GUIDE TO ASSET ALLOCATION
THE VALUE OF PROFESSIONAL ADVICE

Determining your financial goals—a comfortable retirement, a college education for the kids, a new home—may not be too complicated, but developing an appropriate asset allocation plan designed to help you meet those goals can be. Working with a financial professional can help. They offer market knowledge and planning expertise, and will take into account your individual investment needs to create an investment strategy tailored to your specific investment goals and risk tolerance. Chances are your financial professional will also want to review your portfolio with you regularly to determine if adjustments are needed to keep your asset allocation plan on target or make changes as your life goals/circumstances change.

A FEW WORDS ABOUT ASSET ALLOCATION

While an asset allocation plan can be a valuable tool to help reduce overall volatility, diversification does not guarantee a profit or protect against a loss. All investments involve risks, including possible loss of principal. Typically, the greater the potential return, the more risk involved. Generally, investors should be comfortable with some fluctuation in the value of their investments, especially over the short term. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Small-capitalization stocks can be more volatile than large-capitalization stocks. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds in a fund adjust to a rise in interest rates, that fund’s share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability; risks which are heightened in emerging markets. Hedge strategies may employ a wide range of investment techniques, including the use of derivatives, leverage, currency management strategies, short sales, and merger arbitrage, which may result in significant volatility and loss of principal. These risks are described in a fund’s prospectus.

The content of this brochure is general in nature and intended for educational purposes only; it should not be considered tax, legal or investment advice, or an investment recommendation. Consult your financial professional for personalized advice that is tailored to your specific goals, individual situation, and risk tolerance.
IS THERE A SECRET TO INVESTMENT SUCCESS?

Asset allocation vs. market timing

While some believe they can achieve investment success by buying and selling hot stocks at exactly the right time, for many investors, the biggest factor in determining long-term investment success has been asset allocation. Simply stated, asset allocation is investing your money in different categories of assets—typically stocks, bonds and cash equivalents such as money market funds—so your investments are well diversified.

Ultimately, the objective of a good asset allocation plan is to develop an investment portfolio that will help you reach your financial objectives with the degree of risk you find comfortable. A well-diversified plan will not outperform the top asset class in any given year, but over time it may be one of the most effective ways to realize your long-term goals.

Asset allocation can help you:

Reduce risk. Portfolio diversification may reduce the amount of volatility you experience by simultaneously spreading market risk across many different asset classes.

Improve your opportunity to earn more consistent returns over time. By investing in several asset classes, you may improve your chances of participating in market gains and lessen the impact of poor-performing asset categories on your overall portfolio returns.

Stay focused on your goals. A well-allocated portfolio alleviates the need to constantly adjust investment positions to chase market trends, and can help reduce the urge to buy or sell in response to the market’s short-term ups and downs.

Some say stocks for growth, others say bonds for income and relative stability. Still others say I need to consider something else. What’s the right answer?”

CONSIDER ASSET ALLOCATION
STOCKS AND BONDS ARE JUST THE BEGINNING

Within each of the two broad asset classes of stocks and bonds are several asset categories defined by certain characteristics that affect their performance. Because these types of investments may perform differently in various types of markets, each can provide an additional layer of diversification.

STOCKS

Market capitalization—Stocks are often categorized by the company’s size, as measured by market capitalization. Larger companies tend to be more mature and established, while smaller companies usually have better growth potential, but may be more volatile.

![Market Capitalization Diagram]

Investment style—Growth and value typically bookend the style spectrum. Some funds focus on one style over another, while others may invest across the style spectrum.

VALUE BLEND GROWTH

*Value stocks* are usually those of well-established businesses that may be temporarily out of favor with investors, and often exhibit low price/earnings (P/E) ratios. They often pay more substantial dividends and tend to outperform during sluggish markets or periods of market volatility.

*Growth stocks* generally have exhibited faster than average growth in earnings or revenues and are expected to continue to grow faster than the economy. Growth stocks tend to have higher P/E ratios and often make little to no dividend payments to shareholders. These stocks frequently outperform in a strong economy.

Geography—Stocks are often defined by where their company is domiciled. Common geographic categorizations of funds include:

- Domestic (US)
- Global (world)
- International (foreign)
- Emerging market

- Frontier market
- Regional (e.g. Asia, Europe)
- Country (e.g. China, India)
**BONDS**

**Type**—Bonds, and other income investments, are often categorized by the type of entity issuing them.

- **US government bonds**—Issued by the federal government or agencies sponsored by the US government, income received from them is usually taxable at the federal level.
- **Corporate bonds**—These bonds are issued by companies to finance projects or operations. A subset are “high-yield” bonds, which offer a higher yield, but also a greater chance of default.
- **Municipal bonds**—Issued by state and local government agencies to finance public projects and services. Often called “tax-free” bonds, they typically pay interest not subject to regular federal income tax or state and local taxes in the state of issue.\(^1\)

- **Foreign bonds**—Issued by foreign governments ("sovereigns") or foreign corporations.
- **Floating rate bonds and loans**—Rather than offering a fixed rate, these instruments offer variable rates tied to indexes such as LIBOR. These may be offered by most of the issuers above. Floating rate loans are a widely used type of corporate financing, but are not securitized bonds.
- **Mortgage-backed securities**—Issued primarily by certain US government-sponsored enterprises, such as GNMA (Ginnie Mae) or FNMA (Fannie Mae), and some private sponsors, these are pools of mortgages that are securitized and sold to investors.

**Quality**—Ratings agencies offer their assessment of a bond issuer’s ability to make interest payments and repay the principal. In the life of a bond, it can move between investment grade and high yield, if the circumstances of the issuer change.

- **Investment grade**—Bonds rated BBB- or higher by S&P or at least Baa by Moody’s.
- **Below investment grade**—Often called speculative or high-yield bonds, these are most often associated with the corporate bond sector. As would be expected, the lower credit quality and higher risk of default generally mean these bonds pay higher interest rates. Municipal and foreign sovereign issuers also carry ratings and may fall below investment grade.

**Maturity**—Maturity simply means when the bond is due to return the principal to the bondholder. Longer maturity bonds are typically riskier, since the potential for the issuer to have a change in their financial health is greater over a longer time frame. Moreover, the interest rate environment can change, leaving the investor earning lower-than-market yields for an extended period.

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1. For investors subject to the alternative minimum tax, all or a portion of the interest income may be subject to such tax. Distributions of capital gains are generally taxable.
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 2000 through 2019. The best-performing asset class is at the top of each column. Please remember, past performance does not guarantee future results.

### Annual return of key asset classes 2000–2019

*Ranked in order of performance from best to worst*

<table>
<thead>
<tr>
<th>Year</th>
<th>Best Asset Class</th>
<th>Worst Asset Class</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>SMALL VALUE STOCKS</td>
<td>EMERGING MARKET STOCKS</td>
</tr>
<tr>
<td>2001</td>
<td>SMALL VALUE STOCKS</td>
<td>EMERGING MARKET STOCKS</td>
</tr>
<tr>
<td>2002</td>
<td>GLOBAL BONDS</td>
<td>SMALL GROWTH STOCKS</td>
</tr>
<tr>
<td>2003</td>
<td>EMERGING MARKET STOCKS</td>
<td>SMALL GROWTH STOCKS</td>
</tr>
<tr>
<td>2004</td>
<td>EMERGING MARKET STOCKS</td>
<td>FOREIGN STOCKS</td>
</tr>
<tr>
<td>2005</td>
<td>EMERGING MARKET STOCKS</td>
<td>FOREIGN STOCKS</td>
</tr>
<tr>
<td>2006</td>
<td>EMERGING MARKET STOCKS</td>
<td>FOREIGN STOCKS</td>
</tr>
<tr>
<td>2007</td>
<td>GLOBAL BONDS</td>
<td>HIGH YIELD BONDS</td>
</tr>
<tr>
<td>2008</td>
<td>EMERGING MARKET STOCKS</td>
<td>SMALL GROWTH STOCKS</td>
</tr>
<tr>
<td>2009</td>
<td>SMALL GROWTH STOCKS</td>
<td>LARGE GROWTH BONDS</td>
</tr>
</tbody>
</table>

This chart is for illustrative purposes only and does not represent the performance of any Franklin Templeton fund. For current performance of any Franklin Templeton fund, please visit franklintempleton.com or call (800) DIAL BEN/342-5236.

Diversification does not guarantee a profit or protect against a loss.
How can I best be prepared to face any type of market?"

DIVERSIFY ACROSS ASSET CLASSES

<table>
<thead>
<tr>
<th>Year</th>
<th>Small Growth Stocks</th>
<th>Large Growth Stocks</th>
<th>Small Value Stocks</th>
<th>Large Value Stocks</th>
<th>Foreign Stocks</th>
<th>Small Global Bonds</th>
<th>Large Global Bonds</th>
<th>Foreign Large Bonds</th>
<th>Small Local Bonds</th>
<th>Large Local Bonds</th>
<th>Global Bonds</th>
<th>High Yield Bonds</th>
<th>Asset Allocation Portfolio</th>
<th>Portfolio</th>
<th>Large Value Stocks</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>29.09%</td>
<td>18.63%</td>
<td>43.30%</td>
<td>14.89%</td>
<td>-22.08%</td>
<td>-11.71%</td>
<td>-20.85%</td>
<td>25.66%</td>
<td>10.35%</td>
<td>2.43%</td>
<td>11.01%</td>
<td>2.65%</td>
<td>-39.22%</td>
<td>20.58%</td>
<td>11.63%</td>
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<tr>
<td>2011</td>
<td>24.50%</td>
<td>18.05%</td>
<td>34.52%</td>
<td>12.36%</td>
<td>-0.55%</td>
<td>18.25%</td>
<td>-0.39%</td>
<td>17.40%</td>
<td>25.62%</td>
<td>-0.84%</td>
<td>28.48%</td>
<td>22.66%</td>
<td>-2.37%</td>
<td>22.17%</td>
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<tr>
<td>2012</td>
<td>17.90%</td>
<td>32.75%</td>
<td>5.97%</td>
<td>-0.39%</td>
<td>11.40%</td>
<td>17.05%</td>
<td>5.60%</td>
<td>-1.93%</td>
<td>22.17%</td>
<td>-6.88%</td>
<td>22.39%</td>
<td>20.46%</td>
<td>-9.31%</td>
<td>18.90%</td>
<td>22.39%</td>
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<tr>
<td>2013</td>
<td>14.71%</td>
<td>23.29%</td>
<td>4.24%</td>
<td>-3.13%</td>
<td>17.14%</td>
<td>11.44%</td>
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<td>15.36%</td>
<td>-8.95%</td>
<td>20.46%</td>
<td>15.05%</td>
<td>-1.61%</td>
<td>14.61%</td>
<td>15.05%</td>
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<tr>
<td>2014</td>
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<td>14.59%</td>
<td>18.34%</td>
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<td>-3.27%</td>
<td>11.32%</td>
<td>4.22%</td>
<td>-3.27%</td>
<td>15.36%</td>
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<td>15.05%</td>
<td>-1.61%</td>
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<td>15.05%</td>
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<td>2015</td>
<td>14.59%</td>
<td>14.59%</td>
<td>18.34%</td>
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<td>2016</td>
<td>14.15%</td>
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<td>18.34%</td>
<td>4.22%</td>
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<td>2019</td>
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<td>4.22%</td>
<td>-3.27%</td>
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</tr>
</tbody>
</table>

2. Source: © 2020 Morningstar. Large growth stocks are represented by the S&P 500 Growth Index; large value stocks are represented by the S&P 500 Value 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; emerging market stocks are represented by the MSCI Emerging Markets Index; bonds are represented by the Bloomberg Barclays U.S. Aggregate Index; high yield bonds are represented by the Citigroup World Government Bond Index; asset allocation portfolio reflects an equal investment at the start of the year in each of the nine asset classes. 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 does not guarantee future results. Indexes are unmanaged, and one cannot invest directly in an index.
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 you avoid the temptation to try to time the market. Consider the three scenarios below, illustrating different strategies used by investors. In each situation, $10,000 was invested annually each January 1, over 20 years for a total investment of $200,000.

The first scenario shows the results of a momentum strategy chasing the winners (investing equally in the previous year’s best-performing asset class), while the second illustrates the returns generated by a bottom-fishing strategy (investing equally in the previous year’s worst-performing asset class). The third scenario shows the results of an asset allocation plan that consistently invested across nine asset classes in equal proportion each year. While these returns can’t guarantee future results, as you can see during the past 20 years, asset allocation was the most successful strategy.

Growth of $10,000 invested annually over 20 years
Period ended December 31, 2019

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Total Investment</th>
<th>Value of Portfolio</th>
<th>Average Annual Total Return</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>$200,000</td>
<td>$438,114</td>
<td>6.99%</td>
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<tr>
<td>Chasing the winners</td>
<td>Investing in last year’s best-performing asset class</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>$200,000</td>
<td>$416,500</td>
<td>6.56%</td>
</tr>
<tr>
<td>Bottom-fishing</td>
<td>Investing in last year’s worst-performing asset class</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>$200,000</td>
<td>$484,978</td>
<td>7.84%</td>
</tr>
<tr>
<td>ASSET ALLOCATION</td>
<td>Investing consistently across many asset classes in equal proportion each year</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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, please visit franklintempleton.com or call (800) DIAL BEN/342-5236.

Some say to buy what’s hot, others say to look for bargains. Who is right?”

TAKE A DIVERSIFIED, LONG-TERM APPROACH

3. Source: © 2020 Morningstar. The three scenarios above included large-cap growth stocks, represented by the S&P 500 Growth Index; large-cap value stocks, represented by the S&P 500 Value Index; small-cap growth stocks, represented by the Russell 2000 Growth Index; small-cap value stocks, represented by the Russell 2000 Value Index; foreign stocks, represented by the MSCI EAFE Index; emerging market stocks, represented by the MSCI Emerging Markets Index; bonds, represented by the Bloomberg Barclays U.S. Aggregate Index; high yield bonds, represented by the Credit Suisse High Yield Index; global bonds, represented by the Citigroup World Government Bond Index. See www.franklintempletondatasources.com for additional data provider information.

4. Each year’s new investments are made into the best-performing asset class index of the previous calendar year.

5. Each year’s new investments are made into the worst-performing asset class index of the previous calendar year.

6. Annual investments are distributed evenly among all nine asset class indexes each calendar year and the portfolio is rebalanced annually.

Indexes are unmanaged; 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.
BALANCING RISK AND POTENTIAL REWARD

Asset allocation helps you stay in control of your financial plan, tailoring your investments to fit your goals and tolerance for risk. Think of it this way: While you might like to earn 30% annually on your investments, could you weather a 30% loss? Could you ride out a bear market that lasted a year or longer, or would you need to tap your investments for near-term expenses? Creating an asset allocation plan designed with your unique needs in mind can help you face any type of market with greater confidence.

The graph below shows the historical returns and volatility of nine asset classes individually, compared to an asset allocation spread evenly across those asset classes. As you can see, although a few asset classes had slightly higher returns, they also exposed the investor to more risk than the asset allocation portfolio. While past results can’t guarantee future returns, you can see that a little diversification can go a long way.

Volatility and returns of different asset classes
20-year period ended December 31, 2019

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, please visit franklintempleton.com or call (800) DIAL BEN/342-5236.

"We want our money to grow, but we’re not sure how much risk we can handle.”

PUT RISK AND REWARD IN PERSPECTIVE

7. Source: © 2020 Morningstar. Large-cap growth stocks are represented by the S&P 500 Growth Index; large-cap value stocks by the S&P 500 Value Index; small-cap growth stocks by the Russell 2000 Growth Index; small-cap value stocks by the Russell 2000 Value Index; foreign stocks by the MSCI EAFE Index; emerging market stocks by the MSCI Emerging Markets Index; bonds by the Bloomberg Barclays U.S. Aggregate Index; high yield bonds by the Credit Suisse High Yield Index; and global bonds by the Citigroup World Government Bond Index; and asset allocation portfolio reflects an equal investment at the start of the year in each of the nine asset classes. See www.franklintempletondatasources.com for additional data provider information. Past performance does not guarantee future results.
CHOOSING YOUR ASSET ALLOCATION PLAN

The first step in developing your asset allocation plan should be a discussion with your financial professional. Here are some questions you may want to consider: Have I prioritized my primary financial goals? What’s my investment time frame? How much fluctuation in the value of my investments can I handle?

The samples below offer a general idea of what various asset allocation plans look like and how they have performed over time. Please remember, past performance does not guarantee future results.

Sample allocations
20-year period ending December 31, 2019

<table>
<thead>
<tr>
<th>Allocation</th>
<th>20-year average annual total return</th>
<th>Best one-year return</th>
<th>Worst one-year return</th>
</tr>
</thead>
<tbody>
<tr>
<td>100% Stocks</td>
<td>5.94%</td>
<td>38.37%</td>
<td>-37.95%</td>
</tr>
<tr>
<td>80% Stocks • 20% Bonds</td>
<td>6.10%</td>
<td>31.52%</td>
<td>-29.31%</td>
</tr>
<tr>
<td>60% Stocks • 40% Bonds</td>
<td>6.08%</td>
<td>24.66%</td>
<td>-20.67%</td>
</tr>
<tr>
<td>40% Stocks • 40% Bonds • 20% Cash equivalents</td>
<td>5.21%</td>
<td>17.20%</td>
<td>-12.72%</td>
</tr>
<tr>
<td>20% Stocks • 60% Bonds • 20% Cash equivalents</td>
<td>4.87%</td>
<td>10.99%</td>
<td>-4.09%</td>
</tr>
</tbody>
</table>

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8. Source: © 2020 Morningstar. Stock investments are represented by equal investments in the S&P 500 Index, Russell 2000 Index and MSCI EAFE Index, representing large U.S. stocks, small U.S. stocks and foreign stocks, respectively. Bonds are represented by the Bloomberg Barclays U.S. Aggregate Index. Cash equivalents are represented by the Payden & Rygel 90-Day U.S. Treasury Bill Index. Portfolios are rebalanced annually. Indexes are unmanaged, and one cannot invest directly in an index. Past performance does not guarantee future results.
MAKE SURE YOU KEEP YOUR PLAN ON TARGET

Over time, some of your investments may grow more quickly or decline less than others, which can cause your allocations to shift. As a result, you might end up taking on more risk than you intended or not pursuing your goals as aggressively as you would have liked. Meeting periodically with your financial professional to review your portfolio can help keep your plan on target. You may want to rebalance your portfolio, adjusting your investments to reflect your original allocation, or modify your plan to reflect changes in your goals or personal situation.

In the two pie charts below, you can see how a well-diversified 80% stock/20% bond portfolio might have shifted over the past five years, taking on a different risk/return profile.

**Original allocation**
December 31, 2014

- Large Growth Stocks . . . . 16%
- Small Growth Stocks . . . . 16%
- Large Value Stocks . . . . . . 16%
- Small Value Stocks . . . . . . 16%
- Foreign Stocks . . . . . . . . . 16%
- Bonds . . . . . . . . . . . . . . . . 20%

**Allocation 5 years later**
December 31, 2019

- Large Growth Stocks . . . . 20%
- Small Growth Stocks . . . . 17%
- Large Value Stocks . . . . . . 17%
- Small Value Stocks . . . . . . 15%
- Foreign Stocks . . . . . . . . . 15%
- Bonds . . . . . . . . . . . . . . . . 16%

I want to be sure my financial strategy stays on track.”

REVIEW YOUR PORTFOLIO ANNUALLY AND REBALANCE

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9. Source: © 2020 Morningstar. Large-cap growth stocks are represented by the S&P 500 Growth Index; large-cap value stocks are represented by the S&P 500 Value Index; small-cap growth stocks are represented by the Russell 2000 Growth Index; small-cap 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 Bloomberg Barclays U.S. Aggregate Index. Indexes are unmanaged, and one cannot invest directly in an index.
FOR PORTFOLIO DIVERSIFICATION, LOOK TO FRANKLIN TEMPLETON

Franklin Templeton is one of the largest mutual fund organizations in the US, offering a variety of professionally managed mutual funds covering every major asset class. So, whether your risk/reward profile leads to a conservative, moderate or aggressive asset allocation plan, Franklin Templeton offers funds to meet your needs.

<table>
<thead>
<tr>
<th>Large stock funds</th>
<th>Global stock funds</th>
<th>Bond funds (cont’d.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Franklin DynaTech Fund</td>
<td>Franklin Mutual Beacon Fund¹</td>
<td>Franklin Strategic Income Fund</td>
</tr>
<tr>
<td>Franklin Equity Income Fund</td>
<td>Franklin Mutual Global Discovery Fund</td>
<td>Franklin Total Return Fund</td>
</tr>
<tr>
<td>Franklin Growth Fund</td>
<td>Franklin Mutual Quest Fund</td>
<td>Franklin U.S. Government Securities Fund</td>
</tr>
<tr>
<td>Franklin Growth Opportunities Fund¹</td>
<td>Templeton Global Smaller Companies Fund</td>
<td>Templeton Global Bond Fund</td>
</tr>
<tr>
<td>Franklin Mutual Shares Fund¹</td>
<td>Templeton Growth Fund</td>
<td>Templeton Global Total Return Fund</td>
</tr>
<tr>
<td>Franklin Rising Dividends Fund</td>
<td>Templeton World Fund</td>
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<tr>
<th>Small/mid-cap stock funds</th>
<th>Multi-asset/hybrid</th>
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<tr>
<td>Franklin Small Cap Growth Fund</td>
<td>Franklin Convertible Securities Fund</td>
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<td>Franklin Small-Mid Cap Growth Fund</td>
<td>Franklin Income Fund</td>
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<td>Franklin MicroCap Value Fund</td>
<td>Franklin Managed Income Fund</td>
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<td>Franklin Mutual U.S. Value Fund</td>
<td>Templeton Global Balanced Fund</td>
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<td>Franklin Small Cap Value Fund</td>
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<tr>
<th>Foreign stock funds</th>
<th>Bond funds</th>
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<tr>
<td>Franklin International Growth Fund</td>
<td>Franklin Adjustable U.S. Government Securities Fund</td>
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<tr>
<td>Franklin International Small Cap Fund¹</td>
<td>Franklin Floating Rate Daily Access Fund</td>
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<tr>
<td>Franklin Mutual International Fund</td>
<td>Franklin High Income Fund</td>
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<td>Templeton Foreign Fund</td>
<td>Franklin High Income Fund</td>
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<td></td>
<td>Franklin Low Duration Total Return Fund</td>
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All investments involve risks, including possible loss of principal. Typically, the greater the potential return, the more risk involved. Generally, investors should be comfortable with some fluctuation in the value of their investments, especially over the short term. Stock prices fluctuate, sometimes rapidly and dramatically, due to factors affecting individual companies, particular industries or sectors, or general market conditions. Small-capitalization stocks can be more volatile than large-capitalization stocks. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds in a fund adjust to a rise in interest rates, that fund’s share price may decline. Foreign investing carries additional risks such as currency and market volatility and political or social instability; risks which are heightened in emerging markets. Hedge strategies may employ a wide range of investment techniques, including the use of derivatives, leverage, currency management strategies, short sales, and merger arbitrage, which may result in significant volatility and 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 for any Franklin Templeton fund, talk to your financial professional, call (800) 342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.**

10. These funds generally invest in a combination of large-, medium- and small-capitalization stocks.
11. The fund is closed to new investors, with the exception of select retirement plans. Existing shareholders may continue adding to their accounts.
12. Alternative minimum tax may apply.
FOCUSED AND ALTERNATIVE OPPORTUNITIES

Investors looking for a targeted investment opportunity, but who want professional management and greater diversification than owning a few individual stocks or bonds can offer, may want to consider sector or regional funds. Because these funds employ concentrated, narrowly focused investment strategies, they may offer greater potential returns than more broadly invested portfolios. Please remember that the opportunity for increased reward also brings greater risk.

Conversely, investors seeking funds that invest outside the realm of traditional stocks and bonds may want to consider the alternatives. These funds invest in areas that have historically generated returns that were uncorrelated with more traditional investments.

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<th>Sector funds</th>
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<th>Alternative funds</th>
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<td>Franklin Biotechnology Discovery Fund</td>
<td>Franklin Mutual European Fund</td>
<td>Franklin K2 Alternative Strategies Fund</td>
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<tr>
<td>Franklin Gold and Precious Metals Fund</td>
<td>Templeton China World Fund</td>
<td>Franklin K2 Long Short Credit Fund</td>
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<tr>
<td>Franklin Mutual Financial Services Fund</td>
<td>Templeton Developing Markets Trust</td>
<td>Franklin Real Estate Securities Fund</td>
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<td>Franklin Natural Resources Fund</td>
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<td>Franklin Utilities Fund</td>
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Multi-asset funds can make asset allocation easier

Franklin Templeton offers many multi-asset funds that can help simplify asset allocation. These include three actively managed target risk funds with objectives ranging from conservative to growth-oriented, and retirement target date funds offering active management and asset allocation that becomes more conservative as the retirement target date nears. Finally, Franklin Templeton offers two portfolios that invest in set allocations of some of our flagship funds and have an automatic rebalancing feature.

<table>
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<th>Target-risk funds</th>
<th>LifeSmart Retirement funds¹³</th>
<th>Set allocation funds</th>
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<td>Franklin Conservative Allocation Fund</td>
<td>Franklin LifeSmart Retirement Income Fund</td>
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<td>Franklin LifeSmart 2020 Retirement Target Fund</td>
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<td>Franklin LifeSmart 2030 Retirement Target Fund</td>
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<td></td>
<td>Franklin LifeSmart 2035 Retirement Target Fund</td>
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13. Investors generally choose the fund that has the stated target date most closely approximating their retirement date. It’s important to note that the principal value of the fund will fluctuate and is not guaranteed at any time, including at or after the stated target date for the fund; nor is there any guarantee that the fund will provide sufficient income, at or through the investor’s retirement.
WHY CHOOSE FRANKLIN TEMPLETON?

Strength and experience gained over 70 years
Our multiple-manager structure brings together specialized investment teams with distinct styles to offer clients a full range of investment capabilities, which are supported by a global platform that includes rigorous compliance and active risk management.

Management expertise across multiple investment disciplines

## INVESTMENT VEHICLES

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## EXTENSIVE INVESTMENT CAPABILITIES

### EQUITY
- Value
- Deep value
- Core value
- Blend
- GARP
- Growth
- Convertibles
- Sector
- Smart beta

### FIXED INCOME
- Government
- Municipals
- Corporate credit
- Bank loans
- Securitized
- Multi-sector
- Currencies

### MULTI-ASSET
- Multi-asset income
- Diversified outcome-oriented
- Risk premia
- Smart beta
- Balanced allocation
- Target date/risk
- Model portfolios
- Inflation protection
- Managed volatility

### ALTERNATIVES
- Infrastructure
- Real estate
- Hedge funds
- Private equity
- Private debt

### SPECIALIZED INVESTMENT TEAMS
- Benefit Street Partners
- Darby
- Edinburgh Partners
- Fiduciary Trust
- Franklin Equity Group
- Franklin Income Strategy
- Franklin LibertyShares (Active, Smart Beta, Passive) ETFs
- Franklin Local Asset Management – Equity
- Franklin Local Asset Management – Fixed Income
- Franklin Mutual Series
- Franklin Real Asset Advisors
- Franklin Systematic
- Franklin Templeton Emerging Markets Equity
- Franklin Templeton Fixed Income
- Franklin Templeton Investment Solutions
- K2 Advisors
- Templeton Global Equity Group
- Templeton Global Macro

## GLOBAL INVESTMENT PLATFORM

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<th>Investment Risk Management</th>
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franklintempleton.com
Global perspective shaped by local expertise

With more than 600 investment professionals in 25 countries around the world, we are uniquely positioned to look beyond the largest or most visible securities in each market to spot smart global investments that meet our rigorous investment criteria. Our firsthand understanding of local culture, companies and economies sets us apart as a truly global partner.

14. Data as of December 31, 2019. Investment professionals include portfolio managers, portfolio managers/analysts, research analysts and traders of Franklin, Templeton, Franklin Mutual Series, and subsidiary investment management groups.