



# Franklin Real Estate Securities Fund— Advisor Class

Listed Securities  
Alternatives  
March 31, 2019

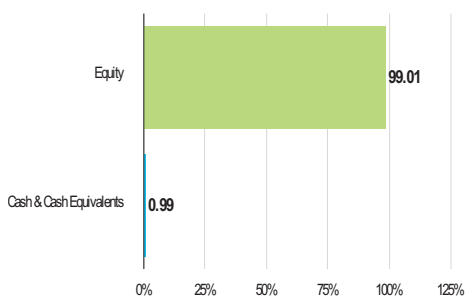
## Product Profile

### Product Details<sup>1</sup>

Fund Assets	\$459,796,750.02
Fund Inception Date	01/03/1994
Number of Issuers	40
NASDAQ Symbol	FRLAX
Maximum Sales Charge	0.00
Investment Style	Listed Securities
Benchmark	S&P US Property Index
Lipper Classification	Real Estate Funds
Morningstar Category™	Real Estate
Dividend Frequency	Quarterly in March, June, September and December

### Asset Allocation<sup>2</sup>

Percent of Total



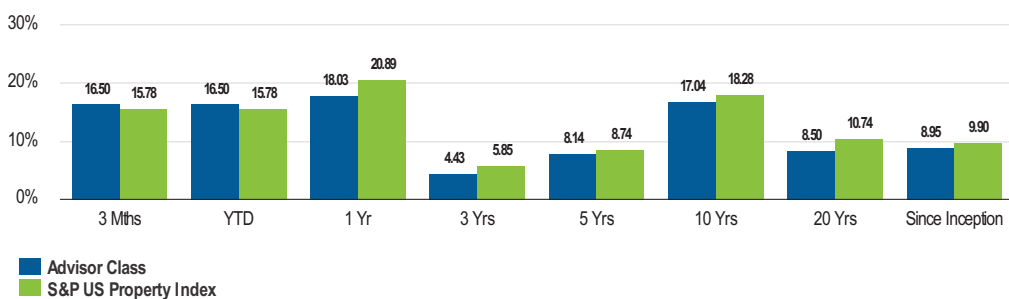
### Fund Description

The Fund seeks to maximize total return. Under normal market conditions, the Fund invests at least 80% of its net assets in equity securities of companies operating in the real estate industry, predominantly in the United States, including: companies qualifying under federal tax law as real estate investment trusts (REITs); and companies that derive at least half of their assets or revenues from the ownership, construction, management, operation, development or sale of commercial or residential real estate (such as real estate operating or service companies, homebuilders, lodging providers, and developers).

### Performance Data<sup>3,4</sup>

#### Average Annual Total Returns<sup>5</sup> (%)

	3 Mths	YTD	1 Yr	3 Yrs	5 Yrs	10 Yrs	20 Yrs	Since Inception (01/03/1994)
Advisor Class	16.50	16.50	18.03	4.43	8.14	17.04	8.50	8.95
S&P US Property Index	15.78	15.78	20.89	5.85	8.74	18.28	10.74	9.90



#### Total Annual Operating Expenses: 0.8%

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

Advisor Class shares are offered only to certain eligible investors as stated in the prospectus. They are offered without sales charges or Rule 12b-1 fees. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.

#### Calendar Year Returns (%)

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Advisor Class	-6.19	4.17	5.06	4.10	30.45	2.41	16.17	9.50	27.13	17.46
S&P US Property Index	-3.92	4.35	8.44	2.36	29.60	2.84	18.36	7.92	27.93	28.59

1. All holdings are subject to change. Holdings of the same issuers have been combined.
2. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.
4. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.
5. Periods shorter than one year are shown as cumulative total returns.

Not FDIC Insured | May Lose Value | No Bank Guarantee

Portfolio Manager Insight<sup>6</sup>

## Performance Review

## QUARTERLY KEY PERFORMANCE DRIVERS

	Stocks	Industries/Sectors
HELPED	First Industrial Realty Trust	Office Space (Stock Selection Overweight)
	Alexandria Real Estate Equities	Specialty (Stock Selection)
	Rexford Industrial Realty	Industrial Property (Stock Selection, Overweight)
HURT	CyrusOne	Residential (Stock Selection)
	Simon Property Group	Shopping Centers
	Vornado Realty Trust	Hotel/Resort

- Outperformers in the office space sector included Cousins Properties. Technology-related markets and tenants have remained the most active drivers for strong performance across the United States and are likely to continue to do so into 2019. Despite this demand, however, we believe it will be important to monitor new supply as it could outpace this demand in the coming quarters.
- Other significant contributors included an off-benchmark investment in MGM Growth Properties. Shares in the company, which owns and invests in single-tenant gaming properties leased on a triple-net basis, rose in value and significantly outperformed the US property index. We continue to believe that MGM Growth properties is well-placed to close the earnings multiple discount, and thereby outperform its peer group, as investors become more comfortable with the business model, given the quality of assets, stability of the income stream and growth outlook.
- Shopping center stocks such as Retail Properties of America continued to face pressure during the first quarter. Malls and shopping centers generally have been experiencing repositioning of retailers to provide a differentiated tenant base that focuses on shopping, eating and dining opportunities that cannot be easily replicated online. That said, the first half of 2019 will likely see an increase in vacancies in shopping centers due to significant store closures by major retailers such as Sears, Gap and J.C. Penney.

## Outlook &amp; Strategy

- Following many years of above-trend growth, most US property sectors have been seeing growth decelerate toward long-term trends as occupancy rates have fully recovered. Specialty segments such as data centers, telecom towers, lab space and timber are likely to post superior growth rates.
- US REITs have remained conservatively leveraged in the context of historical ratios, they have continued to lower average finance costs and, by locking in fixed-rate debt at low interest rates, they have extended debt duration well into the next decade. As a result, the effect of rising rates on profitability is likely to be muted for the next several years.

6. The information provided is not a complete analysis of every material fact regarding any country, market, industry, security or fund. Because market and economic conditions are subject to change, comments, opinions and analyses are rendered as of the date of this material and may change without notice. A portfolio manager's assessment of a particular security, investment or strategy is not intended as individual investment advice or a recommendation or solicitation to buy, sell or hold any security or to adopt any investment strategy; it is intended only to provide insight into the fund's portfolio selection process. Holdings are subject to change.

Portfolio Characteristics<sup>7,8,9</sup>

	Portfolio	S&P US Property Index
Price to Earnings (12-Month Trailing)	34.00x	33.39x
Price to Book	2.59x	2.29x
Price to Cash Flow	16.72x	16.48x
Market Capitalization (Millions in USD)	20,825	17,418

7. The portfolio characteristics listed are based on the fund's underlying holdings, and do not necessarily reflect the fund's characteristics. Due to data limitations all equity holdings are assumed to be the primary equity issue (usually the ordinary or common shares) of each security's issuing company. This methodology may cause small differences between the portfolio's reported characteristics and the portfolio's actual characteristics. In practice, Franklin Templeton's portfolio managers invest in the class or type of security which they believe is most appropriate at the time of purchase. The market capitalization figures for both the portfolio and the benchmark are at the security level, not aggregated up to the main issuer. Information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change.

8. Source: FactSet.

9. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

## Portfolio Diversification

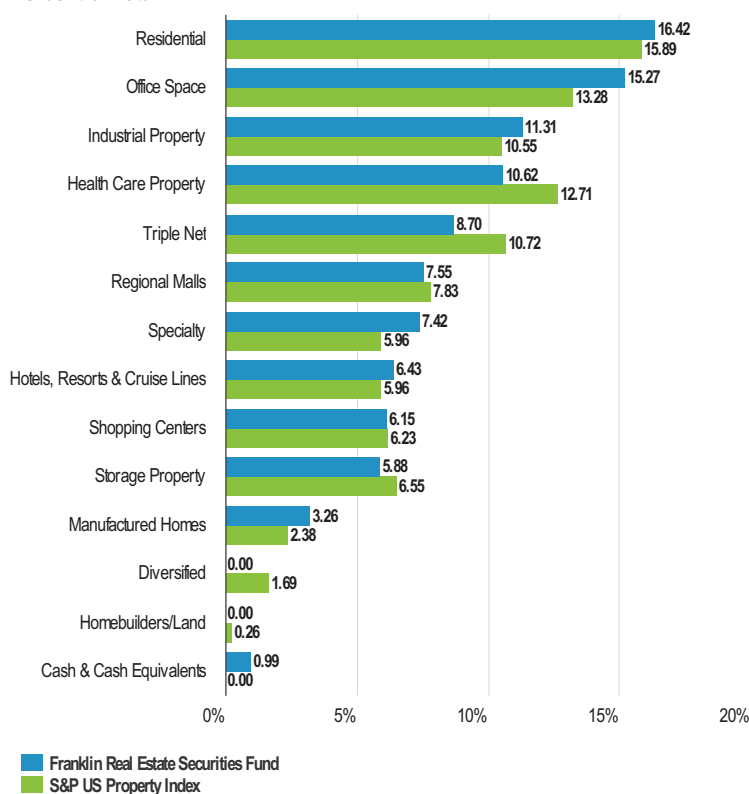
### Top Ten Holdings<sup>10</sup>

Percent of Total

Top Holdings	%
SIMON PROPERTY GROUP INC	6.89
PROLOGIS INC	6.53
EQUITY RESIDENTIAL	5.49
AVALONBAY COMMUNITIES INC	4.46
WELLTOWER INC	4.17
REALTY INCOME CORP	3.74
BOSTON PROPERTIES INC	3.56
ALEXANDRIA REAL ESTATE EQUITIES INC	3.45
DIGITAL REALTY TRUST INC	3.41
CAMDEN PROPERTY TRUST	3.26

### Sector Weightings vs. S&P US Property Index<sup>11,12</sup>

Percent of Total



## Supplemental Performance Statistics

### Supplemental Risk Statistics<sup>13,14</sup>

	3 Yrs	5 Yrs	10 Yrs
Standard Deviation (%)	13.57	14.46	18.14
Tracking Error (%)	1.52	1.45	1.84
Information Ratio	-0.93	-0.41	-0.67
Beta	0.98	0.99	0.95
Sharpe Ratio	0.24	0.51	0.92

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## Investment Philosophy

When it comes to our approach to investing in listed real estate, the managers believe:

- Opportunities exist in property companies with compelling risk/reward potential, as identified by our fundamental analysis
- Pricing inefficiencies can occur in listed property and can be exploited
- Strong performance can come from a disciplined investment process

10. Holdings of the same issuers have been combined, unless otherwise noted. Top ten holdings information is historical and may not reflect current or future portfolio characteristics. All holdings are subject to change. The information provided is not a recommendation to purchase, sell, or hold any particular security. The information provided is not a recommendation to purchase, sell, or hold any particular security. The securities identified do not represent the fund's entire holdings and in the aggregate may represent only a small percentage of such holdings. There is no assurance that securities purchased will remain in the fund or that the securities sold will not be purchased. In addition, it should not be assumed that any securities transactions discussed were or will prove to be profitable. The portfolio manager for the fund reserves the right to withhold release of information with respect to holdings that would otherwise be included.

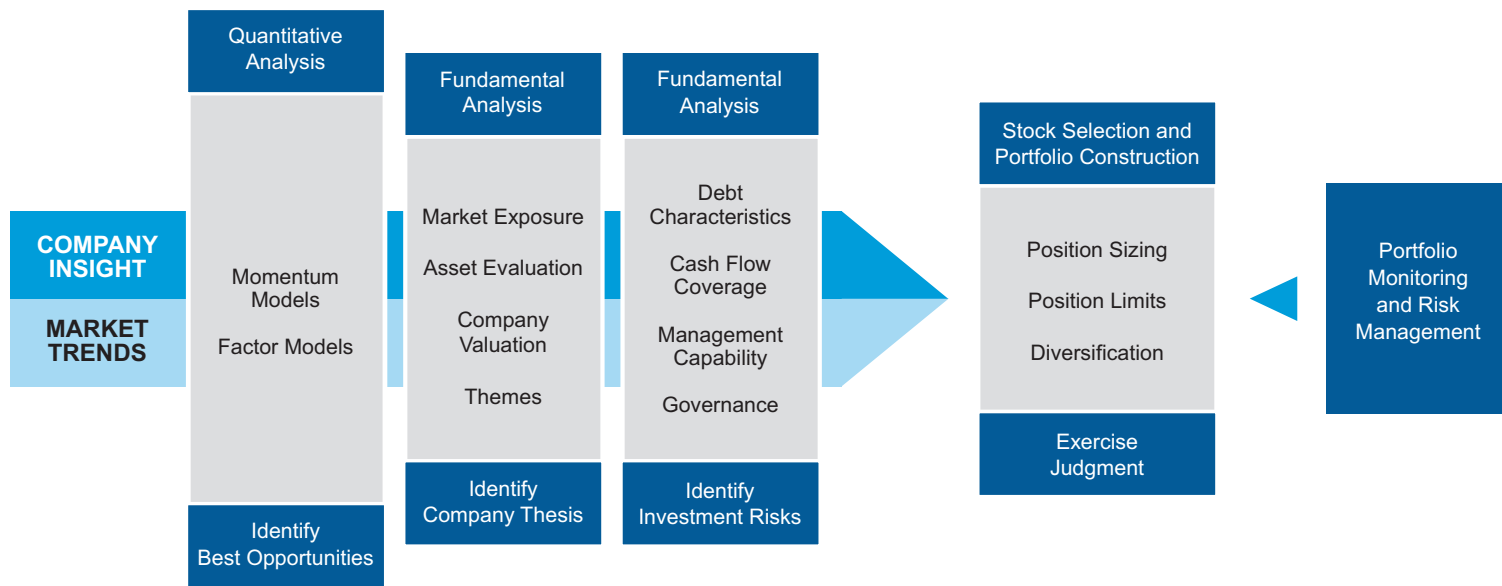
11. Information is historical and may not reflect current or future portfolio characteristics. Percentage may not equal 100% due to rounding. All holdings are subject to change.

12. Source for Index: FactSet. Indexes are unmanaged, and one cannot invest directly in an index. They do not reflect any fees, expenses or sales charges.

13. Beta, Information Ratio and Tracking Error information are measured against the S&P US Property Index.

14. Information Ratio is a way to evaluate a manager's ability to outperform a benchmark in relation to the risk that manager is assuming, with risk defined as deviation from the benchmark. This measure is calculated by dividing the portfolio's excess return (portfolio return less the benchmark return) by the tracking error (derived by taking the standard deviation of the monthly differences between the portfolio return and the benchmark return over time).

## Investment Process



## Investment Team

Portfolio Manager	Years with Firm	Years Experience
Wilson Magee, Director of Global Real Estate and Infrastructure Securities	8	37
Daniel Scher, Research Analyst/Portfolio Manager	16	19
Murat Sensoy, CFA, Research Analyst/Portfolio Manager	6	16
Additional Resources		
Investment Risk Management Group	Research Associates	Global Portfolio Compliance
Global Trading Platform		

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

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

**Market Capitalization:** A determination of a company's value, calculated by multiplying the total number of company stock shares outstanding by the price per share. Market capitalization is expressed in millions of USD.

**Price to Book Value:** The price per share of a stock divided by its book value (i.e., net worth) per share. For a portfolio, the value represents a weighted average of the stocks it holds.

**Price to Cash Flow:** Supplements price/earnings ratio as a measure of relative value for a stock. For a portfolio, the value represents a weighted average of the stocks it holds.

**Price to Earnings (12-mo Trailing):** The share price of a stock, divided by its per-share earnings over the past year. For a portfolio, the value represents a weighted average of the stocks it holds.

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

**Standard Deviation:** A measure of the degree to which returns vary from the average of its previous returns. The larger the standard deviation, the greater the likelihood (and risk) that performance will fluctuate from the average return.

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

**What Are The Risks?**

All investments involve risks, including possible loss of principal. Franklin Real Estate Securities Fund's concentration in real estate securities involves special risks, such as declines in the value of real estate and increased susceptibility to adverse economic or regulatory developments affecting the sector. The fund's investments in REITs involves additional risks, since REITs typically are invested in a limited number of projects or in a particular market segment they are more susceptible to adverse developments affecting a single project or market segment than more broadly diversified investments. These and other risks are described more fully in the fund's prospectus.

**Important Legal Information**

*Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a summary prospectus and/or prospectus, which contains this and other information, talk to your financial advisor, call us at (800) DIAL BEN/342-5236 or visit [franklintempleton.com](http://franklintempleton.com). Please carefully read a prospectus before you invest or send money.*

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3. Effective 12/31/1996, the fund began offering Advisor Class Shares. For periods prior to the fund's Advisor Class inception date, a restated figure is used based on the fund's oldest share class, 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 the fund's Advisor Class inception date, actual Advisor Class performance is used, reflecting all charges and fees applicable to that class.



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