FRANKLIN TEMPLETON INVESTMENTS

Annual Report and Shareholder Letter
May 31, 2015

Franklin Pelagos Commodities Strategy Fund

A SERIES OF FRANKLIN ALTERNATIVE STRATEGIES FUNDS

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Franklin Templeton Investments

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At Franklin Templeton Investments, we're dedicated to one goal: delivering exceptional asset management for our clients. By bringing together multiple, world-class investment teams in a single firm, we're able to offer specialized expertise across styles and asset classes, all supported by the strength and resources of one of the world's largest asset managers. This has helped us to become a trusted partner to individual and institutional investors across the globe.

Focus on Investment Excellence

At the core of our firm, you'll find multiple independent investment teams—each with a focused area of expertise—from traditional to alternative strategies and multi-asset solutions. And because our portfolio groups operate autonomously, their strategies can be combined to deliver true style and asset class diversification.

All of our investment teams share a common commitment to excellence grounded in rigorous, fundamental research and robust, disciplined risk management. Decade after decade, our consistent, research-driven processes have helped Franklin Templeton earn an impressive record of strong, long-term results.

Global Perspective Shaped by Local Expertise

In today's complex and interconnected world, smart investing demands a global perspective. Franklin Templeton pioneered international investing over 60 years ago, and our expertise in emerging markets spans more than a quarter of a century. Today, our investment professionals are on the ground across the globe, spotting investment ideas and potential risks firsthand. These locally based teams bring in-depth understanding of local companies, economies and cultural nuances, and share their best thinking across our global research network.

Strength and Experience

Franklin Templeton is a global leader in asset management serving clients in over 150 countries.[1] We run our business with the same prudence we apply to asset management, staying focused on delivering relevant investment solutions, strong long-term results and reliable, personal service. This approach, focused on putting clients first, has helped us to become one of the most trusted names in financial services.

1. As of 12/31/14. Clients are represented by the total number of shareholder accounts.

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Shareholder Letter

Dear Shareholder:

The U.S. economy continued to recover during the 12 months ended May 31, 2015. Global financial liquidity remained high as major developed market central banks maintained their accommodative monetary policies and certain emerging market central banks eased monetary policies. Investor concerns persisted about moderating global economic growth and geopolitical tensions in certain regions. Additionally, the devaluation of many foreign currencies against the U.S. dollar contributed to market volatility and hindered returns of many assets in U.S. dollar terms. Commodities, as measured by the Bloomberg Commodity Index, declined 24.55% for the 12-month period, as strong production growth in many commodities outpaced demand growth.[1,2]

We remained encouraged as the U.S. economy continued to show signs of improvement and many developed and emerging market countries implemented measures to support growth. With this economic environment, we believe that demand for a variety of U.S. and international commodities should expand in line with ongoing global economic recovery, population increases and urbanization trends. Keep in mind, in all economic environments we remain committed to our fundamental and quantitative investment process. With its focus on commodities, the Fund can help further diversify investors' portfolios heavily weighted in stocks and bonds.

Franklin Pelagos Commodities Strategy Fund's annual report 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 from the portfolio managers. Please remember all securities markets fluctuate, as do mutual fund share prices.

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 recognize the important role financial advisors serve in today's markets and encourage investors to continue to seek their counsel. While headwinds remain and the global recovery since 2009 may continue to be uneven, we are confident investors with a well-diversified portfolio and a patient, long-term outlook will be well positioned for the years ahead.

1. Source: Morningstar.
2. Prior to 7/1/14, the index was known as the Dow Jones-UBS Commodity Index.
See www.franklintempletondatasources.com for additional data provider information.

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

Sincerely,

William Y. Yun, CFA
President and Chief Executive Officer – Investment Management
Franklin Alternative Strategies Funds

This letter reflects our analysis and opinions as of May 31, 2015. 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.

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Annual Report

Franklin Pelagos Commodities Strategy Fund

This annual report for Franklin Pelagos Commodities Strategy Fund covers the fiscal year ended May 31, 2015.

Your Fund's Goal and Main Investments

The Fund seeks long-term total return. It invests mainly in commodity-linked derivative instruments and securities of the U.S. government, its agencies and instrumentalities and other fixed income securities.

Performance Overview

The Fund's Class A shares had a -24.58% cumulative total return for the 12 months under review. In comparison, the benchmark Bloomberg Commodity Index, which measures performance of exchange-traded futures contracts on physical commodities, had a -24.55% total return for the same period.[1,2]

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.*

What is a futures contract?

A futures contract is an agreement between the Fund and a counterparty made through a U.S. or foreign futures exchange to buy or sell an underlying instrument or asset at a specific price on a future date.

Economic and Market Overview

U.S. economic growth moderated during the 12 months under review, especially in the second half of the period. The economy grew for most of 2014, supported in some quarters by greater spending by consumers, businesses, and state and local governments, partially offset by the effects of a wider trade deficit and lower federal defense spending. In 2015's first quarter, U.S. dollar strength, low energy prices and a labor dispute at West Coast ports led exports to decline. Lower business investment and state and local government spending also weighed on the economy, while increases in consumer spending and private inventory investment offered some support. Manufacturing and non-manufacturing activities increased during the period, and the unemployment rate declined from 6.3% in May 2014 to 5.5% at period-end.[3] Housing market data were generally encouraging as home sales and prices rose amid declining mortgage rates. After a brief, winter slump, retail sales rebounded in the spring as strong employment gains led to broad-based improvement, especially for auto and gas sales. Inflation, as measured by the Consumer Price Index, remained subdued due to lower energy prices.

In October, the U.S. Federal Reserve Board (Fed) ended its expansion of its bond buying program and kept its target interest rate at 0%–0.25% while considering when it might be appropriate to raise it. In its April meeting, the Fed attributed the economy's first-quarter slowdown to transitory factors. The Fed reiterated that it would raise interest rates when it saw further improvement in the labor market and was reasonably confident that inflation would move back to its 2% objective over the medium term.

Investor confidence grew during the period as corporate profits remained healthy, the Fed maintained its cautious tone on raising interest rates and China introduced more stimulus measures. The stock markets endured some sell-offs when many investors reacted to Greece's debt negotiations, political instability and geopolitical tensions in certain regions, and relatively weak economic growth in Europe and Japan, as well as less robust growth in China. U.S. stocks rose overall for the 12 months under review, as measured by the Standard & Poor's® 500 Index. Commodity prices generally declined for the period, as measured by the Bloomberg Commodity Index, as a moderating global economy and growing production led to excess supplies of oil and other commodities. In addition, U.S. dollar strength for most of the period exacerbated the impact of weakening supply-and-demand fundamentals.

1. Source: Morningstar.
2. Prior to 7/1/14, the index was known as the Dow Jones-UBS Commodity Index.
The index is unmanaged and includes reinvested dividends. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.
3. Source: Bureau of Labor Statistics.
See www.franklintempletondatasources.com for additional data provider information.

The dollar value, number of shares or principal amount, and names of all portfolio holdings are listed in the Fund's Consolidated Statement of Investments (SOI). The Consolidated SOI begins on page 19.

Investment Strategy

We utilize an actively managed fundamental and quantitative investment process to provide exposure to the commodities markets by investing in commodity-linked derivative instruments including commodity-linked total return swaps, commodity futures, commodity index futures and options on commodities and commodity index futures, which may provide exposure to foreign and emerging markets. By investing in these derivative instruments, we seek to gain exposure to the returns of real assets that trade in the commodities markets without direct investment in physical commodities. Real assets include such things as industrial and precious metals, gas, oil, livestock, agricultural or meat products and other items.

What is a swap agreement?

A swap agreement, such as a commodity-linked total return swap, is a contract between the Fund and a counterparty to exchange on a future date the returns, or differentials in rates of return, that would have been earned or realized if a notional amount were invested in specific instruments.

What is an option?

An option is a contract to buy or sell a specific financial product known as the option's underlying instrument at a specific price. The buyer of an option has the right, but not the obligation, to buy or sell the underlying instrument at or until a specified expiration date. Conversely, the seller ("writer") of an option who opens a transaction is obligated to buy or sell the underlying instrument should the option holder exercise that right.

Portfolio Breakdown*

5/31/15

	% of Consolidated Net Assets
U.S. Treasury Bills	47.7%
Federal Farm Credit Bank	32.2%
U.S. Treasury Notes	19.6%
Institutional Fiduciary Trust Money Market Portfolio	1.4%
Federal Home Loan Bank	0.6%
Other Assets, less Liabilities**	-1.5%

*Figures are stated as a percentage of total and may not equal 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

**Includes unrealized appreciation/depreciation on open futures and swap contracts, as well as other assets and liabilities. See supplementary commodity exposure tables on page 5 for additional information related to the Fund's economic exposure to commodities.

Manager's Discussion

During its fiscal year, the Fund obtained its commodities exposure through swaps on commodities indexes and through commodities futures and options on commodities futures. These exposures were supported with U.S. Treasury bills and other fixed income securities.

During the period under review, commodity returns were generally negative, with a few exceptions, driven by ample global supply as consumption growth for most commodities failed to keep pace with production growth. A rising U.S. dollar provided further headwinds to commodity prices. Energy markets faced robust U.S. production growth of crude oil and natural gas, while China's increased industrial metals production dampened the country's import demand. World production of key grains reached record levels during the period, and global precious metals production growth continued. A major detractor from the Fund's absolute return was the Fund's positioning in the energy sector, followed by agriculture. The Fund performed largely in line with the benchmark Bloomberg Commodity Index, as the Fund's positioning in agriculture and livestock contributed relative to the index, while overall positioning in energy, precious metals and industrial metals detracted from relative performance.

Within the energy sector, despite U.S. production growth, the Organization of the Petroleum Exporting Countries chose in November not to slow production to help balance supply and demand, causing global petroleum markets to fall. Although geopolitical risk and a high rate of European weather-driven demand provided glimmers of price support at times during the period, the market grappled with global oversupply and a surge in U.S. crude oil inventories. Over the period, Fund positioning in crude oil products such as heating oil and gasoline contributed to absolute and relative returns, while positioning in crude oil detracted, with overall petroleum positioning detracting from returns. The U.S. natural gas market benefited from record-low winter temperatures in the northeast that somewhat tempered the effect of production growth. U.S. natural gas storage finished the latest withdrawal season (from November 2014 through March 2015) below five-year average levels, but not nearly at the prior season's levels. Fund positioning in natural gas detracted from absolute and relative returns.

Chinese refined-copper consumption has grown to a level roughly equal to that of the rest of the world combined, and recent consumption growth has been met with domestic production growth. Although the Fund's copper positioning detracted from absolute performance, it benefited relative performance.

China dominated world zinc-slab production growth during the period, with production in the rest of the world showing evidence of contraction, which provided support for zinc prices. However, Fund positioning in zinc detracted from relative performance. In the precious metals sector, total known exchange-traded fund holdings of gold and silver declined modestly, indicating lackluster investor support for the metals. Fund positioning in gold, silver and palladium over the period detracted from absolute and relative returns.

U.S. corn production reached a record level for the 12-month period, as did soybean production, with favorable 2014 summer weather enhancing crop yields. Wheat, which has a more diverse production base, had a record global crop yield resulting from increases in Russia and Asian countries. Fund positioning in cotton, soybean oil and corn provided positive contributions to absolute and relative returns over the period. Conversely, Fund positioning in wheat and winter wheat detracted from absolute and relative performance. Low feedlot placements and marketing costs supported live cattle prices, and the Fund's positioning in live cattle contributed to absolute and relative returns for the period.

Fund Exposure to Commodities

The following table summarizes the Fund's economic exposure to commodities derived through its investment in commodity-linked total return swap contracts. At May 31, 2015, the Fund's exposure based on notional value represented 80.7% of consolidated net assets.

Commodity-Linked Total Return Swap Exposure*

	% of Consolidated Net Assets
WTI Crude Oil	18.1%
Gold	13.1%
Heating Oil	9.4%
Natural Gas	8.8%
Copper	7.6%
Soybeans	7.1%
Soybean Meal	5.5%
Soybean Oil	4.8%
Sugar	3.2%
Live Cattle	3.1%

*Figures are stated as a percentage of total and may not equal 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors. The Fund's exposure was calculated using the commodity sector weightings of the FP Custom Master Index multiplied by the Fund's percentage notional exposure.

The following table summarizes the Fund's economic exposure to commodities derived through its investment in futures contracts. At May 31, 2015, the Fund's exposure based on notional value represented 18.3% of consolidated net assets.

Commodity Futures Exposure*

	% of Consolidated Net Assets Long
Gold	6.6%
Sugar	4.9%
Silver	4.0%
Live Cattle	2.8%

*Figures are stated as a percentage of total and may not equal 100% or may be negative due to rounding, use of any derivatives, unsettled trades or other factors.

As fellow shareholders, we were disappointed with the Fund's absolute performance in the recent challenging environment for commodities. However, we remain committed to our active investment process and long-term perspective, keeping in mind that volatility is not uncommon for commodities markets. Thank you for your continued participation in Franklin Pelagos Commodities Strategy Fund. We look forward to continuing to serve your financial needs.

Stephen P. Burke

John C. Pickart, CFA

Wayne D. Ryan, CAIA

Portfolio Management Team

The foregoing information reflects our analysis, opinions and portfolio holdings as of May 31, 2015, 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 May 31, 2015

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 and graphs do 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.

Net Asset Value

Share Class (Symbol)	**5/31/15**	**5/31/14**	**Change**
A (FLSQX)	$7.12	$9.44	-$2.32
C (FLSVX)	$7.05	$9.41	-$2.36
R (FLSWX)	$7.10	$9.44	-$2.34
R6 (FPELX)	$7.16	$9.46	-$2.30
Advisor (FSLPX)	$7.25	$9.58	-$2.33

Performance as of 5/31/15[1]

Cumulative total return excludes sales charges. 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.*

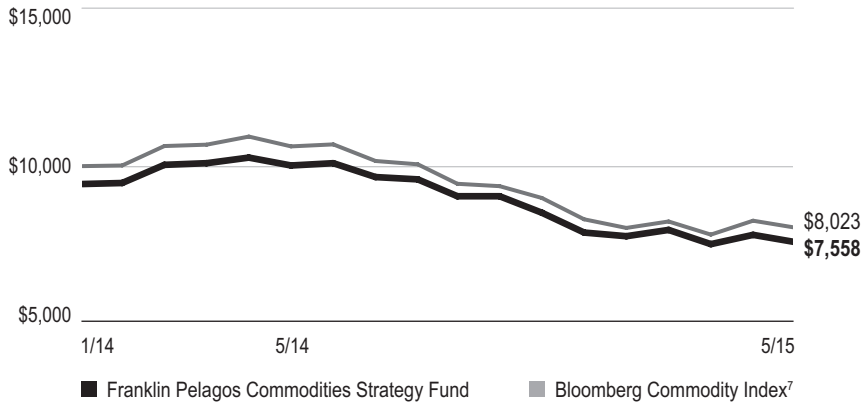
Share Class	Cumulative Total Return[2]	Average Annual Total Return[3]	Value of $10,000 Investment[4]	Average Annual Total Return (6/30/15)[5]	Total Annual Operating Expenses[6] (with waiver)	Total Annual Operating Expenses[6] (without waiver)
A					1.25%	3.58%
1-Year	-24.58%	-28.94%	$7,106	-28.54%		
Since Inception (1/10/14)	-19.82%	-18.28%	$7,558	-16.65%		
C					1.95%	4.28%
1-Year	-25.08%	-25.83%	$7,417	-25.46%		
Since Inception (1/10/14)	-20.61%	-15.34%	$7,939	-13.88%		
R					1.45%	3.78%
1-Year	-24.79%	-24.79%	$7,521	-24.32%		
Since Inception (1/10/14)	-20.05%	-14.90%	$7,995	-13.39%		
R6					0.86%	1.78%
1-Year	-24.31%	-24.31%	$7,569	-23.84%		
Since Inception (1/10/14)	-19.37%	-14.38%	$8,063	-12.90%		
Advisor					0.95%	3.28%
1-Year	-24.32%	-24.32%	$7,568	-23.94%		
3-Year	-20.76%	-7.47%	$7,924	-8.69%		
Since Inception (12/7/11)	-27.50%	-8.82%	$7,250	-8.31%		

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.***

Total Return Index Comparison for a Hypothetical $10,000 Investment[1]

Total return represents the change in value of an investment over the periods shown. It includes any applicable maximum sales charge, Fund expenses, account fees and reinvested distributions. The unmanaged index includes reinvestment of any income or distributions. It differs from the Fund in composition and does not pay management fees or expenses. One cannot invest directly in an index.

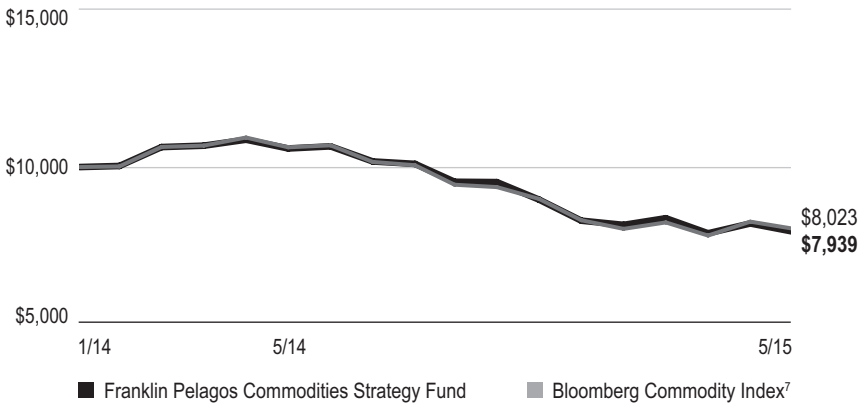
Class A (1/10/14–5/31/15)



Average Annual Total Return

Class A	5/31/15
1-Year	-28.94%
Since Inception (1/10/14)	-18.28%

Class C (1/10/14–5/31/15)

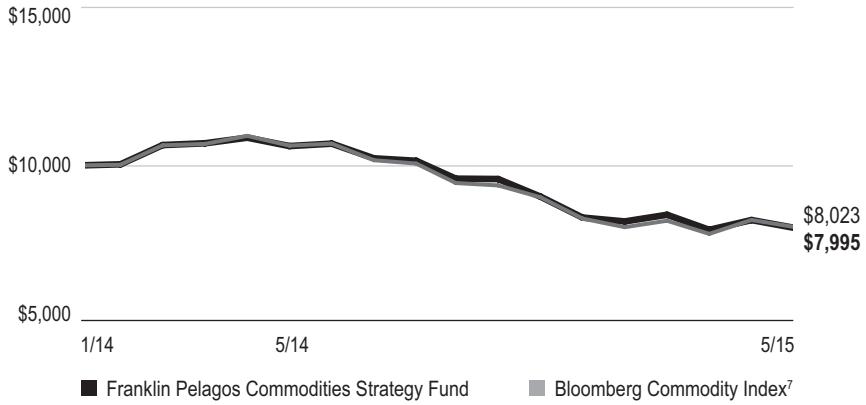


Average Annual Total Return

Class C	5/31/15
1-Year	-25.83%
Since Inception (1/10/14)	-15.34%

Total Return Index Comparison for a Hypothetical $10,000 Investment[1] (continued)

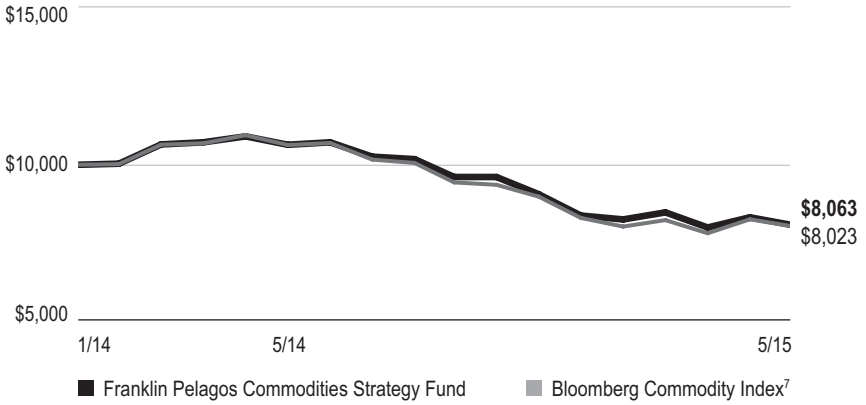
Class R (1/10/14–5/31/15)



Average Annual Total Return

Class R	5/31/15
1-Year	-24.79%
Since Inception (1/10/14)	-14.90%

Class R6 (1/10/14–5/31/15)

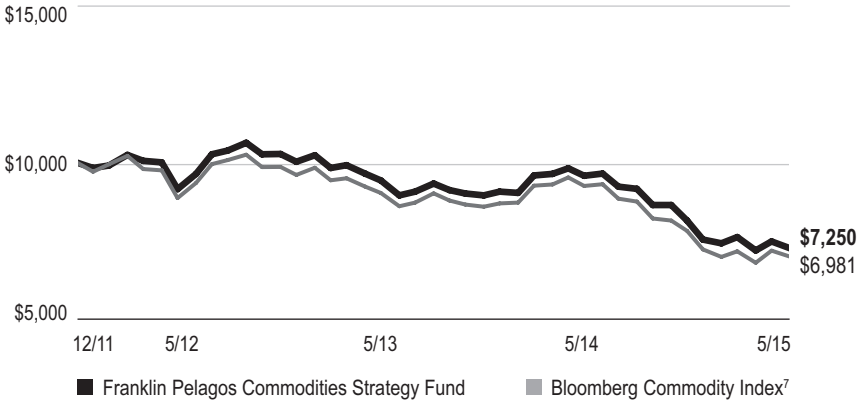


Average Annual Total Return

Class R6	5/31/15
1-Year	-24.31%
Since Inception (1/10/14)	-14.38%

Total Return Index Comparison for a Hypothetical $10,000 Investment[1] (continued)

Advisor Class (12/7/11–5/31/15)



Average Annual Total Return

Advisor Class	5/31/15
1-Year	-24.32%
3-Year	-7.47%
Since Inception (12/7/11)	-8.82%

All investments involve risks, including possible loss of principal. Investing in physical commodities, either directly or through complex instruments such as commodity-linked total return swaps, commodity futures, commodity index futures and options on commodities and commodities index futures, presents unique risks, is speculative and can be extremely volatile. Market prices of commodities may fluctuate rapidly based on numerous factors, including: changes in supply and demand relationships; weather; agriculture; trade; domestic and foreign political and economic events and policies; diseases; pestilence; technological developments; and monetary and other governmental policies, action and inaction. Derivatives instruments involve costs and can create economic leverage in the Fund's portfolio, which may result in significant volatility and cause the Fund to participate in losses (as well as gains) in an amount that significantly exceeds the Fund's initial investment. The Fund may not achieve the anticipated benefits and may realize losses when a counterparty fails to perform as promised. Bond prices generally move in the opposite direction of interest rates. Thus, as prices of bonds in the Fund adjust to a rise in interest rates, the Fund's share price may decline. Foreign investing carries additional risks such as currency and market volatility and political, social and economic instability, risks that are heightened in less developed or emerging market countries. The Fund is actively managed but there is no guarantee that the manager's investment decisions will produce the desired results. The Fund's prospectus also includes a description of the main investment risks.

Class C: 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. The Fund has an expense reduction contractually guaranteed through at least 9/30/15, a fee waiver related to the management fee paid by a subsidiary and a fee waiver associated with any investment in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year-end. Fund investment results reflect the expense reduction and fee waivers, to the extent applicable; without these reductions, the results would have been lower.
2. Cumulative total return represents the change in value of an investment over the periods indicated.
3. Average annual total return represents the average annual change in value of an investment over the periods indicated.
4. These figures represent the value of a hypothetical $10,000 investment in the Fund over the periods indicated.
5. In accordance with SEC rules, we provide standardized average annual total return information through the latest calendar quarter.
6. Figures are as stated in the Fund's current prospectus. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.
7. Source: Morningstar. The Bloomberg Commodity Index comprises exchange-traded futures on physical commodities, which are weighted to account for economic significance and market liquidity.

See www.franklintempletondatasources.com for additional data provider information.

Your Fund's Expenses

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

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

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

Actual Fund Expenses

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

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

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

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

Hypothetical Example for Comparison with Other Funds

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

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.

Share Class	Beginning Account Value 12/1/14	Ending Account Value 5/31/15	Expenses Paid During Period* 12/1/14–5/31/15
A			
Actual	$1,000	$ 888.90	$5.89
Hypothetical (5% return before expenses)	$1,000	$1,018.70	$6.29
C			
Actual	$1,000	$ 885.50	$9.17
Hypothetical (5% return before expenses)	$1,000	$1,015.21	$9.80
R			
Actual	$1,000	$ 888.60	$6.83
Hypothetical (5% return before expenses)	$1,000	$1,017.70	$7.29
R6			
Actual	$1,000	$ 890.50	$4.05
Hypothetical (5% return before expenses)	$1,000	$1,020.64	$4.33
Advisor			
Actual	$1,000	$ 890.70	$4.48
Hypothetical (5% return before expenses)	$1,000	$1,020.19	$4.78

*Expenses are calculated using the most recent six-month expense ratio, net of expense waivers, annualized for each class (A: 1.25%; C: 1.95%; R: 1.45%; R6: 0.86%; and Advisor: 0.95%), multiplied by the average account value over the period, multiplied by 182/365 to reflect the one-half year period.

Consolidated Financial Highlights

Franklin Pelagos Commodities Strategy Fund

	Year Ended May 31,	
	2015	2014[a]
Class A		
Per share operating performance (for a share outstanding throughout the year)		
Net asset value, beginning of year	$9.44	$8.88
Income from investment operations[b]:		
Net investment income (loss)[c]	(0.09)	(0.08)
Net realized and unrealized gains (losses)	(2.23)	0.64
Total from investment operations	(2.32)	0.56
Net asset value, end of year	$7.12	$9.44
Total return[d]	(24.58)%	6.31%
Ratios to average net assets[e]		
Expenses before waiver, payments by affiliates and expense reduction	2.05%	3.38%
Expenses net of waiver, payments by affiliates and expense reduction[f]	1.25%	1.25%
Net investment income (loss)	(0.94)%	(0.94)%
Supplemental data		
Net assets, end of year (000's)	$2,080	$601
Portfolio turnover rate	62.10%	34.28%

[a]For the period January 10, 2014 (commencement of operations) to May 31, 2014.

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

[c]Based on average daily shares outstanding.

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

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

[f]Benefit of expense reduction rounds to less than 0.01%.

Franklin Pelagos Commodities Strategy Fund (continued)

	Year Ended May 31,	
	2015	2014[a]
Class C		
Per share operating performance (for a share outstanding throughout the year)		
Net asset value, beginning of year	$9.41	$8.88
Income from investment operations[b]:		
Net investment income (loss)[c]	(0.15)	(0.09)
Net realized and unrealized gains (losses)	(2.21)	0.62
Total from investment operations	(2.36)	0.53
Net asset value, end of year	$7.05	$9.41
Total return[d]	(25.08)%	5.97%
Ratios to average net assets[e]		
Expenses before waiver, payments by affiliates and expense reduction	2.75%	4.08%
Expenses net of waiver, payments by affiliates and expense reduction[f]	1.95%	1.95%
Net investment income (loss)	(1.64)%	(1.64)%
Supplemental data		
Net assets, end of year (000's)	$377	$60
Portfolio turnover rate	62.10%	34.28%

[a]For the period January 10, 2014 (commencement of operations) to May 31, 2014.

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

[c]Based on average daily shares outstanding.

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

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

[f]Benefit of expense reduction rounds to less than 0.01%.

Franklin Pelagos Commodities Strategy Fund (continued)

	Year Ended May 31,	
	2015	2014[a]
Class R		
Per share operating performance (for a share outstanding throughout the year)		
Net asset value, beginning of year	$9.44	$8.88
Income from investment operations[b]:		
Net investment income (loss)[c]	(0.10)	(0.06)
Net realized and unrealized gains (losses)	(2.24)	0.62
Total from investment operations	(2.34)	0.56
Net asset value, end of year	$7.10	$9.44
Total return[d]	(24.79)%	6.31%
Ratios to average net assets[e]		
Expenses before waiver, payments by affiliates and expense reduction	2.27%	3.58%
Expenses net of waiver, payments by affiliates and expense reduction[f]	1.47%	1.45%
Net investment income (loss)	(1.16)%	(1.14)%
Supplemental data		
Net assets, end of year (000's)	$4	$5
Portfolio turnover rate	62.10%	34.28%

[a]For the period January 10, 2014 (commencement of operations) to May 31, 2014.

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

[c]Based on average daily shares outstanding.

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

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

[f]Benefit of expense reduction rounds to less than 0.01%.

Franklin Pelagos Commodities Strategy Fund (continued)

	Year Ended May 31,	
	2015	2014[a]
Class R6		
Per share operating performance (for a share outstanding throughout the year)		
Net asset value, beginning of year	$9.46	$8.88
Income from investment operations[b]:		
Net investment income (loss)[c]	(0.04)	(0.03)
Net realized and unrealized gains (losses)	(2.26)	0.61
Total from investment operations	(2.30)	0.58
Net asset value, end of year	$7.16	$9.46
Total return[d]	(24.31)%	6.53%
Ratios to average net assets[e]		
Expenses before waiver, payments by affiliates and expense reduction	1.53%	1.58%
Expenses net of waiver, payments by affiliates and expense reduction[f]	0.86%	0.86%
Net investment income (loss)	(0.55)%	(0.55)%
Supplemental data		
Net assets, end of year (000's)	$53,068	$67,732
Portfolio turnover rate	62.10%	34.28%

[a]For the period January 10, 2014 (commencement of operations) to May 31, 2014.

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

[c]Based on average daily shares outstanding.

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

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

[f]Benefit of expense reduction rounds to less than 0.01%.

Franklin Pelagos Commodities Strategy Fund (continued)

	Year Ended May 31,			
	2015	2014	2013	2012[a]
Advisor Class				
Per share operating performance (for a share outstanding throughout the year)				
Net asset value, beginning of year	$9.58	$9.43	$9.15	$10.00
Income from investment operations[b]:				
Net investment income (loss)[c]	(0.07)	(0.05)	(0.08)	(0.05)
Net realized and unrealized gains (losses)	(2.26)	0.20	0.36	(0.80)
Total from investment operations	(2.33)	0.15	0.28	(0.85)
Less distributions from net investment income	—	—	(—)[d]	—
Net asset value, end of year	$7.25	$9.58	$9.43	$ 9.15
Total return[e]	(24.32)%	1.59%	3.06%	(8.50)%
Ratios to average net assets[f]				
Expenses before waiver, payments by affiliates and expense reduction	1.75%	1.88%	1.14%	5.08%
Expenses net of waiver, payments by affiliates and expense reduction	0.95%[g]	1.04%[g]	1.10%	1.10%
Net investment income (loss)	(0.64)%	(0.70)%	(0.76)%	(1.07)%
Supplemental data				
Net assets, end of year (000's)	$248	$126	$107,853	$14,374
Portfolio turnover rate	62.10%	34.28%	21.47%	—%[h]

[a]For the period December 7, 2011 (commencement of operations) to May 31, 2012.

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

[c]Based on average daily shares outstanding.

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

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

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

[g]Benefit of expense reduction rounds to less than 0.01%.

[h]For the period there were no purchases or sales of investments (other than short term securities).

Consolidated Statement of Investments, May 31, 2015

Franklin Pelagos Commodities Strategy Fund

	Principal Amount	Value
U.S. Government and Agency Securities 51.8%		
FFCB, 0.89%, 10/23/17	$18,000,000	$17,977,860
U.S. Treasury Notes, 0.25%, 2/29/16	11,000,000	10,928,757
Total U.S. Government and Agency Securities (Cost $28,995,431)		28,906,617
	Number of Contracts	
Options Purchased (Cost $76,609) 0.0%†		
Puts — Exchange-Traded		
[a] WTI Crude Oil Future, June Strike Price $35, Expires 6/17/15	205	2,050
Total Investments before Short Term Investments (Cost $29,072,040)		28,908,667
	Principal Amount	
Short Term Investments 49.7%		
U.S. Government and Agency Securities 48.3%		
[a] FHLB, 6/01/15	$ 320,000	320,000
[b] U.S. Treasury Bills,		
[a,c] 6/25/15	10,900,000	10,899,967
7/23/15	11,200,000	11,200,000
2/04/16	1,500,000	1,498,760
[a] 3/03/16	3,000,000	2,996,031
Total U.S. Government and Agency Securities (Cost $26,911,507)		26,914,758
	Shares	
Money Market Funds (Cost $787,280) 1.4%		
[d,e] Institutional Fiduciary Trust Money Market Portfolio	787,280	787,280
Total Investments (Cost $56,770,827) 101.5%		56,610,705
[f] **Other Assets, less Liabilities (1.5)%**		(834,438)
Net Assets 100.0%		$55,776,267

†Rounds to less than 0.1% of net assets.

[a]A portion or all of the security is owned by FPC Holdings Corp., a wholly-owned subsidiary of the Fund. See Note 1(c).

[b]The security is traded on a discount basis with no stated coupon rate.

[c]Security or a portion of the security has been pledged as collateral for open futures contracts. At May 31, 2015, the value of this security and/or cash pledged as collateral was $1,664,983, representing 2.99% of net assets.

[d]Non-income producing.

[e]See Note 3(f) regarding investments in Institutional Fiduciary Trust Money Market Portfolio.

[f]Includes unrealized appreciation/depreciation on open commodity futures and swap contracts, as well as other assets and liabilities.

Franklin Pelagos Commodities Strategy Fund (continued)

At May 31, 2015, the Fund had the following futures contracts outstanding. See Note 1(b).

Futures Contracts[a]

Description	Type	Number of Contracts	Notional Value	Expiration Date	Unrealized Appreciation	Unrealized Depreciation
Commodity Contracts						
Gold	Long	31	$ 3,688,380	8/27/15	$ 2,384	$ —
Live Cattle	Long	26	1,573,260	8/31/15	—	(18,551)
Silver	Long	27	2,254,635	7/29/15	6,126	—
Sugar	Long	202	2,710,355	6/30/15	5,457	—
Totals			$10,226,630		$13,967	$(18,551)
Net unrealized appreciation (depreciation)						$ (4,584)

At May 31, 2015, the Fund had the following commodity-linked total return swap contracts outstanding. See Note 1(b).

Commodity-Linked Total Return Swap Contracts[a]

Underlying Instrument	Pays Fixed Rate	Counterparty	Notional Value	Expiration Date	Unrealized Appreciation	Unrealized Depreciation
OTC Swap Contracts						
Long						
FP Custom Master Index[b]	0.22%	MSCS	$45,013,693	7/1/15	$613,693	$ —
Net unrealized appreciation (depreciation)					$613,693	

[a]A portion or all of the contract is owned by FPC Holdings Corp., a wholly-owned subsidiary of the Fund. See Note 1(c).

[b]Represents a custom index comprised of a basket of underlying instruments. Additional information regarding the custom basket's underlying instruments and their respective values and fees are as follows:

Underlying Instruments	Notional Value[c]	Unrealized Appreciation	Unrealized Depreciation
Bloomberg Commodity Copper Subindex	$ 4,276,301	$ —	$ (60,279)
Bloomberg Commodity Gold Subindex	7,292,218	5,920	—
Bloomberg Commodity Heating Oil Subindex 3 Month Forward	5,266,602	198,968	—
Bloomberg Commodity Live Cattle Subindex	1,710,520	—	(16,324)
Bloomberg Commodity Natural Gas Subindex 3 Month Forward	4,906,493	—	(100,559)
Bloomberg Commodity Soybean Meal Subindex	3,060,931	8,860	—
Bloomberg Commodity Soybean Oil Subindex	2,655,808	103,720	—
Bloomberg Commodity Soybeans Subindex	3,961,205	33,685	—
Bloomberg Commodity Sugar Subindex	1,800,548	5,917	—
Bloomberg Commodity WTI Crude Oil Subindex 3 Month Forward	10,083,067	433,785	—
Total custom index	$45,013,693	$790,855	$(177,162)
Net unrealized appreciation (depreciation)		$613,693	

[c]Notional value represents the fair value of each underlying instrument (including the financing rate fee which is calculated based on the custom swap contract's original notional value of $45,013,693, allocated to each underlying instrument on a pro-rata basis).

See Abbreviations on page 34.

Consolidated Financial Statements

Consolidated Statement of Assets and Liabilities
May 31, 2015

Franklin Pelagos Commodities Strategy Fund

Assets:	
Investments in securities:	
Cost - Unaffiliated issuers	$55,983,547
Cost - Sweep Money Fund (Note 3f)	787,280
Total cost of investments	$56,770,827
Value - Unaffiliated issuers	$55,823,425
Value - Sweep Money Fund (Note 3f)	787,280
Total value of investments	56,610,705
Cash	157,937
Receivables:	
Capital shares sold	10,512
Interest	23,340
Affiliates	3,243
Variation margin	1,135
Unrealized appreciation on OTC swap contracts	613,693
Other assets	20
Total assets	57,420,585
Liabilities:	
Payables:	
Capital shares redeemed	7,510
Management fees	5,260
Distribution fees	853
Due to brokers	1,577,006
Accrued expenses and other liabilities	53,689
Total liabilities	1,644,318
Net assets, at value	$55,776,267
Net assets consist of:	
Paid-in capital	$55,613,970
Accumulated net investment loss	(98,308)
Net unrealized appreciation (depreciation)	448,987
Accumulated net realized gain (loss)	(188,382)
Net assets, at value	$55,776,267

Consolidated Statement of Assets and Liabilities (continued)
May 31, 2015

Franklin Pelagos Commodities Strategy Fund

Class A:	
Net assets, at value	$ 2,079,673
Shares outstanding	291,956
Net asset value per share[a]	$7.12
Maximum offering price per share (net asset value per share ÷ 94.25%)	$7.55
Class C:	
Net assets, at value	$ 376,704
Shares outstanding	53,465
Net asset value and maximum offering price per share[a]	$7.05
Class R:	
Net assets, at value	$ 4,000
Shares outstanding	563
Net asset value and maximum offering price per share	$7.10
Class R6:	
Net assets, at value	$ 53,068,059
Shares outstanding	7,411,482
Net asset value and maximum offering price per share	$7.16
Advisor Class:	
Net assets, at value	$ 247,831
Shares outstanding	34,194
Net asset value and maximum offering price per share	$7.25

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

Consolidated Statement of Operations
for the year ended May 31, 2015

Franklin Pelagos Commodities Strategy Fund

Investment income:	
Interest	$ 187,548
Expenses:	
Management fees (Note 3a)	519,807
Distribution fees: (Note 3c)	
Class A	3,778
Class C	1,622
Class R	24
Transfer agent fees: (Note 3e)	
Class A	2,781
Class C	350
Class R	10
Class R6	2,812
Advisor Class	339
Custodian fees (Note 4)	711
Reports to shareholders	19,002
Registration and filing fees	75,719
Professional fees	84,562
Trustees' fees and expenses	60,311
Amortization of offering costs	168,415
Other	5,694
Total expenses	945,937
Expense reductions (Note 4)	(130)
Expenses waived/paid by affiliates (Notes 3f and 3g)	(410,612)
Net expenses	535,195
Net investment income (loss)	(347,647)
Realized and unrealized gains (losses):	
Net realized gain (loss) from:	
Investments	(9,497)
Written options	(21,720)
Futures contracts	(3,149,212)
Swap contracts	(14,649,254)
Net realized gain (loss)	(17,829,683)
Net change in unrealized appreciation (depreciation) on:	
Investments	(153,728)
Futures contracts	70,720
Swap contracts	985,661
Net change in unrealized appreciation (depreciation)	902,653
Net realized and unrealized gain (loss)	(16,927,030)
Net increase (decrease) in net assets resulting from operations	$(17,274,677)

Consolidated Statements of Changes in Net Assets

Franklin Pelagos Commodities Strategy Fund

	Year Ended May 31,	
	2015	2014
Increase (decrease) in net assets:		
Operations:		
Net investment income (loss)	$ (347,647)	$ (607,541)
Net realized gain (loss)	(17,829,683)	(1,896,955)
Net change in unrealized appreciation (depreciation)	902,653	812,201
Net increase (decrease) in net assets resulting from operations	(17,274,677)	(1,692,295)
Capital share transactions: (Note 2)		
Class A	1,790,679	603,708
Class C	355,889	60,381
Class R	—	5,000
Class R6	2,216,679	63,196,459
Advisor Class	163,257	(101,501,673)
Total capital share transactions	4,526,504	(37,636,125)
Net increase (decrease) in net assets	(12,748,173)	(39,328,420)
Net assets:		
Beginning of year	68,524,440	107,852,860
End of year	$ 55,776,267	$ 68,524,440
Accumulated net investment loss included in net assets:		
End of year	$ (98,308)	$ (669,898)

Notes to Consolidated Financial Statements

Franklin Pelagos Commodities Strategy Fund

1. Organization and Significant Accounting Policies

Franklin Alternative Strategies Funds (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of two separate funds and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). Franklin Pelagos Commodities Strategy Fund (Fund) is included in this report. The financial statements of the remaining fund in the Trust is presented separately. The Fund offers five classes of shares: Class A, Class C, Class R, Class R6 and Advisor Class. 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 following summarizes the Fund's significant accounting policies.

a. Financial Instrument Valuation

The Fund's 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. The Fund calculates the net asset value (NAV) per share at the close of the New York Stock Exchange (NYSE), generally at 4 p.m. Eastern time (NYSE close) on each day the NYSE is open for trading. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Fund's administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation and Liquidity Oversight Committee (VLOC). The VLOC provides administration and oversight of the Fund's valuation policies and procedures, which are approved annually by the Board. Among other things, these procedures allow the Fund to utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Debt securities generally trade in the over-the-counter (OTC) market rather than on a securities exchange. The Fund's pricing services use multiple valuation techniques to determine fair value. In instances where sufficient market activity exists, the pricing services may utilize a market-based approach through which quotes from market makers are used to determine fair value. In instances where sufficient market activity may not exist or is limited, the pricing services also utilize proprietary valuation models which may consider market characteristics such as benchmark yield curves, credit spreads, estimated default rates, anticipated market interest rate volatility, coupon rates, anticipated timing of principal repayments, underlying collateral, and other unique security features in order to estimate the relevant cash flows, which are then discounted to calculate the fair value. Investments in open-end mutual funds are valued at the closing NAV.

Derivative financial instruments (derivatives) listed on an exchange are valued at the official closing price of the day. Certain derivatives trade in the OTC market. The Fund's pricing services use various techniques including industry standard option pricing models and proprietary discounted cash flow models to determine the fair value of those instruments. The Fund's net benefit or obligation under the derivative contract, as measured by the fair value of the contract, is included in net assets.

The Fund has procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the VLOC convenes on a regular basis to review such financial instruments and considers a number of factors, including significant unobservable valuation inputs, when arriving at fair value. The VLOC primarily employs a market-based approach which may use related or comparable assets or liabilities, recent transactions, market multiples, book values, and other relevant information for the investment to determine the fair value of the investment. An income-based valuation approach may also be used in which the anticipated future cash flows of the investment are discounted to calculate fair value. Discounts may also be applied due to the nature or duration of any restrictions on the disposition of the investments. Due to the inherent uncertainty of valuations of such investments, the fair values may differ significantly from the values that would have been used had an active market existed. The VLOC employs various methods for calibrating these valuation approaches including a regular review of key inputs and assumptions, transactional back-testing or disposition analysis, and reviews of any related market activity.

b. Derivative Financial Instruments

The Fund invested in derivatives in order to manage risk or gain exposure to various other investments or markets. Derivatives are financial contracts based on an underlying or notional amount, require no initial investment or an initial net investment that is smaller than would normally be required to

Franklin Pelagos Commodities Strategy Fund (continued)

1. Organization and Significant Accounting Policies (continued)

b. Derivative Financial Instruments *(continued)*

have a similar response to changes in market factors, and require or permit net settlement. Derivatives contain various risks including the potential inability of the counterparty to fulfill their obligations under the terms of the contract, the potential for an illiquid secondary market, and/or the potential for market movements which expose the Fund to gains or losses in excess of the amounts shown in the Consolidated Statement of Assets and Liabilities. Realized gain and loss and unrealized appreciation and depreciation on these contracts for the period are included in the Consolidated Statement of Operations.

Derivative counterparty credit risk is managed through a formal evaluation of the creditworthiness of all potential counterparties. The Fund attempts to reduce its exposure to counterparty credit risk on OTC derivatives, whenever possible, by entering into International Swaps and Derivatives Association (ISDA) master agreements with certain counterparties. These agreements contain various provisions, including but not limited to collateral requirements, events of default, or early termination. Termination events applicable to the counterparty include certain deteriorations in the credit quality of the counterparty. Termination events applicable to the Fund include failure of the Fund to maintain certain net asset levels and/or limit the decline in net assets over various periods of time. In the event of default or early termination, the ISDA master agreement gives the non-defaulting party the right to net and close-out all transactions traded, whether or not arising under the ISDA agreement, to one net amount payable by one counterparty to the other. However, absent an event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Consolidated Statement of Assets and Liabilities. Early termination by the counterparty may result in an immediate payment by the Fund of any net liability owed to that counterparty under the ISDA agreement.

Collateral requirements differ by type of derivative. Collateral or initial margin requirements are set by the broker or exchange clearing house for exchange traded and centrally cleared derivatives. Initial margin deposited is held at the exchange and can be in the form of cash and/or securities. For OTC derivatives traded under an ISDA master agreement, posting of collateral is required by either the Fund or the applicable counterparty if the total net exposure of all OTC derivatives with the applicable counterparty exceeds the minimum transfer amount, which typically ranges from $100,000 to $250,000, and can vary depending on the counterparty and the type of the agreement. Generally, collateral is determined at the close of fund business each day and any additional collateral required due to changes in derivative values may be delivered by the Fund or the counterparty within a few business days. Collateral pledged and/or received by the Fund for OTC derivatives, if any, is held in segregated accounts with the Fund's custodian/counterparty broker and can be in the form of cash and/or securities. Unrestricted cash may be invested according to the Fund's investment objectives.

The Fund entered into exchange traded futures contracts primarily to gain exposure to commodity price risk. A futures contract is an agreement between the Fund and a counterparty to buy or sell an asset for a specified price on a future date. Required initial margins are pledged by the Fund, and the daily change in fair value is accounted for as a variation margin payable or receivable in the Consolidated Statement of Assets and Liabilities.

The Fund entered into OTC commodity-linked total return swap contracts primarily to gain exposure to commodity price risk of an underlying instrument such as a stock, bond, index or basket of securities or indices. A total return swap is an agreement between the Fund and a counterparty to exchange a return linked to an underlying instrument for a floating or fixed rate payment, both based upon a notional amount. Over the term of the contract, contractually required payments to be paid or received are accrued daily and recorded as unrealized appreciation or depreciation until the payments are made, at which time they are recognized as realized gain or loss.

The Fund purchased or wrote exchange traded option contracts primarily to manage and/or gain exposure to commodity price risk. An option is a contract entitling the holder to purchase or sell a specific amount of shares or units of an asset or notional amount of a swap (swaption), at a specified price. When an option is purchased or written, an amount equal to the premium paid or received is recorded as an asset or liability, respectively. Upon exercise of an option, the acquisition cost or sales proceeds of the underlying investment is adjusted by any premium received or paid. Upon expiration of an option, any premium received or paid is recorded as a realized gain or loss. Upon closing an option other than through expiration or exercise, the difference between the premium received or paid and the cost to close the position is recorded as a realized gain or loss.

See Notes 6 and 7 regarding investment transactions and other derivative information, respectively.

Franklin Pelagos Commodities Strategy Fund (continued)

c. Investments in FPC Holdings Corp. (FP Subsidiary)

The Fund invests in certain financial instruments and commodity-linked derivative investments through its investment in the FP Subsidiary. The FP Subsidiary is a Cayman Islands exempted company with limited liability, is a wholly-owned subsidiary of the Fund, and is able to invest in certain financial instruments and commodity-linked derivative investments consistent with the investment objective of the Fund. At May 31, 2015, the FP Subsidiary's investments, as well as any other assets and liabilities of the FP Subsidiary are reflected in the Fund's Consolidated Statement of Investments and Consolidated Statement of Assets and Liabilities. The financial statements have been consolidated and include the accounts of the Fund and the FP Subsidiary. All intercompany transactions and balances have been eliminated. At May 31, 2015, the net assets of the FP Subsidiary were $13,403,266, representing 24.03% of the Fund's consolidated net assets. The Fund's investment in the FP Subsidiary is limited to 25% of consolidated assets.

d. Income Taxes

It is the Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. The 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.

The 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 May 31, 2015, and for all open tax years, the Fund has determined that no liability for unrecognized tax benefits is required in the Fund's consolidated financial statements related to uncertain tax positions taken on a tax return (or expected to be taken on future tax returns). Open tax years are those that remain subject to examination and are based on each tax jurisdiction's statute of limitation.

e. 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. Interest income and estimated expenses are accrued daily. Amortization of premium and accretion of discount on debt securities are included in interest income. 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 U.S. GAAP. 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.

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.

f. Offering Costs

Offering costs are amortized on a straight line basis over twelve months.

g. Accounting Estimates

The preparation of financial statements in accordance with U.S. GAAP 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.

h. 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 Fund, enters into contracts with service providers that contain general indemnification clauses. The Trust's maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Trust that have not yet occurred. Currently, the Trust expects the risk of loss to be remote.

Franklin Pelagos Commodities Strategy Fund (continued)

2. Shares of Beneficial Interest

At May 31, 2015, there were an unlimited number of shares authorized (without par value). Transactions in the Fund's shares were as follows:

	Year Ended May 31,			
	2015		2014	
	Shares	Amount	Shares	Amount
Class A Shares[a]:				
Shares sold	320,203	$2,539,217	75,514	$ 718,445
Shares redeemed	(91,847)	(748,538)	(11,914)	(114,737)
Net increase (decrease)	228,356	$1,790,679	63,600	$ 603,708
Class C Shares[a]:				
Shares sold	50,914	$ 386,347	8,075	$ 76,224
Shares redeemed	(3,870)	(30,458)	(1,654)	(15,843)
Net increase (decrease)	47,044	$ 355,889	6,421	$ 60,381
Class R Shares[a]:				
Shares sold			564	$ 5,009
Shares redeemed			(1)	(9)
Net increase (decrease)			563	$ 5,000
Class R6 Shares[a]:				
Shares sold[b]	394,647	$3,320,920	11,748,644	$ 104,424,968
Shares redeemed	(145,850)	(1,104,241)	(4,585,959)	(41,228,509)
Net increase (decrease)	248,797	$2,216,679	7,162,685	$ 63,196,459
Advisor Class Shares:				
Shares sold	34,562	$ 277,151	2,392,658	$ 21,918,861
Shares redeemed[b]	(13,531)	(113,894)	(13,817,865)	(123,420,534)
Net increase (decrease)	21,031	$ 163,257	(11,425,207)	$(101,501,673)

[a]For the period January 10, 2014 (commencement of operations) to May 31, 2014.
[b]Effective January 10, 2014 a portion of Advisor Class shares were exchanged into Class R6.

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 Trust are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Alternative Strategies Advisers, LLC (FASA) (formerly Pelagos Capital Management, LLC)	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. Management Fees

The Fund and FP Subsidiary pay an investment management fee to FASA of 0.85% per year of the average daily net assets of the Fund and FP Subsidiary. Management fees paid by the Fund are reduced on assets invested in the FP Subsidiary, in an amount not to exceed the management fees paid by the FP Subsidiary.

Franklin Pelagos Commodities Strategy Fund (continued)

b. Administrative Fees

Under an agreement with FASA, FT Services provides administrative services to the Fund and FP Subsidiary. The fee is paid by FASA based on the Fund and FP Subsidiary average daily net assets, and is not an additional expense of the Fund or FP Subsidiary.

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 Fund's Class A reimbursement distribution plan, the Fund reimburses Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate. Under the Class A reimbursement distribution plan, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Fund's Class C and R compensation distribution plans, the Fund pays Distributors for costs incurred in connection with the servicing, sale and distribution of the Fund's shares up to the maximum annual plan rate for each class. The plan year, for purposes of monitoring compliance with the maximum annual plan rates, is February 1 through January 31 for each fund.

The maximum annual plan rates, based on the average daily net assets, for each class, are as follows:

Class A	0.30%
Class C	1.00%
Class R	0.50%

On May 18, 2015, the Board approved to set the current rate at 0.25% per year for Class A shares, effective August 1, 2015, until further notice and approval by the Board.

d. Sales Charges/Underwriting Agreements

Front-end sales charges and contingent deferred sales charges (CDSC) do not represent expenses of the Fund. 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 Fund of the following commission transactions related to the sales and redemptions of the Fund's shares for the year:

Sales charges retained net of commissions paid to unaffiliated broker/dealers	$5,956
CDSC retained	$ 67

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.

For the year ended May 31, 2015, the Fund paid transfer agent fees of $6,292, of which $4,420 was retained by Investor Services.

f. Investments in Institutional Fiduciary Trust Money Market Portfolio

The Fund invests in Institutional Fiduciary Trust Money Market Portfolio (Sweep Money Fund), an affiliated open-end management investment company. Management fees paid by the Fund are waived on assets invested in the Sweep Money Fund, as noted in the Consolidated Statement of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by the Sweep Money Fund. Prior to June 1, 2013, the waiver was accounted for as a reduction to management fees.

Franklin Pelagos Commodities Strategy Fund (continued)

3. Transactions with Affiliates (continued)

g. Waiver and Expense Reimbursements

FASA has contractually agreed in advance to waive or limit its fees and to assume as its own expense certain expenses otherwise payable by the Fund so that the expenses (excluding distribution fees, acquired fund fees and expenses) for each class of the Fund do not exceed 0.95%, and Class R6 does not exceed 0.86% based on the average net assets of each class (other than certain non-routine expenses or costs, including those relating to litigation, indemnification, reorganizations, and liquidations) until September 30, 2015.

h. Other Affiliated Transactions

At May 31, 2015, the shares of the Fund were owned by the following entities:

	Shares	Percentage of Outstanding Shares
Franklin Moderate Allocation Fund	3,091,053	39.67%
Franklin Conservative Allocation Fund	1,876,164	24.08%
Franklin Growth Allocation Fund	1,700,201	21.82%
Franklin Multi-Asset Real Return Fund	228,663	2.93%
Franklin LifeSmart 2025 Retirement Target Fund	140,124	1.80%
Franklin LifeSmart 2035 Retirement Target Fund	112,156	1.44%
Franklin LifeSmart 2015 Retirement Target Fund	90,466	1.16%
Franklin LifeSmart 2045 Retirement Target Fund	74,055	0.95%
Franklin LifeSmart 2030 Retirement Target Fund	32,965	0.42%
Franklin LifeSmart 2020 Retirement Target Fund	26,200	0.34%
Franklin LifeSmart 2040 Retirement Target Fund	21,043	0.27%
Franklin LifeSmart 2050 Retirement Target Fund	17,195	0.22%
Franklin LifeSmart 2055 Retirement Target Fund	1,197	0.02%
Franklin Resources, Inc	563	0.01%
	7,412,045	95.13%

4. Expense Offset Arrangement

The Fund has entered into an arrangement with its custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Fund's custodian expenses. During the year ended May 31, 2015, the custodian fees were reduced as noted in the Consolidated Statement of Operations.

5. Income Taxes

For tax purposes, capital losses may be carried over to offset future capital gains, if any. At May 31, 2015, the Fund had long-term capital loss carryforwards of $188,382.

During the year ended May 31, 2015, the Fund utilized $6,567 of capital loss carryforwards.

For tax purposes, the Fund may elect to defer any portion of a late-year ordinary loss to the first day of the following fiscal year. At May 31, 2015, the Fund deferred late-year ordinary losses of $34,354.

Franklin Pelagos Commodities Strategy Fund (continued)

At May 31, 2015, the cost of investments and net unrealized appreciation (depreciation) for income tax purposes were as follows:

Cost of investments	$56,763,367
Unrealized appreciation	$ 3,249
Unrealized depreciation	(155,911)
Net unrealized appreciation (depreciation)	$ (152,662)

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of bond discounts and premiums and non-deductible expenses.

6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended May 31, 2015, aggregated $18,000,000 and $29,300,165, respectively.

Transactions in options written during the year ended May 31, 2015, were as follows:

	Number of Contracts	Premiums
Options outstanding at June 1, 2014	—	$ —
Options written	163	110,917
Options expired	(88)	(59,074)
Options exercised	—	—
Options closed	(75)	(51,843)
Options outstanding at May 31, 2015	—	$ —

See Notes 1(b) and 7 regarding derivative financial instruments and other derivative information, respectively.

7. Other Derivative Information

At May 31, 2015, the Fund's investments in derivative contracts are reflected in the Consolidated Statement of Assets and Liabilities as follows:

	Asset Derivatives		Liability Derivatives	
Derivative Contracts Not Accounted for as Hedging Instruments	Consolidated Statement of Assets and Liabilities Location	Fair Value	Consolidated Statement of Assets and Liabilities Location	Fair Value
Commodity contracts	Investments in securities, at value	$ 2,050[a]		
	Variation margin	13,967[b]	Variation margin	$18,551[b]
	Unrealized appreciation on OTC swap contracts	613,693		
Totals		$629,710		$18,551

[a]Purchased option contracts are included in investments in securities, at value in the Consolidated Statement of Assets and Liabilities.

[b]This amount reflects the cumulative appreciation (depreciation) of futures contracts as reported in the Consolidated Statement of Investments. Only the variation margin receivable/payable at year end is separately reported within the Consolidated Statement of Assets and Liabilities. Prior variation margin movements were recorded to cash upon receipt or payment.

Franklin Pelagos Commodities Strategy Fund (continued)

7. Other Derivative Information (continued)

For the year ended May 31, 2015, the effect of derivative contracts in the Fund's Consolidated Statement of Operations was as follows:

Derivative Contracts Not Accounted for as Hedging Instruments	Consolidated Statement of Operations Locations	Net Realized Gain (Loss) for the Year	Consolidated Statement of Operations Locations	Net Change in Unrealized Appreciation (Depreciation) for the Year
Commodity contracts	Investments	$ (12,206)	Investments	$ (74,559)[a]
	Written options	(21,720)		
	Futures contracts	(3,149,212)	Futures contracts	70,720
	Swap contracts	(14,649,254)	Swap contracts	985,661
Totals		$(17,832,392)		$981,822

[a]Purchased option contracts are included in net change in unrealized appreciation (depreciation) on investments in the Consolidated Statement of Operations.

For the year ended May 31, 2015, the average month end fair value of derivatives represented 1.53% of average month end net assets. The average month end number of open derivative contracts for the year was 8.

At May 31, 2015, the Fund's OTC derivative assets and liabilities, are as follows:

	Gross and Net Amounts of Assets and Liabilities Presented in the Consolidated Statement of Assets and Liabilities	
	Assets[a]	Liabilities[a]
Derivatives		
Swap Contracts	$613,693	$ —

[a]Absent event of default or early termination, OTC derivative assets and liabilities are presented gross and not offset in the Consolidated Statement of Assets and Liabilities.

At May 31, 2015, the Fund's OTC derivative assets which may be offset against the Fund's OTC derivative liabilities and collateral received from the counterparty, is as follows:

		Amounts Not Offset in the Consolidated Statement of Assets and Liabilities			
	Gross and Net Amounts of Assets Presented in the Consolidated Statement of Assets and Liabilities	Financial Instruments Available for Offset	Financial Instruments Collateral Received	Cash Collateral Received	Net Amount (Not less than zero)
Counterparty					
MSCS	$613,693	$ —	$ —	$ —	$613,693

Franklin Pelagos Commodities Strategy Fund (continued)

At May 31, 2015, the Fund's OTC derivative liabilities which may be offset against the Fund's OTC derivative assets and collateral pledged to the counterparty, is as follows:

		Amounts Not Offset in the Consolidated Statement of Assets and Liabilities			
	Gross and Net Amounts of Liabilities Presented in the Consolidated Statement of Assets and Liabilities	Financial Instruments Available for Offset	Financial Instruments Collateral Pledged	Cash Collateral Pledged	Net Amount (Not less than zero)
Counterparty					
MSCS	$ —	$ —	$ —	$ —	$ —

See Notes 1(b) and 6 regarding derivative financial instruments and investment transactions, respectively.

See Abbreviations on page 34.

8. Credit Facility

The Fund, 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 $2 billion (Global Credit Facility) which matures on February 12, 2016. 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 Fund shall, in addition to interest charged on any borrowings made by the Fund and other costs incurred by the Fund, pay its share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon its 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 in the Consolidated Statement of Operations. During the year ended May 31, 2015, the Fund did not use the Global Credit Facility.

9. Fair Value Measurements

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

The input levels are not necessarily an indication of the risk or liquidity associated with financial instruments at that level.

Franklin Pelagos Commodities Strategy Fund (continued)

9. Fair Value Measurements (continued)

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

A summary of inputs used as of May 31, 2015, in valuing the Fund's assets and liabilities carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
Assets:				
Investments in Securities				
U.S. Government and Agency Securities	$ —	$28,906,617	$ —	$28,906,617
Options Purchased	2,050	—	—	2,050
Short Term Investments	27,382,038	320,000	—	27,702,038
Total Investments in Securities	$27,384,088	$29,226,617	$ —	$56,610,705
Other Financial Instruments				
Futures Contracts	$ 13,967	$ —	$ —	$ 13,967
Swap Contracts	—	613,693	—	613,693
Total Other Financial Instruments	$ $13,967	$ 613,693	$ —	$ 627,660
Liabilities:				
Other Financial Instruments				
Futures Contracts	$ 18,551	$ —	$ —	$ 18,551

A reconciliation of assets in which Level 3 inputs are used in determining fair value is presented when there are significant Level 3 financial instruments at the end of the year.

10. Subsequent Events

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

Abbreviations

Counterparty		Selected Portfolio	
MSCS	Morgan Stanley Capital Services, LLC	**FFCB**	Federal Farm Credit Bank
		FHLB	Federal Home Loan Bank

Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Alternative Strategies Funds and Shareholders of the Franklin Pelagos Commodities Strategy Fund:

We have audited the accompanying consolidated statement of assets and liabilities, including the consolidated statement of investments, of the Franklin Pelagos Commodities Strategy Fund (the "Fund") (one of the funds constituting Franklin Alternative Strategies Funds), as of May 31, 2015, and the related consolidated statement of operations for the year then ended, the consolidated statements of changes in net assets for each of the two years in the period then ended and the consolidated financial highlights for each of the periods indicated therein. These consolidated financial statements and consolidated financial highlights are the responsibility of the Fund's management. Our responsibility is to express an opinion on these consolidated financial statements and consolidated financial highlights based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements and financial highlights are free of material misstatement. We were not engaged to perform an audit of the Fund's internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements and financial highlights, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our procedures included confirmation of securities owned as of May 31, 2015, by correspondence with the custodian and brokers. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements and consolidated financial highlights referred to above present fairly, in all material respects, the consolidated financial position of the Franklin Pelagos Commodities Strategy Fund (one of the funds constituting Franklin Alternative Strategies Funds) at May 31, 2015, the consolidated results of its operations for the year then ended, the consolidated changes in its net assets for each of the two years in the period then ended and the consolidated financial highlights for each of the periods indicated therein, in conformity with U.S. generally accepted accounting principles.

Ernst + Young LLP

Boston, Massachusetts
July 23, 2015

Board Members and Officers

The name, year of birth and address of the officers and board members, as well as their affiliations, positions held with the Trust, principal occupations during at least the past five years and number of portfolios overseen in the Franklin Templeton Investments fund complex are shown below. Generally, each board member serves until that person's successor is elected and qualified.

Independent Board Members

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Edward I. Altman, Ph.D. (1941) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2789	Trustee	Since 2011	17	None
Principal Occupation During at Least the Past 5 Years: Max L. Heine Professor of Finance and Director of The Credit and Debt Markets Research Program, Salomon Center, Stern School of Business, New York University; editor and author of numerous financial publications; financial consultant; an adviser to numerous financial and publishing organizations; and **formerly,** Vice Director, Salomon Center, Stern School of Business, New York University.				
Ann Torre Bates (1958) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2789	Trustee	Since 2011	43	Navient Corporation (loan management, servicing and asset recovery) (2014-present), Ares Capital Corporation (specialty finance company) (2010-present), United Natural Foods, Inc. (distributor of natural, organic and specialty foods) (2013-present), Allied Capital Corporation (financial services) (2003-2010) and SLM Corporation (Sallie Mae) (1997-2014).
Principal Occupation During at Least the Past 5 Years: Director of various companies; and f**ormerly,** Executive Vice President and Chief Financial Officer, NHP Incorporated (manager of multifamily housing) (1995-1997); and Vice President and Treasurer, US Airways, Inc. (until 1995).				
Burton J. Greenwald (1929) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2789	Vice Chairman and Trustee	Vice Chairman since April 2015 and Trustee since 2011	17	Franklin Templeton Emerging Markets Debt Opportunities Fund PLC and Fiduciary International Ireland Limited (1999-2015).
Principal Occupation During at Least the Past 5 Years: Managing Director, B.J. Greenwald Associates (management consultants to the financial services industry); and **formerly,** Chairman, Fiduciary Trust International Funds; Executive Vice President, L.F Rothschild Fund Management, Inc.; President and Director, Merit Mutual Funds; President, Underwriting Division and Director, National Securities & Research Corporation; Governor, Investment Company Institute; and Chairman, ICI Public Information Committee.				
Keith E. Mitchell (1954) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2789	Trustee	Since 2011	17	None
Principal Occupation During at Least the Past 5 Years: Director of various boards of asset management firms; and **formerly,** Managing Member, Mitchell, Hartley & Bechtel Advisers, LLC (formerly, Mitchell Advisers, LLC) (advisory firm) (2003-2015) and Managing Director, Putman Lovell NBF.				
David W. Niemiec (1949) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2789	Trustee	Since April 2015	42	Emeritus Corporation (assisted living) (1999-2010) and OSI Pharmaceuticals, Inc. (pharmaceutical products) (2006-2010).
Principal Occupation During at Least the Past 5 Years: Advisor, Saratoga Partners (private equity fund); and **formerly,** Managing Director, Saratoga Partners (1998-2001) and SBC Warburg Dillon Read (investment banking) (1997-1998); Vice Chairman, Dillon, Read & Co. Inc. (investment banking) (1991-1997); and Chief Financial Officer, Dillon, Read & Co. Inc. (1982-1997).				

Independent Board Members (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Charles Rubens II (1930) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2789	Trustee	Since 2011	17	None
Principal Occupation During at Least the Past 5 Years: Private investor and president of non-profit organizations; and **formerly,** an executive of Time, Inc.; and Trustee of Colorado College.				
Jan Hopkins Trachtman (1947) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2789	Trustee	Since 2011	17	None
Principal Occupation During at Least the Past 5 Years: President and Founder, The Jan Hopkins Group (communications consulting firm); President, Economic Club of New York; serves on Advisory Board of Knight Bagehot Fellowship; and **formerly,** Anchor/Correspondent, CNN Financial News (until 2003); Managing Director and Head of Client Communications, Citigroup Private Bank (until 2005); Off-Air Reporter, ABC News' World News Tonight and Editor, CBS Network News.				
Robert E. Wade (1946) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2789	Trustee and Chairman of the Board	Since 2011	43	El Oro Ltd (investments) (2003-present).
Principal Occupation During at Least the Past 5 Years: Attorney at law engaged in private practice (1972-2008) and member of various boards.				
Gregory H. Williams (1943) c/o Franklin Mutual Advisers, LLC 101 John F. Kennedy Parkway Short Hills, NJ 07078-2789	Trustee	Since April 2015	16	None
Principal Occupation During at Least the Past 5 Years: Private investor; Consultant; and **formerly,** President, University of Cincinnati (2009-2012); President, The City College of New York (2001-2009); Dean, College of Law, Ohio State University (1993-2001); and Associate Vice President, Academic Affairs and Professor of Law, University of Iowa (1977-1993).				

Interested Board Members and Officers

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
****Gregory E. Johnson (1961)** One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2011	162	None
Principal Occupation During at Least the Past 5 Years: Chairman of the Board, Member – Office of the Chairman, Director, President and Chief Executive Officer, Franklin Resources, Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments; and Vice Chairman, Investment Company Institute.				
****Jennifer M. Johnson (1964)** One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since April 2015	9	None
Principal Occupation During at Least the Past 5 Years: Chief Operating Officer and Executive Vice President, Franklin Resources Inc.; officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of three of the investment companies in Franklin Templeton Investments; and **formerly,** Executive Vice President of Operations and Technology, Franklin Resources Inc. (2005-2010); Senior Vice President, Franklin Resources Inc. (2003-2005).				

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Alison E. Baur (1964) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Deputy General Counsel, Franklin Templeton Investments; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.				
Laura F. Fergerson (1962) One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Vice President, Franklin Templeton Services, LLC; Vice President, Franklin Advisers, Inc. and Franklin Templeton Institutional, LLC.; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Aliya S. Gordon (1973) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; officer of 46 of the investment companies in Franklin Templeton Investments; and **formerly,** Litigation Associate, Steefel, Levitt & Weiss, LLP (2000-2004).				
Steven J. Gray (1955) One Franklin Parkway San Mateo, CA 94403-1906	Secretary and Vice President	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Vice President, Franklin Templeton Distributors, Inc. and Franklin Alternative Strategies Advisers, LLC; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Selena L. Holmes (1965) 100 Fountain Parkway St. Petersburg, FL 33716-1205	Vice President – AML Compliance	Since 2012	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance Monitoring; Chief Compliance Officer, Franklin Alternative Strategies Advisers, LLC; Vice President, Franklin Templeton Companies, LLC; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Robert G. Kubilis (1973) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Treasurer, Chief Financial Officer and Chief Accounting Officer	Since February 2015	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Treasurer, U.S. Fund Administration & Reporting, Franklin Templeton Investments; and officer of five of the investment companies in Franklin Templeton Investments.				

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
Kimberly H. Novotny (1972) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Associate General Counsel, Franklin Templeton Investments; Vice President and Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Robert C. Rosselot (1960) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since 2013	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Director, Global Compliance, Franklin Templeton Investments; Vice President, Franklin Templeton Companies, LLC; officer of 46 of the investment companies in Franklin Templeton Investments; and **formerly,** Senior Associate General Counsel, Franklin Templeton Investments (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				
Karen L. Skidmore (1952) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; and officer of 46 of the investment companies in Franklin Templeton Investments.				
Craig S. Tyle (1960) One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: General Counsel and Executive Vice President, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 46 of the investment companies in Franklin Templeton Investments.				
Lori A. Weber (1964) 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2011	Not Applicable	Not Applicable
Principal Occupation During at Least the Past 5 Years: Senior Associate General Counsel, Franklin Templeton Investments; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; Vice President, Fiduciary Trust International of the South; and officer of 46 of the investment companies in Franklin Templeton Investments.				

Interested Board Members and Officers (continued)

Name, Year of Birth and Address	Position	Length of Time Served	Number of Portfolios in Fund Complex Overseen by Board Member*	Other Directorships Held During at Least the Past 5 Years
William Y. Yun (1959) 600 Fifth Avenue New York, NY 10020	President and Chief Executive Officer – Investment Management	Since 2011	Not Applicable	Not Applicable

Principal Occupation During at Least the Past 5 Years:
Executive Vice President, Franklin Advisers, Inc. and Franklin Templeton Institutional, LLC; Executive Vice President – Alternative Strategies, Franklin Resources, Inc.; Chief Executive Officer, Franklin Alternative Strategies Advisers, LLC; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of one of the investment companies in Franklin Templeton Investments.

*We base the number of portfolios on each separate series of the U.S. registered investment companies within the Franklin Templeton Investments fund complex. These portfolios have a common investment manager or affiliated investment managers.

**Gregory E. Johnson is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director of Franklin Resources, Inc. (Resources), which is the parent company of the Fund's investment manager and distributor. Jennifer M. Johnson is considered to be an interested person of the Fund under the federal securities laws due to her position as officer of Resources, which is the parent company of the Fund's investment manager and distributor.

Note 1: Gregory E. Johnson and Jennifer M. Johnson are siblings.

Note 2: Officer information is current as of the date of this report. It is possible that after this date, information about officers may change.

Note 3: Effective April 7, 2015, Peter A. Langerman ceased to be a trustee of the Trust.

The Fund's Board has determined that certain of the members of the Audit Committee, including Ann Torre Bates, are audit committee financial experts, and "independent," under those provisions of the Sarbanes-Oxley Act of 2002, and the rules and form amendments adopted by the Securities and Exchange Commission, relating to audit committee financial experts.

The Statement of Information (SAI) include additional information about board members and is available, without charge, upon request. Shareholders may call (800) DIAL BEN/342-5236 to request the SAI.

Shareholder Information

Board Review of Investment Management Agreement

The Board of Trustees (Board), including the independent trustees, at an in-person meeting held on May 18, 2015, unanimously approved the renewal of the Fund's investment management agreement. Prior to a meeting of all of the trustees for the purpose of considering such renewal, the independent trustees held two meetings dedicated to the renewal process (those trustees unable to attend in person were present by telephonic conference means). Throughout the process, the independent trustees received assistance and advice from and met separately with independent counsel. The independent trustees met with and interviewed officers of the investment manager (including portfolio managers), the transfer agent and shareholder services group and the distributor. In approving the renewal of the agreement, the Board, including the independent trustees, determined that the existing investment management fee structure was fair and reasonable and that continuance of the agreement was in the best interests of the Fund and its shareholders.

In reaching their decision on the agreement, the trustees took into account information furnished throughout the year at regular Board meetings, as well as information specifically requested and furnished for the renewal process, which culminated in the meetings referred to above for the specific purpose of considering such agreement. Information furnished included, among others, reports on the Fund's investment performance, expenses, portfolio composition, derivatives, asset segregation, portfolio turnover, distribution, shareholder servicing, legal and compliance matters, pricing of securities, sales and redemptions, and marketing support payments made to financial intermediaries, as well as a third-party survey of transfer agent fees charged to funds within the Franklin Templeton Investments (FTI) complex in comparison with those charged to other fund complexes deemed comparable. Also, related financial statements and other information about the scope and quality of services provided by the investment manager and its affiliates and enhancements to such services over the past year were provided. In addition, the trustees received periodic reports throughout the year and during the renewal process relating to compliance with the Fund's investment policies and restrictions. During the renewal process, the independent trustees considered the investment manager's methods of operation within the Franklin Templeton group and its activities on behalf of other clients.

The information obtained by the trustees during the renewal process also included a special report prepared by Lipper, Inc. (Lipper), an independent third-party analyst, comparing the Fund's investment performance and expenses with those of other mutual funds deemed comparable to such Fund as selected by Lipper (Lipper Section 15(c) Report). The trustees reviewed the Lipper Section 15(c) Report and its usefulness in the renewal process with respect to matters such as comparative fees, expenses, expense ratios and performance. They concluded that the report was a reliable resource in the performance of their duties.

In addition, the trustees received a Profitability Study (Profitability Study) prepared by management discussing the profitability to FTI from its overall U.S. fund operations, as well as on an individual fund-by-fund basis. Over the past year, the Board and counsel to the independent trustees continued to receive reports on management's handling of recent regulatory inquiries and pending legal actions against the investment manager and its affiliates. The independent trustees were satisfied with the actions taken to date by management in response to such regulatory and legal matters.

Particular attention was given to the diligent risk management program of the investment manager, including continual monitoring and management of counterparty credit risk and collateral, and attention given to derivatives and other complex instruments that are held and expected to be held by the Fund and how such instruments are used to carry out the Fund's investment objectives. The Board also took into account, among other things, management's efforts in establishing a global credit facility for the benefit of the Fund and other accounts managed by FTI 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 investment manager's parent company and its commitment to the mutual fund business. In addition, the Board received updates from management on the SEC's progress in implementing the rule-making requirements established by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act), which was enacted July 21, 2010, and the compliance of the investment manager with rules and regulations already promulgated by the SEC under such act, as well as the compliance of the investment manager with new rules and regulations promulgated by the U.S. Commodity Futures Trading Commission.

In addition to the above and other matters considered by the trustees throughout the course of the year, the following discussion relates to certain primary factors relevant to the Board's

Board Review of Investment Management Agreement (continued)

decision. This discussion of the information and factors considered by the Board (including the information and factors discussed above) is not intended to be exhaustive, but rather summarizes certain factors considered by the Board. In view of the wide variety of factors considered, the Board did not, unless otherwise noted, find it practicable to quantify or otherwise assign relative weights to the foregoing factors. In addition, individual trustees may have assigned different weights to various factors.

NATURE, EXTENT AND QUALITY OF SERVICES. The trustees reviewed the nature, extent and quality of the services provided, and to be provided, by the investment manager. In this regard, they reviewed the Fund's actively managed fundamental and quantitative investment philosophy and process and the investment manager's ability to implement such philosophy and process, including, but not limited to, the investment manager's trading practices and investment decision processes and efforts to ensure compliance with the Fund's investment goals, policies and limitations. The Board also considered the investment management services that the investment manager provides to the Cayman Islands-based company, which is wholly owned by the Fund (Cayman Subsidiary).

The trustees reviewed the Fund's portfolio management team, including its performance, staffing, skills and compensation program. With respect to portfolio manager compensation, management assured the trustees that the Fund's long-term performance is a significant component of incentive-based compensation and noted that a portion of a portfolio manager's incentive-based compensation is paid in shares of predesignated funds from the portfolio manager's fund management area. The trustees noted that the portfolio manager compensation program aligned the interests of the portfolio managers with that of shareholders of the Fund. The trustees considered various other products, portfolios and entities that are advised by the investment manager and the allocation of assets and expenses among and within them, as well as their relative fees and reasons for differences with respect thereto and any potential conflicts.

During regular Board meetings and the aforementioned meetings of the independent trustees, the trustees considered periodic reports provided to them showing that the investment manager complied with the investment policies and restrictions of the Fund as well as other reports periodically furnished to the Board covering matters such as the compliance of portfolio managers and other management personnel with the code of ethics covering the investment management personnel, the adherence to fair value pricing procedures established by the Board and the accuracy of net asset value calculations. The Board noted the extent of the benefits provided to Fund shareholders from being part of the Franklin Templeton group, including the right to exchange investments between funds (same class) without a sales charge, the ability to reinvest Fund dividends into other funds and the right to combine holdings of other funds to obtain reduced sales charges.

The Board considered the investment manager's significant efforts in developing and implementing compliance procedures established in accordance with SEC and other requirements. The Board also considered the nature, extent and quality of the services to be provided under the Fund's other service agreements with affiliates of the investment manager and considered whether, on an overall basis, Fund shareholders were well served. In this connection, the Board also took into account transfer agent and shareholder services provided to Fund shareholders by an affiliate of the investment manager, noting continuing expenditures by management to increase and improve the scope of such services and favorable periodic reports on shareholder services conducted by independent third parties. While such considerations directly affected the trustees' decision in renewing the Fund's transfer agent and shareholder services agreement, the Board also considered these commitments as incidental benefits to Fund shareholders deriving from the investment management relationship.

Based on their review, the trustees were satisfied with the nature and quality of the overall services provided, and to be provided, by the investment manager and its affiliates to the Fund and its shareholders and were confident in the abilities of the management team to continue to implement the Fund's actively managed fundamental and quantitative investment philosophy and process and to provide quality services to the Fund and its shareholders.

INVESTMENT PERFORMANCE. As the Fund commenced operations in December 2011, the trustees reviewed the investment performance of the Fund for the one-, two- and three-year periods ended December 31, 2014. As part of their review, they inquired of management regarding benchmark and hedging activities. Consideration was also given to performance in the context of available levels of cash, including as affected by net flows, during the periods. The trustees had meetings during the year, including the meetings referred to above held in connection with the renewal process, with the Fund's portfolio managers to discuss performance and the management of the Fund.

In addition, attention in assessing performance was given to the Lipper Section 15(c) Report. That report showed the investment performance of the Fund (Class A shares) in comparison to other funds determined comparable by Lipper.

The comparable funds to the Fund, as chosen by Lipper, included all retail and institutional commodities general funds. The Fund had total returns in the second-lowest performing quintile for the one-year period ended December 31, 2014, and had annualized total returns for the two- and three-year periods in the middle performing quintile. The Board discussed with management the reasons for the relative underperformance for the one-year period ended December 31, 2014, and efforts being undertaken to address such relative underperformance. While noting such discussions, the Board found such comparative performance to be acceptable.

COMPARATIVE EXPENSES AND PROFITABILITY. The trustees considered the cost of the services provided and to be provided and the losses incurred by the investment manager and its affiliates from their respective relationships with the Fund. As part of the approval process, they explored with management the trends in expense ratios over the past three fiscal years and the reasons for any increases in the Fund's expense ratios (or components thereof). The Board considered the extent to which the investment manager may derive ancillary benefits from Fund operations. In considering the appropriateness of the management fee and other expenses charged to the Fund, the Board took into account various factors including investment performance and matters relating to Fund operations, including, but not limited to, the quality and experience of its portfolio managers and research staff. As part of this discussion, the Board took into account the fee waiver and expense limitation arrangement in effect. The Board also considered the investment management services that the investment manager provides to the Cayman Subsidiary and the related fee waivers that were in place. The Board considered the nature of the services provided by the investment manager to the other mutual fund it subadvises with similar investment objectives as the Fund, the fees that it charges for such services and any potential conflicts.

Consideration was also given to a comparative analysis in the Lipper Section 15(c) Report of the investment management fee and total expense ratio of the Fund in comparison with those of a group of other funds selected by Lipper as its appropriate Lipper expense group. Lipper expense data is based upon information taken from the 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, emphasis was given to the Fund's contractual management fee in comparison with the contractual 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 expenses of the Fund in comparison with those of its Lipper expense group. The Lipper contractual management fee analysis includes administrative charges as being part of the management fee, and total expenses, for comparative consistency, are shown by Lipper for Fund Class A shares. The Fund's contractual management fee rate was in the least expensive quintile of its Lipper expense group and its total expenses (including Rule 12b-1 fees) were in the second-least expensive quintile of such group. The Board was satisfied with such comparative fees and expenses.

The trustees also reviewed the Profitability Study addressing profitability of Franklin Resources, Inc., from its overall U.S. fund business, as well as profitability to the Fund's investment manager and its affiliates, from providing investment management and other services to the Fund during the 12-month period ended September 30, 2014, the most recent fiscal year-end of Franklin Resources, Inc. The trustees reviewed the basis on which such reports are prepared and the cost allocation

Board Review of Investment Management Agreement (continued)

methodology utilized in the Profitability Study, it being recognized that allocation methodologies may each be reasonable while producing different results. In this respect, the Board noted that the reasonableness of the cost allocation methodologies was reviewed by independent accountants on an every other year basis.

The independent trustees met with management to discuss the Profitability Study. This included, among other things, a comparison of investment management income with investment management expenses of the Fund; comparison of underwriting revenues and expenses; the relative relationship of investment management and underwriting expenses; shareholder servicing profitability; economies of scale; and the relative contribution of the Fund to the profitability of the investment manager and its parent. In discussing the Profitability Study with the Board, the investment manager stated its belief that the costs incurred in establishing the infrastructure necessary to operate the type of mutual fund operations conducted by it and its affiliates may not be fully reflected in the expenses allocated to the Fund in determining its profitability. The Board also took into account management's expenditures in improving shareholder services provided to the Fund, as well as the need to meet additional regulatory and compliance requirements resulting from the Sarbanes-Oxley Act, the Dodd-Frank Act and recent SEC and other regulatory requirements. The trustees also considered the extent to which the investment manager may derive ancillary benefits from Fund operations.

ECONOMIES OF SCALE. The Board considered economies of scale realized by the investment manager and its affiliates as the Fund grows larger and the extent to which they are shared with Fund shareholders, as for example, in the level of the investment management fees charged, in the quality and efficiency of services rendered and in increased capital commitments benefiting the Fund directly or indirectly. Since the Fund had only commenced operations in December 2011, and due to the limited size of assets under management, the Board concluded that economies of scale were difficult to consider at that time.

Proxy Voting Policies and Procedures

The Fund's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Fund uses to determine how to vote proxies relating to portfolio securities. 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 Fund's proxy voting records are 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 Fund 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.

Householding of Reports and Prospectuses

You will receive the Fund's financial reports every six months as well as an annual updated summary prospectus (prospectus available upon request). To reduce Fund expenses, we try to identify related shareholders in a household and send only one copy of the financial reports and summary prospectus. This process, called "householding," will continue indefinitely unless you instruct us otherwise. If you prefer not to have these documents householded, please call us at (800) 632-2301. At any time you may view current prospectuses/summary prospectuses and financial reports on our website. If you choose, you may receive these documents through electronic delivery.

FRANKLIN TEMPLETON INVESTMENTS

Annual Report and Shareholder Letter
Franklin Pelagos Commodities Strategy Fund

Investment Manager
Franklin Alternative Strategies Advisers, LLC
(formerly, Pelagos Capital Management, LLC)

Distributor
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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 help ensure we provide you with quality service, all calls to and from our service areas are monitored and/or recorded.

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