

Why Diversify? **Because Winners Rotate.**

Perhaps nothing better illustrates the need for an asset allocation plan than the chart below, which shows how various asset classes performed on a year-by-year basis from 1994 through 2013. The best-performing asset class for each calendar year is at the top of each column. Please remember, past performance does not guarantee future results.

ANNUAL TOTAL RETURNS OF KEY ASSET CLASSES 1994–20131

Ranked in order of performance from best to worst

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	
Best	FOREIGN STOCKS	LARGE GROWTH STOCKS	LARGE GROWTH STOCKS	LARGE GROWTH STOCKS	LARGE GROWTH STOCKS	SMALL GROWTH STOCKS	SMALL VALUE STOCKS	SMALL VALUE STOCKS	BONDS	SMALL GROWTH STOCKS	SMALL VALUE STOCKS	FOREIGN STOCKS	FOREIGN STOCKS	FOREIGN STOCKS	BONDS	SMALL GROWTH STOCKS	SMALL GROWTH STOCKS	BONDS	SMALL VALUE STOCKS	SMALL GROWTH STOCKS	Best
	8.06%	38.13%	23.97%	36.53%	42.16%	43.09%	22.83%	14.02%	10.26%	48.54%	22.25%	14.02%	26.86%	11.63%	5.24%	34.47%	29.09%	7.84%	18.05%	43.30%	
	LARGE GROWTH STOCKS	LARGE STOCKS	LARGE STOCKS	LARGE STOCKS	LARGE STOCKS	LARGE GROWTH STOCKS	BONDS	BONDS	SMALL VALUE STOCKS	SMALL STOCKS	FOREIGN STOCKS	LARGE VALUE STOCKS	SMALL VALUE STOCKS	LARGE GROWTH STOCKS	SMALL VALUE STOCKS	FOREIGN STOCKS	SMALL STOCKS	LARGE GROWTH STOCKS	FOREIGN STOCKS	SMALL STOCKS	
	3.13%	37.58%	22.96%	33.36%	28.58%	28.25%	11.63%	8.44%	-11.43%	47.25%	20.70%	5.82%	23.48%	9.13%	-28.92%	32.46%	26.85%	4.65%	17.90%	38.82%	
	LARGE STOCKS	LARGE VALUE STOCKS	LARGE VALUE STOCKS	SMALL VALUE STOCKS	FOREIGN STOCKS	FOREIGN STOCKS	LARGE VALUE STOCKS	SMALL STOCKS	FOREIGN STOCKS	SMALL VALUE STOCKS	SMALL STOCKS	LARGE STOCKS	LARGE VALUE STOCKS	SMALL GROWTH STOCKS	SMALL STOCKS	LARGE GROWTH STOCKS	SMALL VALUE STOCKS	LARGE STOCKS	LARGE VALUE STOCKS	SMALL VALUE STOCKS	
	1.32%	37.00%	21.99%	31.78%	20.33%	27.30%	6.08%	2.49%	-15.66%	46.03%	18.33%	4.91%	20.80%	7.05%	-33.79%	31.57%	24.50%	2.11%	17.68%	34.52%	
	LARGE VALUE STOCKS	SMALL GROWTH STOCKS	SMALL VALUE STOCKS	LARGE VALUE STOCKS	LARGE VALUE STOCKS	SMALL STOCKS	SMALL STOCKS	SMALL GROWTH STOCKS	SMALL STOCKS	FOREIGN STOCKS	LARGE VALUE STOCKS	SMALL VALUE STOCKS	SMALL STOCKS	BONDS	LARGE GROWTH STOCKS	SMALL STOCKS	LARGE Value Stocks	LARGE Value Stocks	SMALL STOCKS	LARGE GROWTH STOCKS	
	-0.64%	31.04%	21.37%	29.98%	14.67%	21.26%	-3.02%	-9.23%	-20.48%	39.17%	15.71%	4.71%	18.37%	6.97%	-34.92%	27.17%	15.10%	-0.48%	16.35%	32.75%	
	SMALL VALUE STOCKS	SMALL STOCKS	SMALL STOCKS	SMALL STOCKS	BONDS	LARGE STOCKS	LARGE STOCKS	LARGE VALUE STOCKS	LARGE VALUE STOCKS	LARGE VALUE STOCKS	SMALL GROWTH STOCKS	SMALL STOCKS	LARGE STOCKS	LARGE STOCKS	LARGE STOCKS	LARGE STOCKS	LARGE STOCKS	SMALL GROWTH STOCKS	LARGE STOCKS	LARGE STOCKS	
	-1.54%	28.45%	16.49%	22.36%	8.69%	21.04%	-9.10%	-11.71%	-20.85%	31.79%	14.31%	4.55%	15.79%	5.49%	-37.00%	26.46%	15.06%	-2.91%	16.00%	32.39%	ı
	SMALL STOCKS	SMALL VALUE STOCKS	SMALL GROWTH STOCKS	SMALL GROWTH STOCKS	SMALL GROWTH STOCKS	LARGE VALUE STOCKS	FOREIGN STOCKS	LARGE STOCKS	LARGE STOCKS	LARGE STOCKS	LARGE STOCKS	SMALL GROWTH STOCKS	SMALL GROWTH STOCKS	LARGE VALUE STOCKS	SMALL GROWTH STOCKS	LARGE VALUE STOCKS	LARGE GROWTH STOCKS	SMALL STOCKS	LARGE GROWTH STOCKS	LARGE VALUE STOCKS	
	-1.82%	25.75%	11.26%	12.95%	1.23%	12.72%	-13.96%	-11.89%	-22.10%	28.68%	10.88%	4.15%	13.35%	1.99%	-38.54%	21.18%	15.05%	-4.18%	14.61%	31.99%	
	SMALL GROWTH STOCKS	BONDS	FOREIGN STOCKS	BONDS	SMALL STOCKS	BONDS	LARGE GROWTH STOCKS	SMALL STOCKS	LARGE VALUE STOCKS	SMALL VALUE STOCKS	FOREIGN STOCKS	SMALL VALUE STOCKS	SMALL GROWTH STOCKS	FOREIGN STOCKS							
	-2.43%	18.47%	6.36%	9.65%	-2.55%	-0.82%	-22.08%	-12.73%	-23.59%	25.66%	6.13%	4.00%	11.01%	-1.57%	-39.22%	20.58%	8.21%	-5.50%	14.59%	23.29%	
\	BONDS	FOREIGN STOCKS	BONDS	FOREIGN STOCKS	SMALL VALUE STOCKS	SMALL VALUE STOCKS	SMALL GROWTH STOCKS	FOREIGN STOCKS	SMALL GROWTH STOCKS	BONDS	BONDS	BONDS	BONDS	SMALL VALUE STOCKS	FOREIGN STOCKS	BONDS	BONDS	FOREIGN STOCKS	BONDS	BONDS	↓
Worst	-2.92%	11.55%	3.63%	2.06%	-6.45%	-1.49%	-22.43%	-21.21%	-30.26%	4.10%	4.34%	2.43%	4.33%	-9.78%	-43.06%	5.93%	6.54%	-11.73%	4.21%	-2.02%	Worst

1. Source: © 2014 Morningstar. ■ Large stocks are represented by the S&P 500; ■ Large growth stocks are represented by the S&P 500/Barra Growth Index until 1995 and S&P Growth Index thereafter; ■ Large value stocks are represented by the S&P 500/Barra Value Index until 1995 and S&P 500 Value Index thereafter; ■ Small stocks are represented by the Russell 2000 Growth Index; ■ Small growth stocks are represented by the Russell 2000 Growth Index; ■ Small with stocks are represented by the Russell 2000 Value Index; ■ Foreign stocks are represented by the MSCI EAFE Index; and ■ Bonds are represented by the Barclays U.S. Aggregate Bond Index. Indexes are unmanaged and one cannot invest directly in an index. All rights reserved. The information contained herein: (1) is proprietary to Morningstar and/or its content providers; (2) may not be copied or distributed; and (3) is not warranted to be accurate, complete or timely. Neither Morningstar nor its content providers are responsible for any damages or losses arising from any use of this information. Past performance is no guarantee of future results.

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To take advantage of the strong returns of each year's "winners," it is important to develop a well-balanced portfolio with investments across all asset classes. **Franklin Templeton Investments**, one of the largest mutual fund organizations in the United States, offers a variety of professionally managed mutual funds that cover every major asset class.

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DOES ASSET ALLOCATION REALLY WORK?

Yes. In addition to helping reduce overall volatility and improving your chances to earn more consistent returns over time, keeping assets properly allocated helps avoid the temptation to try and time the market. Consider the three scenarios below, illustrating different strategies used by investors. Of course, past performance can't guarantee future results.

Growth of \$10,000 invested annually between 1994-20132

	TOTAL Investment	VALUE OF Portfolio	AVERAGE ANNUAL Total return
1. Chasing the Winners Investing in last year's best-performing asset class ^{2,3}	\$200,000	\$431,770	6.87%
2. Investing with the Losers Investing in last year's worst-performing asset class ^{2, 4}	\$200,000	\$475,427	7.68%
3. ASSET ALLOCATION Investing consistently across several asset classes in equal proportion each year ^{2, 5}	\$200,000	\$510,662	8.27%

This chart is for illustrative purposes only. It is important to note that an asset allocation strategy does not ensure results superior to other investment strategies and also does not guarantee a profit or protect against a loss. The chart does not represent the performance of any Franklin, Templeton or Mutual Series fund. For the current performance of any Franklin, Templeton or Mutual Series fund listed, please visit **franklintempleton.com** or call (800) DIAL BEN/342-5236.

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

Indexes are unmanaged and one cannot invest directly in an index. This illustration assumes that indexes are reasonable representations of asset classes and their returns. However, investment manager performance relative to the different asset class indexes has varied widely during the past 20 years.

- 2. Source: © 2014 Morningstar. The three scenarios above included **large stocks**, represented by the S&P 500 Index; **large growth stocks**, represented by the S&P 500/Barra Growth Index until 1995 and S&P 500 Growth Index thereafter; **large value stocks**, represented by the S&P 500/Barra Value Index until 1995 and S&P 500 Value Index thereafter; **small stocks**, represented by the Russell 2000 Index; **small growth stocks**, represented by the Russell 2000 Growth Index; **small value stocks**, represented by the Russell 2000 Value Index; **small value stocks**, represented by the Barclays U.S. Aggregate Bond Index.
- 3. Annual investments are made into the best-performing asset class index of the previous calendar year.
- 4. Annual investments are made into the worst-performing asset class index of the previous calendar year.

- 5. Annual investments are distributed evenly among all eight asset class indexes each calendar year and the portfolio is rebalanced annually.
- 6. The fund generally invests in a combination of large, medium- and small-capitalization stocks.
- 7. State-specific, tax-free income funds are available in most states. Alternative minimum tax may apply.

Whether your risk/reward profile leads to a conservative, moderate or aggressive asset allocation plan, Franklin Templeton Investments offers funds to meet your needs.

LARGE STOCKS

Franklin Focused Core Equity Fund

Franklin Rising Dividends

Franklin Large Cap Equity Fund

LARGE GROWTH STOCKS

Franklin Flex Cap Growth Fund⁶ Franklin Growth Fund Franklin Growth Opportunities

Fund⁶

LARGE VALUE STOCKS

Franklin Equity Income Fund Franklin Large Cap Value Fund Mutual Beacon Fund⁶ Mutual Quest Fund⁶

Mutual Shares Fund⁶

SMALL GROWTH STOCKS

Franklin Small Cap Growth Fund

Franklin Small-Mid Cap Growth Fund

SMALL VALUE STOCKS

Franklin Balance Sheet⁶ Investment Fund Franklin Small Cap Value

Fund

FOREIGN STOCKS

Franklin International Growth Fund

Franklin International Small Cap Growth Fund

Franklin World

Perspectives Fund⁶
Mutual Global Discovery Fund⁶
Mutual European Fund⁶

Templeton Asia Growth Fund Templeton Foreign Fund Templeton Frontier Markets

Fund

Templeton Global Opportunities Trust

Templeton Growth Fund
Templeton World Fund

BONDS

Franklin Strategic Income Fund

Franklin Total Return Fund Templeton Global Bond Fund

Government Bonds

Franklin Adjustable U.S. Government Securities Fund Franklin U.S. Government

Franklin U.S. Government Securities Fund

Corporate Bonds

Franklin High Income Fund

Municipal Bonds⁷
Franklin Federal
Tax-Free Income Fund
Franklin High Yield
Tax-Free Income Fund



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