to Financial Statements (unaudited) (continued)

## 7. Investments in Underlying Funds (continued)

Underlying Funds	Number of Shares Held at Beginning of Period <sup>a</sup>	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 Conservative Allocation Fund (continued)								
Franklin High Income Fund, Advisor Class	11,820,613	2,051,950	13,872,563	_	\$b	\$ 289,264	\$ 1,851,480	_
Fund, Class R6	_	483,902	62,451	421,451	4,201,863	_	6,870	3.23%
Franklin International Small Cap Growth Fund,Class R6	2,033,171	201,567	313,509	1,921,229	35,024,011	_	318,043	2.92%
Franklin Limited Maturity U.S. Government Securities Fund, Class R6	_	3,150,816	_	3,150,816	31,728,719	229,829	_	5.88%
Franklin MicroCap Value Fund,		-,,		-,,	,,	,		
Class R6	540,877	_	269,253	271,624	10,039,214	_	1,357,610	2.05%
Franklin Pelagos Commodities Strategy Fund	2,355,547	_	_	2,355,547	21,082,149	_	_	20.58%
Franklin Pelagos Managed Futures Strategy Fund	210,781	_	_	210,781	1,709,438	_	_	15.10%
Franklin Real Estate Securities Fund, Class R6	944,532	7,243	_	951,775	16,989,189	131,250	_	3.58%
Franklin Rising Dividends Fund, Class R6	2,280,514	5	_	2,280,519	97,834,268	_	_	0.86%
Franklin Small Cap Growth Fund, Class R6	_	332,440	_	332,440	5,408,794	_	_	0.79%
Franklin Templeton Emerging Market Debt Opportunities								
Fund	3,548,095	516,320	_	4,064,415	48,651,052	_	_	8.65%
Franklin Total Return Fund, Class R6 Franklin U.S. Government	11,915,656	5,328,143	_	17,243,799	171,575,797	2,455,684	_	3.16%
Securities Fund, Class R6	25,096,056	12,303,524	1,074,999	36,324,581	237,926,004	4,225,969	(38,485)	2.55%
Franklin Utilities Fund, Class R6	2,793,829	46,469	_	2,840,298	42,178,432	681,457	_	0.87%
Institutional Fiduciary Trust  Money Market Portfolio	292,053,115	100 267 613	374,502,000	17,818,728	17,818,728	_	_	0.11%
Mutual European Fund,	202,000,110	100,207,010	074,002,000	17,010,720	, ,			0.1170
Class R6	2,114,849	_	337,446	1,777,403	39,973,802	_	487,703	1.93%
Templeton China World Fund, Class R6	427,738	_	58,329	369,409	12,984,737	_	331,471	1.45%
Templeton Foreign Fund, Class R6	9,868,178	_	1,915,579	7,952,599	55,986,298	_	13,401	_
Templeton Frontier Markets Fund, Class R6 Templeton Global Bond Fund,	1,569,088	_	221,632	1,347,456	22,340,813	_	418,885	1.75%
Advisor Class	13,069,762	7,999,139	21,068,901	_	b	1,669,489	24,039,195	0.00%
Fund, Class R6	_	20,785,299	_	20,785,299	275,820,920	3,558,083	_	3.95%
Total					\$1,403,886,580	\$13,241,025	\$33,314,680	

# Notes to Financial Statements (unaudited) (continued)

## 7. Investments in Underlying Funds (continued)

Underlying Funds	Number of Shares Held at Beginning of Period <sup>a</sup>	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 Moderate Allocation Fund								
Franklin Biotechnology Discovery Fund, Class R6	_	86,972	_	86,972	\$ 9,500,829	\$	\$ —	1.23%
Class R6	2,594,971	517,018	25,720	3,086,269	115,333,889	_	(17,490)	7.54%
Franklin Flex Cap Growth Fund, Class R6	1,448,594	_	12,007	1,436,587	76,397,719	_	40,933	2.26%
Franklin Gold and Precious Metals Fund, Advisor Class	868,205	_	868,205	_	b	_	5,200,427	_
Franklin Growth Fund, Class R6 Franklin Growth Opportunities	6,162,727	_	638,008	5,524,719	307,174,377	_	2,939,002	3.96%
Fund, Class R6	1,709,119	170,248	14,978	1,864,389	47,709,711	_	(7,039)	9.25%
Advisor Class	17,572,561	205,261	17,777,822	_	b	430,022	2,764,514	_
Franklin International Growth Fund, Class R6	_	1,033,171	103,475	929,696	9,269,067	_	11,382	7.12%
Franklin International Small Cap Growth Fund, Class R6	4,302,421	425,532	528,303	4,199,650	76,559,628	_	449,873	6.37%
Franklin Limited Maturity U.S. Government Securities Fund,	, ,		,				,	
Class R6Franklin MicroCap Value Fund,	_	3,983,720	_	3,983,720	40,116,056	290,405	_	7.43%
Class R6	1,152,605	_	578,457	574,148	21,220,503	_	2,968,873	4.33%
Franklin Pelagos Commodities Strategy Fund	4,872,521	_	41,188	4,831,333	43,240,429	_	(27,184)	42.21%
Franklin Pelagos Managed Futures Strategy Fund	439,387	_	_	439,387	3,563,427	_	_	31.47%
Franklin Real Estate Securities Fund, Class R6	2,204,890	16,824	18,299	2,203,415	39,330,966	304,879	8,062	8.28%
Franklin Rising Dividends Fund, Class R6	4,898,880	12	39,526	4,859,366	208,466,781	_	168,778	1.83%
Franklin Small Cap Growth Fund, Class R6	_	709,786	_	709,786	11,548,210	_	_	1.69%
Franklin Templeton Emerging Market Debt Opportunities		703,700		703,700	11,040,210			1.0376
Fund	5,320,004	373,349	761,134	4,932,219	59,038,666	_	(168,352)	10.49%
Franklin Total Return Fund, Class R6	16,701,571	4,270,579	_	20,972,150	208,672,896	3,025,734	_	3.84%
Franklin U.S. Government Securities Fund, Class R6	36,475,547	8,331,020	1,725,751	43,080,816	282,179,342	4,994,936	(54,627)	3.02%
Franklin Utilities Fund, Class R6	6,808,619	112,793	55,010	6,866,402	101,966,073	1,654,003	18,153	2.09%
Institutional Fiduciary Trust Money Market Portfolio	212,902,609	186,225,223	375,108,355	24,019,477	24,019,477	_	_	0.15%

# Notes to Financial Statements (unaudited) (continued)

## 7. Investments in Underlying Funds (continued)

Underlying Funds	Number of Shares Held at Beginning of Period <sup>a</sup>	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 Moderate Allocation Fund (continued)								
Mutual European Fund, Class R6	4,858,140	_	644,050	4,214,090	\$ 94,774,892	\$ —	\$ 740,000	4.58%
Templeton China World Fund, Class R6	849,325	_	91,536	757,789	26,636,287	_	728,870	2.97%
Templeton Foreign Fund, Class R6	20,986,465	_	3,558,450	17,428,015	122,693,223	_	812,179	2.11%
Templeton Frontier Markets Fund, Class R6	3,671,761	_	412,422	3,259,339	54,039,842	_	763,847	4.24%
Templeton Global Bond Fund, Advisor Class	19,641,605	5,681,188	25,322,793		b	2,002,299	34,044,730	
Templeton Global Total Return Fund, Class R6		24,375,921		24,375,921	323,468,471	4,137,783	<u></u>	4.63%
Total					\$2,306,920,761	\$16,840,061	\$51,384,931	4.03 /6
Franklin Templeton Growth Allocation Fund					. , , ,	. , ,		
Franklin Biotechnology Discovery Fund, Class R6	_	56,271.00	_	56,271	\$ 6,147,008	\$ —	\$ —	0.79%
Franklin DynaTech Fund, Class R6	1,798,014	376,977	_	2,174,991	81,279,427	_	_	5.31%
Franklin Flex Cap Growth Fund, Class R6	946,428	8,338	_	954,766	50,774,451	_	_	1.50%
Franklin Gold and Precious Metals Fund, Advisor Class	553,693	_	553,693	_	b	_	6,628,908	0.00%
Franklin Growth Fund, Class R6 Franklin Growth Opportunities	3,947,614	31,925	405,089	3,574,450	198,739,420	_	1,701,889	2.56%
Fund, Class R6	1,254,464	137,184	_	1,391,648	35,612,278	_	_	6.91%
Franklin High Income Fund, Advisor Class	2,682,171	31,330	2,713,501	_	b	65,636	409,821	0.00%
Franklin International Growth Fund, Class R6	_	669,461	_	669,461	6,674,528	_	_	5.13%
Franklin International Small Cap Growth Fund, Class R6	2,820,910	307,350	_	3,128,260	57,028,177	_	_	4.75%
Franklin Limited Maturity U.S. Government Securities Fund, Class R6	_	574,599	55,447	519,152	5,227,859	40,182	(555)	0.97%
Franklin MicroCap Value Fund, Class R6	832,697	3,643	414,655	421,685	15,585,473	_	1,233,142	3.18%
Franklin Pelagos Commodities Strategy Fund	3,453,477	32,849		3,486,326	31,202,613	_		30.46%
Franklin Pelagos Managed Futures Strategy Fund	307,611	_	_	307,611	2,494,724	_	_	22.03%
Franklin Real Estate Securities Fund, Class R6	1,536,830	25,732	_	1,562,562	27,891,735	214,696	_	5.87%

## Notes to Financial Statements (unaudited) (continued)

### 7. Investments in Underlying Funds (continued)

Underlying Funds	Number of Shares Held at Beginning of Period <sup>a</sup>	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 Growth Allocation Fund (continued)								
Franklin Rising Dividends Fund, Class R6	3,262,908	28,844	_	3,291,752	\$ 141,216,174	\$ —	\$ —	1.24%
Franklin Small Cap Growth Fund, Class R6	_	460,001	_	460,001	7,484,222	_	_	1.10%
Franklin Templeton Emerging Market Debt Opportunities Fund	1.276.536	17,558	518,020	776,074	9,289,606	_	(45,425)	1.65%
Franklin Total Return Fund, Class R6	2,827,257	901,438	350,874	3,377,821	33,609,321	531,705	(56,139)	0.62%
Franklin U.S. Government Securities Fund, Class R6	6,674,053	1,907,613	1,420,827	7,160,839	46,903,496	902,524	(138,596)	0.50%
Franklin Utilities Fund, Class R6	4,284,413	111,631	_	4,396,044	65,281,256	1,049,926	_	1.34%
Institutional Fiduciary Trust Money Market Portfolio	41,941,349	133,678,604	161,743,117	13,876,836	13,876,836	_	_	0.08%
Mutual European Fund, Class R6	3,110,714	26,350	63,624	3,073,440	69,121,666	_	31,176	3.34%
Templeton China World Fund, Class R6	563,919	4,983	_	568,902	19,996,888	_	_	2.23%
Templeton Foreign Fund, Class R6	13,001,656	105,313	850,048	12,256,921	86,288,723	_	(300,700)	1.49%
Templeton Frontier Markets Fund, Class R6	2,584,415	22,451	_	2,606,866	43,221,837	_	_	3.39%
Templeton Global Bond Fund, Advisor Class	3,491,297	1,959,071	5,450,368	_	b	387,058	8,878,594	0.00%
Templeton Global Total Return Fund, Class R6		4,421,714	411,281	4,010,433	53,218,452	731,304	(61,692)	0.76%
Total					\$1,108,166,170	\$ 3,923,031	\$18,280,423	

<sup>&</sup>lt;sup>a</sup>Effective May 1, 2013, the Underlying Fund's shares were exchanged from Advisor Class to Class R6, if applicable. bAs of June 30, 2013, no longer held by the fund.

#### 8. SPECIAL SERVICING AGREEMENT

The Funds participated in a Special Servicing Agreement (SSA) with the Underlying Funds and certain service providers of the Funds and of the Underlying Funds. Under the SSA, each Underlying Fund may pay a portion of the Funds' expenses (other than any asset allocation and distribution fees) to the extent such payments are less than the amount of the benefits realized or expected to be realized by the Underlying Fund (e.g., due to reduced costs associated with servicing accounts)

## Notes to Financial Statements (unaudited) (continued)

#### 8. Special Servicing Agreement (continued)

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.

### 9. CREDIT FACILITY

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

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

#### 10. FAIR VALUE MEASUREMENTS

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

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

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

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

## Notes to Financial Statements (unaudited) (continued)

### 10. FAIR VALUE MEASUREMENTS (continued)

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

	Level 1	Level 2	Level 3	Total
Franklin Templeton Conservative Allocation Fund				
Assets:				
Investments in Securities:				
Investments in Underlying Funds and				
Exchange Traded Funds <sup>a</sup>	\$1,486,563,636	\$22,791,587	\$ —	\$1,509,355,223
Short Term Investments	17,818,728	_	_	17,818,728
Total Investments in Securities	\$1,504,382,364	\$22,791,587	\$ —	\$1,527,173,951
Franklin Templeton Moderate Allocation Fund				
Assets:				
Investments in Securities:				
Investments in Underlying Funds and				
Exchange Traded Funds <sup>a</sup>	\$2,438,121,154	\$46,803,856	\$ —	\$2,484,925,010
Short Term Investments	24,019,477		_	24,019,477
Total Investments in Securities	\$2,462,140,631	\$46,803,856	\$ —	\$2,508,944,487
Franklin Templeton Growth Allocation Fund				
Assets:				
Investments in Securities:				
Investments in Underlying Funds and Exchange Traded Funds <sup>a</sup>	\$1,158,591,083	\$33,697,337	\$ —	\$1,192,288,420
Short Term Investments	13,876,836	_	_	13,876,836
Total Investments in Securities	\$1,172,467,919	\$33,697,337	\$ —	\$1,206,165,256

<sup>&</sup>lt;sup>a</sup>For detailed Underlying Fund and ETF categories, see the accompanying Statements of Investments.

### 11. New Accounting Pronouncements

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

## Notes to Financial Statements (unaudited) (continued)

## 12. SUBSEQUENT EVENTS

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

### **ABBREVIATIONS**

#### Selected Portfolio

ETF - Exchange Traded Fund

## **Shareholder Information**

### Board Review of Investment Management Agreement

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

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

**Shareholder Information** (continued)

### **Board Review of Investment Management Agreement** (continued)

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 Iersey area ran smoothly during the more recent Hurricane Sandy. Among other factors taken into account by the Board were the Manager's best execution trading policies, including a favorable report by an independent portfolio trading analytical firm, which also covered FOREX transactions. Consideration was also given to the experience of each Fund's portfolio management team, the number of accounts managed and general method of compensation. In this latter respect, the Board noted that a primary factor in management's determination of a portfolio manager's bonus compensation was the relative investment performance of the funds he or she managed and that a portion of such bonus was required to be invested in a predesignated list of funds within such person's fund management area so as to be aligned with the interests of shareholders. The Board also took into account the quality of transfer agent and shareholder services provided Fund shareholders by an affiliate of the Manager and the continuous enhancements to the Franklin Templeton website. Particular attention was given to management's conservative approach and diligent risk management procedures, including continuous monitoring of counterparty credit risk and attention given to derivatives and other complex instruments including expanded collateralization requirements. The Board also took into account, among other things, management's efforts in establishing a global credit facility for the benefit of the Funds and other accounts managed by Franklin Templeton Investments to provide a source of cash for temporary and emergency purposes or to meet unusual redemption requests as well as the strong financial position of the Manager's parent company and its commitment to the mutual fund business as evidenced by its subsidization of money market funds.

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

**Shareholder Information** (continued)

### **Board Review of Investment Management Agreement** (continued)

Franklin Templeton Conservative Allocation Fund - The performance universe for this Fund consisted of the Fund and all retail and institutional mixed-asset target allocation conservative funds as selected by Lipper. The Lipper report showed the Fund's total return for 2012 to be in the secondlowest performing quintile of such performance universe, and on an annualized basis, to be in the lowest performing quintile of such universe for the previous three-year period, the second-lowest performing quintile of such universe for the previous five-year period, and the highest performing quintile of such universe for the previous 10-year period. In discussing 2012 performance, management explained that it largely reflected the underperformance of its holdings in a particular equity growth fund along with its equity holdings in general, and discussed actions being taken to improve performance, including replacement of such equity growth fund as a core U.S. equity holding. While noting the Fund's good long-term performance, the Board was not satisfied with the Fund's more recent performance, but believed that appropriate steps were being taken to improve performance and no immediate change in portfolio management was warranted. The Board also noted that the Fund's annualized total return for the five-year period as shown in the Lipper report was less than 25 basis points below the performance universe average.

Franklin Templeton Moderate Allocation Fund – The performance universe for this Fund consisted of the Fund and all retail and institutional mixed-asset target allocation moderate funds as selected by Lipper. The Lipper report showed the Fund's 2012 total return to be in the lowest performing quintile of such performance universe, and its total return on an annualized basis to be in the secondlowest performing quintile of such universe for the previous three-year period, the second-highest performing quintile of such universe for the previous five-year period, and the highest or best performing quintile of such universe for the previous 10-year period. In discussing 2012 performance, management explained that it largely reflected the underperformance of its holdings in a particular equity growth fund and its equity holdings in general and discussed actions being taken to improve performance, including replacement of such equity growth fund as a core U.S. equity holding. While noting the Fund's good long-term performance, the Board was not satisfied with more recent performance, but believed appropriate steps were being taken to improve performance and no immediate change in portfolio management was warranted. The Board also noted that as shown in the Lipper report, the Fund's total return had exceeded the performance universe median in two of the last four years.

Franklin Templeton Growth 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. The Lipper report showed the Fund's 2012 total return to be in the lowest performing quintile of such performance universe, and its total return on an annualized basis to be in the second-lowest performing quintile of such universe during the previous three-year period, the middle performing quintile of such universe during the previous five-year period, and the highest or best performing quintile of such universe during the previous 10-year period. In discussing the reasons for the Fund's underperformance in 2012, management explained that it largely reflected the

## **Shareholder Information** (continued)

### **Board Review of Investment Management Agreement** (continued)

underperformance of a particular equity growth fund as well as its equity holdings in general and discussed steps being taken to improve performance, including replacement of such equity growth fund as a core equity holding. While noting the Fund's overall good long-term performance, the Board was not satisfied with the Fund's more recent performance, but believed appropriate steps were being taken to improve performance and no immediate change in portfolio management was warranted. The Board also noted, as shown in the Lipper report, that the Fund's total return had exceeded the Lipper performance universe median in two of the last four years.

COMPARATIVE EXPENSES. Consideration was given to the management fee and total expense ratio of each Fund compared with those of a group of retail front-end load fund of funds selected by Lipper as its appropriate Lipper expense group. Lipper expense data is based upon information taken from each such fund's most recent annual report, which reflects historical asset levels that may be quite different from those currently existing, particularly in a period of market volatility. While recognizing such inherent limitation and the fact that expense ratios generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Lipper to be an appropriate measure of comparative expenses. In reviewing comparative costs, Lipper provides information on each Fund's contractual investment management fee in comparison with the contractual investment management fee that would have been charged by other funds within its Lipper expense group assuming they were similar in size to the Fund, as well as the actual total expense ratios of the Funds including expenses of the underlying funds they invest in. The Board noted the Funds pay an asset allocation advisory fee. The Lipper contractual investment management fee analysis includes the administrative fee and asset allocation advisory fee directly charged to the Funds as being part of the contractual investment management fee, with the investment management fees charged underlying funds being included within actual total expenses. Contractual investment management fees and total expenses, for comparative consistency, are shown by Lipper for Fund Class A shares. The Lipper reports for Franklin Templeton Moderate Allocation Fund showed that its contractual management fee rate was at the median of its Lipper expense group, and its actual total expense ratio was within seven basis points above the median of its Lipper expense group. The Lipper report for Franklin Templeton Growth Allocation Fund showed its contractual management fee rate to be less than 10 basis points above the median of its Lipper expense group but its actual total expense ratio to be below the median for such expense group. The Lipper report for Franklin Templeton Conservative Allocation Fund showed its contractual management fee rate to be at the median of its Lipper expense group and its actual total expense ratio to be less than two-and-a-half basis points above its Lipper expense group median. The Board found the comparative expenses of these Funds as shown in the Lipper report to be acceptable, noting that in each case such expenses were being subsidized by fee waivers.

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

**Shareholder Information** (continued)

### Board Review of Investment Management Agreement (continued)

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

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

## **Shareholder Information** (continued)

### **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.

# Franklin Templeton Funds

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

#### **VALUE**

Franklin All Cap Value Fund
Franklin Balance Sheet Investment Fund
Franklin Large Cap Value Fund
Franklin MicroCap Value Fund
Franklin MidCap Value Fund
Franklin Small Cap Value Fund
Mutual Beacon Fund
Mutual Quest Fund
Mutual Recovery Fund<sup>2</sup>
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<sup>3</sup>
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<sup>4</sup>

#### **HYBRID**

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

#### **ASSET ALLOCATION**

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

#### **FIXED INCOME**

Franklin Adjustable U.S. Government Securities Fund<sup>6</sup>
Franklin Floating Rate Daily Access Fund
Franklin High Income Fund
Franklin Limited Maturity U.S. Government
Securities Fund<sup>6</sup>
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<sup>6</sup>
Templeton Emerging Markets Bond Fund
Templeton Global Bond Fund
Templeton Global Total Return Fund

#### TAX-FREE INCOME<sup>7</sup>

#### National

Double Tax-Free Income Fund<sup>8</sup> Federal Tax-Free Income Fund High Yield Tax-Free Income Fund Insured Tax-Free Income Fund<sup>9,10</sup>

Templeton International Bond Fund

#### Limited-/Intermediate-Term

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

### State-Specific

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

#### **INSURANCE FUNDS**

Franklin Templeton Variable Insurance Products Trust<sup>11</sup>

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

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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.