



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 8.06%	LARGE GROWTH STOCKS 38.13%	LARGE GROWTH STOCKS 23.97%	LARGE GROWTH STOCKS 36.53%	LARGE GROWTH STOCKS 42.16%	SMALL GROWTH STOCKS 43.09%	SMALL VALUE STOCKS 22.83%	SMALL VALUE STOCKS 14.02%	BONDS 10.26%	SMALL GROWTH STOCKS 48.54%	SMALL VALUE STOCKS 22.25%	FOREIGN STOCKS 14.02%	FOREIGN STOCKS 26.86%	FOREIGN STOCKS 11.63%	BONDS 5.24%	SMALL GROWTH STOCKS 34.47%	SMALL GROWTH STOCKS 29.09%	BONDS 7.84%	SMALL VALUE STOCKS 18.05%	SMALL GROWTH STOCKS 43.30%	Best
	LARGE GROWTH STOCKS 3.13%	LARGE STOCKS 37.58%	LARGE STOCKS 22.96%	LARGE STOCKS 33.36%	LARGE STOCKS 28.58%	LARGE GROWTH STOCKS 28.25%	BONDS 11.63%	BONDS 8.44%	SMALL VALUE STOCKS -11.43%	SMALL STOCKS 47.25%	FOREIGN STOCKS 20.70%	LARGE VALUE STOCKS 5.82%	SMALL VALUE STOCKS 23.48%	LARGE GROWTH STOCKS 9.13%	SMALL VALUE STOCKS -28.92%	FOREIGN STOCKS 32.46%	SMALL STOCKS 26.85%	LARGE GROWTH STOCKS 4.65%	FOREIGN STOCKS 17.90%	SMALL STOCKS 38.82%	
	LARGE STOCKS 1.32%	LARGE VALUE STOCKS 37.00%	LARGE VALUE STOCKS 21.99%	SMALL VALUE STOCKS 31.78%	FOREIGN STOCKS 20.33%	FOREIGN STOCKS 27.30%	LARGE VALUE STOCKS 6.08%	SMALL STOCKS 2.49%	FOREIGN STOCKS -15.66%	SMALL VALUE STOCKS 46.03%	SMALL STOCKS 18.33%	LARGE STOCKS 4.91%	LARGE VALUE STOCKS 20.80%	SMALL GROWTH STOCKS 7.05%	SMALL STOCKS -33.79%	LARGE GROWTH STOCKS 31.57%	SMALL VALUE STOCKS 24.50%	LARGE STOCKS 2.11%	LARGE VALUE STOCKS 17.68%	SMALL VALUE STOCKS 34.52%	
	LARGE VALUE STOCKS -0.64%	SMALL GROWTH STOCKS 31.04%	SMALL VALUE STOCKS 21.37%	LARGE VALUE STOCKS 29.98%	LARGE VALUE STOCKS 14.67%	SMALL STOCKS 21.26%	SMALL STOCKS -3.02%	SMALL GROWTH STOCKS -9.23%	SMALL STOCKS -20.48%	FOREIGN STOCKS 39.17%	LARGE VALUE STOCKS 15.71%	SMALL VALUE STOCKS 4.71%	SMALL STOCKS 18.37%	BONDS 6.97%	LARGE GROWTH STOCKS -34.92%	SMALL STOCKS 27.17%	LARGE VALUE STOCKS 15.10%	LARGE VALUE STOCKS -0.48%	SMALL STOCKS 16.35%	LARGE GROWTH STOCKS 32.75%	
	SMALL VALUE STOCKS -1.54%	SMALL STOCKS 28.45%	SMALL STOCKS 16.49%	SMALL STOCKS 22.36%	BONDS 8.69%	LARGE STOCKS 21.04%	LARGE STOCKS -9.10%	LARGE VALUE STOCKS -11.71%	LARGE VALUE STOCKS -20.85%	LARGE VALUE STOCKS 31.79%	SMALL GROWTH STOCKS 14.31%	SMALL STOCKS 4.55%	LARGE STOCKS 15.79%	LARGE STOCKS 5.49%	LARGE STOCKS -37.00%	LARGE STOCKS 26.46%	LARGE STOCKS 15.06%	SMALL GROWTH STOCKS -2.91%	LARGE STOCKS 16.00%	LARGE STOCKS 32.39%	
	SMALL STOCKS -1.82%	SMALL VALUE STOCKS 25.75%	SMALL GROWTH STOCKS 11.26%	SMALL GROWTH STOCKS 12.95%	SMALL GROWTH STOCKS 1.23%	LARGE VALUE STOCKS 12.72%	FOREIGN STOCKS -13.96%	LARGE STOCKS -11.89%	LARGE STOCKS -22.10%	LARGE STOCKS 28.68%	LARGE STOCKS 10.88%	SMALL GROWTH STOCKS 4.15%	SMALL GROWTH STOCKS 13.35%	LARGE VALUE STOCKS 1.99%	SMALL GROWTH STOCKS -38.54%	LARGE VALUE STOCKS 21.18%	LARGE GROWTH STOCKS 15.05%	SMALL STOCKS -4.18%	LARGE GROWTH STOCKS 14.61%	LARGE VALUE STOCKS 31.99%	
	SMALL GROWTH STOCKS -2.43%	BONDS 18.47%	FOREIGN STOCKS 6.36%	BONDS 9.65%	SMALL STOCKS -2.55%	BONDS -0.82%	LARGE GROWTH STOCKS -22.08%	LARGE GROWTH STOCKS -12.73%	LARGE GROWTH STOCKS -23.59%	LARGE GROWTH STOCKS 25.66%	LARGE GROWTH STOCKS 6.13%	LARGE GROWTH STOCKS 4.00%	LARGE GROWTH STOCKS 11.01%	SMALL STOCKS -1.57%	LARGE VALUE STOCKS -39.22%	SMALL VALUE STOCKS 20.58%	FOREIGN STOCKS 8.21%	SMALL VALUE STOCKS -5.50%	SMALL GROWTH STOCKS 14.59%	FOREIGN STOCKS 23.29%	
Worst	BONDS -2.92%	FOREIGN STOCKS 11.55%	BONDS 3.63%	FOREIGN STOCKS 2.06%	SMALL VALUE STOCKS -6.45%	SMALL VALUE STOCKS -1.49%	SMALL GROWTH STOCKS -22.43%	FOREIGN STOCKS -21.21%	SMALL GROWTH STOCKS -30.26%	BONDS 4.10%	BONDS 4.34%	BONDS 2.43%	BONDS 4.33%	SMALL VALUE STOCKS -9.78%	FOREIGN STOCKS -43.06%	BONDS 5.93%	BONDS 6.54%	FOREIGN STOCKS -11.73%	BONDS 4.21%	BONDS -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® Index; Small growth stocks are represented by the Russell 2000 Growth Index; Small value 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.** Diversification does not guarantee a profit or protect against loss.

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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 <i>best</i> -performing asset class ^{2, 3}	\$200,000	\$431,770	6.87%
2. Investing with the Losers Investing in last year's <i>worst</i> -performing asset class ^{2, 4}	\$200,000	\$475,427	7.68%
3. Asset Allocation Investing consistently <i>across several</i> 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 fund. For the current performance of any Franklin Templeton fund listed, please visit franklintempleton.com or call (800) DIAL BEN/342-5236.

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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; **foreign stocks**, represented by the MSCI EAFE Index; and **bonds**, 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 Fund
Franklin Large Cap Equity Fund

Large Growth Stocks

Franklin Flex Cap Growth Fund⁶ Franklin Growth Opportunities Fund⁶
Franklin Growth Fund

Large Value Stocks

Franklin Equity Income Fund Franklin Mutual Beacon Fund⁶
Franklin Large Cap Value Fund Franklin Mutual Quest Fund⁶
Franklin 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 Templeton Foreign Fund
Franklin International Small Cap Growth Fund Templeton Frontier Markets Fund
Franklin World Perspectives Fund⁶ Templeton Global Opportunities Trust
Franklin Mutual Global Discovery Fund⁶ Templeton Growth Fund
Franklin Mutual European Fund⁶ Templeton World Fund

Bonds

Franklin Strategic Income Fund	Corporate Bonds
Franklin Total Return Fund	Franklin High Income Fund
Templeton Global Bond Fund	Municipal Bonds⁷
Government Bonds	Franklin Federal
Franklin Adjustable	Tax-Free Income Fund
U.S. Government Securities Fund	Franklin High Yield
Franklin U.S. Government Securities Fund	Tax-Free Income Fund



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