



FRANKLIN TEMPLETON
INVESTMENTS

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 advisor 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 advisor 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

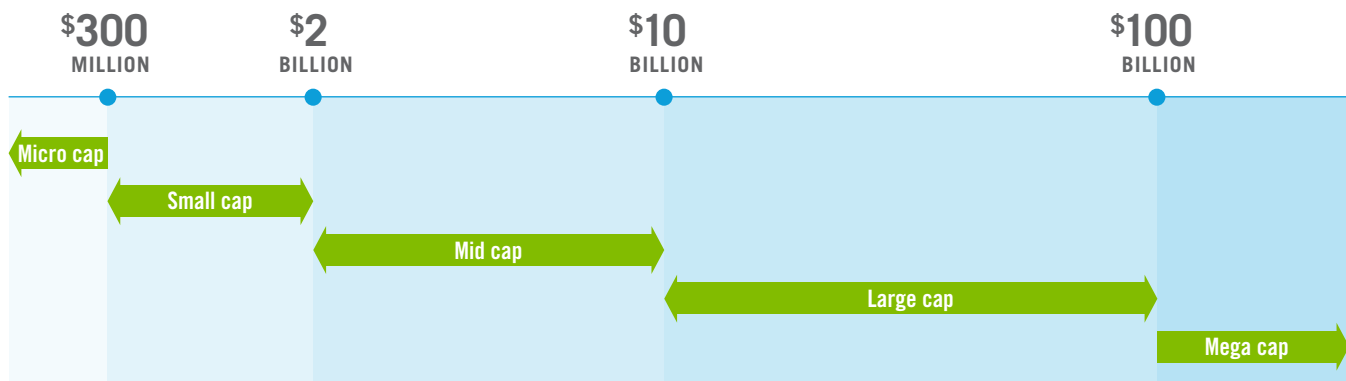
Not FDIC Insured | May Lose Value | No Bank Guarantee

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.



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.

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 1998 through 2017. 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 between 1998–2017²

Ranked in order of performance from best to worst

	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Best ↑	LARGE GROWTH STOCKS 42.16%	EMERGING MARKET STOCKS 66.41%	SMALL VALUE STOCKS 22.83%	SMALL VALUE STOCKS 14.02%	GLOBAL BONDS 19.49%	EMERGING MARKET STOCKS 56.28%	EMERGING MARKET STOCKS 25.95%	EMERGING MARKET STOCKS 34.54%	EMERGING MARKET STOCKS 32.55%	EMERGING MARKET STOCKS 39.82%
	FOREIGN STOCKS 20.33%	SMALL GROWTH STOCKS 43.09%	BONDS 11.63%	BONDS 8.44%	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%
	GLOBAL BONDS 15.30%	HEDGE STRATEGY COMPOSITE 31.29%	LARGE VALUE STOCKS 6.08%	HIGH YIELD BONDS 5.80%	HIGH YIELD BONDS 3.10%	SMALL VALUE STOCKS 46.03%	FOREIGN STOCKS 20.70%	HEDGE STRATEGY COMPOSITE 9.27%	SMALL VALUE STOCKS 23.48%	GLOBAL BONDS 10.95%
	LARGE VALUE STOCKS 14.67%	LARGE GROWTH STOCKS 28.25%	HEDGE STRATEGY COMPOSITE 4.98%	HEDGE STRATEGY COMPOSITE 4.62%	HEDGE STRATEGY COMPOSITE -1.44%	FOREIGN STOCKS 39.17%	LARGE VALUE STOCKS 15.71%	LARGE VALUE STOCKS 5.82%	LARGE VALUE STOCKS 20.80%	HEDGE STRATEGY COMPOSITE 9.95%
	BONDS 8.69%	FOREIGN STOCKS 27.30%	GLOBAL BONDS 1.59%	GLOBAL BONDS -0.99%	EMERGING MARKET STOCKS -6.00%	LARGE VALUE STOCKS 31.79%	SMALL GROWTH STOCKS 14.31%	SMALL VALUE STOCKS 4.71%	SMALL GROWTH STOCKS 13.35%	LARGE GROWTH STOCKS 9.13%
	HEDGE STRATEGY COMPOSITE 2.62%	LARGE VALUE STOCKS 12.72%	HIGH YIELD BONDS -5.21%	EMERGING MARKET STOCKS -2.37%	SMALL VALUE STOCKS -11.43%	HIGH YIELD BONDS 27.94%	HIGH YIELD BONDS 11.95%	SMALL GROWTH STOCKS 4.15%	HEDGE STRATEGY COMPOSITE 12.89%	SMALL GROWTH STOCKS 7.05%
	SMALL GROWTH STOCKS 1.23%	HIGH YIELD BONDS 3.28%	FOREIGN STOCKS -13.96%	SMALL GROWTH STOCKS -9.23%	FOREIGN STOCKS -15.66%	LARGE GROWTH STOCKS 25.66%	GLOBAL BONDS 10.35%	LARGE GROWTH STOCKS 4.00%	HIGH YIELD BONDS 11.92%	BONDS 6.97%
	HIGH YIELD BONDS 0.58%	BONDS -0.82%	LARGE GROWTH STOCKS -22.08%	LARGE VALUE STOCKS -11.71%	LARGE VALUE STOCKS -20.85%	HEDGE STRATEGY COMPOSITE 19.55%	HEDGE STRATEGY COMPOSITE 9.03%	BONDS 2.43%	LARGE GROWTH STOCKS 11.01%	HIGH YIELD BONDS 2.65%
	SMALL VALUE STOCKS -6.45%	SMALL VALUE STOCKS -1.49%	SMALL GROWTH STOCKS -22.43%	LARGE GROWTH STOCKS -12.73%	LARGE GROWTH STOCKS -23.59%	GLOBAL BONDS 14.91%	LARGE GROWTH STOCKS 6.13%	HIGH YIELD BONDS 2.26%	GLOBAL BONDS 6.12%	LARGE VALUE STOCKS 1.99%
↓ Worst	EMERGING MARKET STOCKS -25.34%	GLOBAL BONDS -4.27%	EMERGING MARKET STOCKS -30.61%	FOREIGN STOCKS -21.21%	SMALL GROWTH STOCKS -30.26%	BONDS 4.10%	BONDS 4.34%	GLOBAL BONDS -6.88%	BONDS 4.33%	SMALL VALUE STOCKS -9.78%

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

2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	
GLOBAL BONDS 10.89%	EMERGING MARKET STOCKS 79.02%	SMALL GROWTH STOCKS 29.09%	BONDS 7.84%	EMERGING MARKET STOCKS 18.63%	SMALL GROWTH STOCKS 43.30%	LARGE GROWTH STOCKS 14.89%	LARGE GROWTH STOCKS 5.52%	SMALL VALUE STOCKS 31.74%	EMERGING MARKET STOCKS 37.75%	Best ↑ ↓ Worst
BONDS 5.24%	HIGH YIELD BONDS 54.22%	SMALL VALUE STOCKS 24.50%	GLOBAL BONDS 6.35%	SMALL VALUE STOCKS 18.05%	SMALL VALUE STOCKS 34.52%	LARGE VALUE STOCKS 12.36%	BONDS 0.55%	HIGH YIELD BONDS 18.25%	LARGE GROWTH STOCKS 27.44%	
HEDGE STRATEGY COMPOSITE -19.02%	SMALL GROWTH STOCKS 34.47%	EMERGING MARKET STOCKS 19.20%	HIGH YIELD BONDS 5.47%	FOREIGN STOCKS 17.90%	LARGE GROWTH STOCKS 32.75%	BONDS 5.97%	FOREIGN STOCKS -0.39%	LARGE VALUE STOCKS 17.40%	FOREIGN STOCKS 25.62%	
HIGH YIELD BONDS -26.17%	FOREIGN STOCKS 32.46%	LARGE VALUE STOCKS 15.10%	LARGE GROWTH STOCKS 4.65%	LARGE VALUE STOCKS 17.68%	LARGE VALUE STOCKS 31.99%	SMALL GROWTH STOCKS 5.60%	HEDGE STRATEGY COMPOSITE -1.11%	EMERGING MARKET STOCKS 11.60%	SMALL GROWTH STOCKS 22.17%	
SMALL VALUE STOCKS -28.92%	LARGE GROWTH STOCKS 31.57%	LARGE GROWTH STOCKS 15.05%	LARGE VALUE STOCKS -0.48%	HIGH YIELD BONDS 14.71%	FOREIGN STOCKS 23.29%	SMALL VALUE STOCKS 4.22%	SMALL GROWTH STOCKS -1.38%	SMALL GROWTH STOCKS 11.32%	LARGE VALUE STOCKS 15.36%	
LARGE GROWTH STOCKS -34.92%	LARGE VALUE STOCKS 21.18%	HIGH YIELD BONDS 14.42%	SMALL GROWTH STOCKS -2.91%	LARGE GROWTH STOCKS 14.61%	HEDGE STRATEGY COMPOSITE 9.14%	HEDGE STRATEGY COMPOSITE 2.98%	LARGE VALUE STOCKS -3.13%	LARGE GROWTH STOCKS 6.89%	HEDGE STRATEGY COMPOSITE 8.52%	
SMALL GROWTH STOCKS -38.54%	SMALL VALUE STOCKS 20.58%	HEDGE STRATEGY COMPOSITE 10.25%	HEDGE STRATEGY COMPOSITE -5.25%	SMALL GROWTH STOCKS 14.59%	HIGH YIELD BONDS 7.53%	HIGH YIELD BONDS 1.86%	GLOBAL BONDS -3.57%	HEDGE STRATEGY COMPOSITE 5.54%	SMALL VALUE STOCKS 7.84%	
LARGE VALUE STOCKS -39.22%	HEDGE STRATEGY COMPOSITE 20.00%	FOREIGN STOCKS 8.21%	SMALL VALUE STOCKS -5.50%	HEDGE STRATEGY COMPOSITE 6.37%	BONDS -2.02%	GLOBAL BONDS -0.48%	HIGH YIELD BONDS -4.93%	BONDS 2.65%	GLOBAL BONDS 7.49%	
FOREIGN STOCKS -43.06%	BONDS 5.93%	BONDS 6.54%	FOREIGN STOCKS -11.73%	BONDS 4.21%	EMERGING MARKET STOCKS -2.27%	EMERGING MARKET STOCKS -1.82%	SMALL VALUE STOCKS -7.47%	GLOBAL BONDS 1.60%	HIGH YIELD BONDS 7.03%	
EMERGING MARKET STOCKS -53.18%	GLOBAL BONDS 2.55%	GLOBAL BONDS 5.17%	EMERGING MARKET STOCKS -18.17%	GLOBAL BONDS 1.65%	GLOBAL BONDS -4.00%	FOREIGN STOCKS -4.48%	EMERGING MARKET STOCKS -14.60%	FOREIGN STOCKS 1.51%	BONDS 3.54%	

2. Source: © 2018 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 Credit Suisse High Yield Index; global bonds are represented by the Citigroup World Government Bond Index; hedge strategies are represented by the HFRI Fund Weighted Composite 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 does not guarantee future results. Indexes are unmanaged, and one cannot invest directly in an index.

DOES ASSET ALLOCATION REALLY WORK?



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

TAKE A DIVERSIFIED, LONG-TERM APPROACH

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 \$200,000.³ The first scenario shows the results of a momentum strategy chasing the winners (investing equally in the previous year’s two *best*-performing asset classes), while the second illustrates the returns generated by a bottom-fishing strategy (investing equally in the previous year’s two *worst*-performing asset classes). The third scenario shows the results of an asset allocation plan that consistently invested across ten 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, 2017

	Total investment	Value of portfolio	Average annual total return
1 Chasing the winners Investing in last year’s two <i>best</i> -performing asset classes ^{3, 4}	\$200,000	\$429,082	6.81%
2 Bottom-fishing Investing in last year’s two <i>worst</i> -performing asset classes ^{3, 5}	\$200,000	\$480,240	7.76%
3 ASSET ALLOCATION Investing consistently <i>across many</i> asset classes in equal proportion each year ^{3, 6}	\$200,000	\$483,019	7.81%

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.

3. Source: © 2018 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; and **hedge strategies**, represented by the HFRI Fund Weighted Composite 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 10 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.

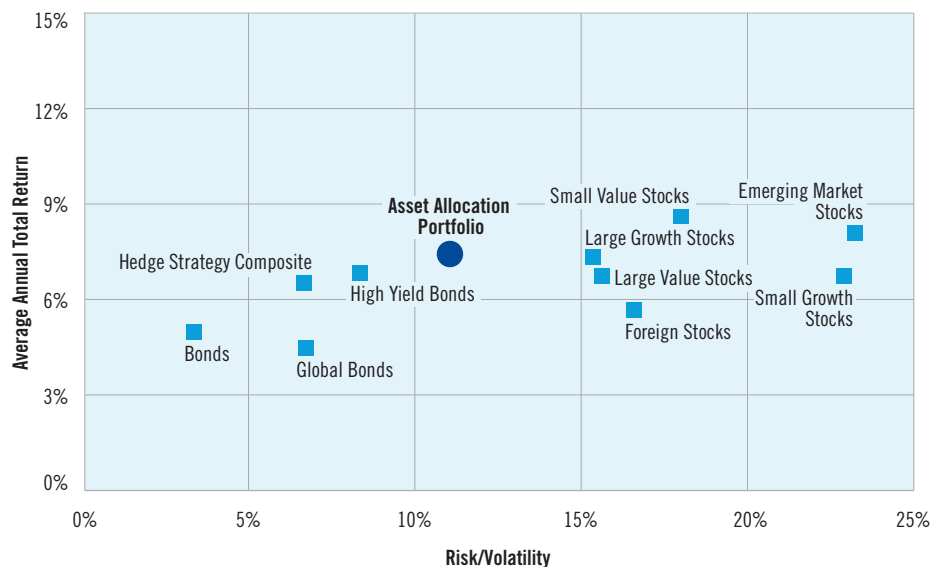


The graph below shows the historical returns and volatility of 10 asset classes individually, compared to an asset allocation spread evenly across those asset classes. As you can see, although a few asset classes had slightly higher returns, they also exposed the investor to more risk than the asset allocation portfolio. While past results can't guarantee future returns, you can see that a little diversification can go a long way.

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

Volatility and returns of different asset classes⁷

20-year period ended December 31, 2017



PUT RISK AND REWARD IN PERSPECTIVE

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7. Source: © 2018 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; **global bonds** by the Citigroup World Government Bond Index; and **hedge strategies** by the HFRI Fund Weighted Composite Index. 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 advisor. 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 Allocations⁸

20-year period ending December 31, 2017

100% Stocks		 <ul style="list-style-type: none"> Stocks 100%
20-year average annual total return	7.10%	
Best one-year return	38.37%	
Worst one-year return	-37.95%	
80% Stocks • 20% Bonds		 <ul style="list-style-type: none"> Stocks 80% Bonds 20%
20-year average annual total return	7.03%	
Best one-year return	31.51%	
Worst one-year return	-29.31%	
60% Stocks • 40% Bonds		 <ul style="list-style-type: none"> Stocks 60% Bonds 40%
20-year average annual total return	6.77%	
Best one-year return	24.66%	
Worst one-year return	-20.67%	
40% Stocks • 40% Bonds • 20% Cash equivalents		 <ul style="list-style-type: none"> Stocks 40% Bonds 40% Cash Equivalents ... 20%
20-year average annual total return	5.71%	
Best one-year return	17.21%	
Worst one-year return	-12.66%	
20% Stocks • 60% Bonds • 20% Cash equivalents		 <ul style="list-style-type: none"> Stocks 20% Bonds 60% Cash Equivalents ... 20%
20-year average annual total return	5.13%	
Best one-year return	10.70%	
Worst one-year return	-4.02%	

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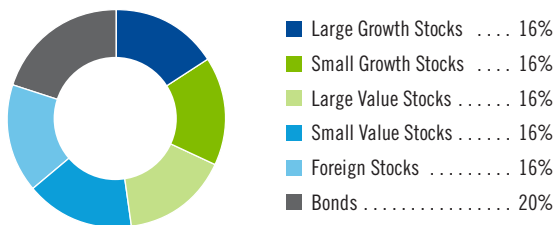
8. Source: © 2018 Morningstar. Stock investments are represented by equal investments in the S&P 500 Index, Russell 2000 Index and MSCI EAFE Index, representing large U.S. stocks, small U.S. stocks and foreign stocks, respectively. Bonds are represented by the Bloomberg Barclays U.S. Aggregate Index. 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

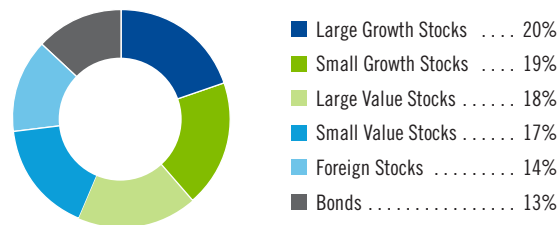
Over time, some of your investments may grow more quickly or decline less than others, which can cause your allocations to shift. As a result, you might end up taking on more risk than you intended or not pursuing your goals as aggressively as you would have liked. Meeting periodically with your financial advisor 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 allocation⁹
December 31, 2012



Allocation 5 years later
December 31, 2017



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

REVIEW YOUR PORTFOLIO ANNUALLY AND REBALANCE

9. Source: © 2018 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 Investments 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 Investments offers funds to meet your needs.

<p>Large stock funds</p> <p>Franklin DynaTech Fund</p> <p>Franklin Equity Income Fund</p> <p>Franklin Focused Core Equity Fund</p> <p>Franklin Growth Fund</p> <p>Franklin Growth Opportunities Fund¹⁰</p> <p>Franklin Mutual Shares Fund¹⁰</p> <p>Franklin Rising Dividends Fund</p>	<p>Global stock funds</p> <p>Franklin Mutual Beacon Fund¹⁰</p> <p>Franklin Mutual Global Discovery Fund</p> <p>Franklin Mutual Quest Fund</p> <p>Templeton Global Smaller Companies Fund</p> <p>Templeton Growth Fund</p> <p>Templeton World Fund</p>	<p>Bond funds (cont'd)</p> <p>Franklin High Income Fund</p> <p>Franklin Low Duration Total Return Fund</p> <p>Franklin Real Return Fund</p> <p>Franklin Strategic Income Fund</p> <p>Franklin Total Return Fund</p> <p>Franklin U.S. Government Securities Fund</p> <p>Templeton Global Bond Fund</p> <p>Templeton Global Total Return Fund</p> <p>Templeton International Bond Fund</p>
<p>Small stock funds</p> <p>Franklin Small Cap Growth Fund¹¹</p> <p>Franklin Small-Mid Cap Growth Fund</p> <p>Franklin Balance Sheet Investment Fund</p> <p>Franklin MicroCap Value Fund¹¹</p> <p>Franklin Small Cap Value Fund</p>	<p>Hybrid funds</p> <p>Franklin Balanced Fund</p> <p>Franklin Convertible Securities Fund</p> <p>Franklin Equity Income Fund</p> <p>Franklin Income Fund</p> <p>Templeton Global Balanced Fund</p>	<p>Municipal bond funds¹²</p> <p>Franklin Federal Intermediate-Term Tax-Free Income Fund</p> <p>Franklin Federal Limited-Term Tax-Free Income Fund</p> <p>Franklin Federal Tax-Free Income Fund</p> <p>Franklin High Yield Tax-Free Income Fund</p> <p>Franklin offers 26 additional municipal bond funds including state-specific funds.</p>
<p>Foreign stock funds</p> <p>Franklin International Growth Fund</p> <p>Franklin International Small Cap Growth Fund¹¹</p> <p>Franklin Mutual International Fund</p> <p>Templeton Foreign Fund</p>	<p>Bond funds</p> <p>Franklin Adjustable U.S. Government Securities Fund</p> <p>Franklin Flexible Alpha Bond Fund</p> <p>Franklin Floating Rate Daily Access Fund</p>	

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 advisor, call (800) 342-5236 or visit franklintempleton.com. Please carefully read a prospectus before you invest or send money.

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.

Sector funds

Franklin Biotechnology Discovery Fund
Franklin Gold and Precious Metals Fund
Franklin Mutual Financial Services Fund
Franklin Natural Resources Fund
Franklin Utilities Fund

Regional funds

Franklin India Growth Fund
Franklin Mutual European Fund
Templeton China World Fund
Templeton Developing Markets Trust
Templeton Emerging Markets Balanced Fund
Templeton Emerging Markets Small Cap Fund
Templeton Frontier Markets Fund

Alternative funds

Franklin Global Listed Infrastructure Fund
Franklin K2 Alternative Strategies Fund
Franklin K2 Global Macro Opportunities Fund
Franklin K2 Long Short Credit Fund
Franklin Pelagos Commodities Strategy Fund
Franklin Real Estate Securities Fund

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.¹³ Finally, Franklin Templeton offers two portfolios that invest in set allocations of some of our flagship funds and have an automatic rebalancing feature.

Asset allocation funds

Target-risk funds

Franklin Conservative Allocation Fund
Franklin Moderate Allocation Fund
Franklin Growth Allocation Fund

LifeSmart Retirement funds¹³

Franklin LifeSmart Retirement Income Fund	Franklin LifeSmart 2040 Retirement Target Fund
Franklin LifeSmart 2020 Retirement Target Fund	Franklin LifeSmart 2045 Retirement Target Fund
Franklin LifeSmart 2025 Retirement Target Fund	Franklin LifeSmart 2050 Retirement Target Fund
Franklin LifeSmart 2030 Retirement Target Fund	Franklin LifeSmart 2055 Retirement Target Fund
Franklin LifeSmart 2035 Retirement Target Fund	

Set allocation funds

Franklin Corefolio® Allocation Fund
Franklin Founding Funds Allocation Fund

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.

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 INVESTMENTS?

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

MUTUAL FUNDS

ETFs

SEPARATELY MANAGED ACCOUNTS

PRIVATE FUNDS

EXTENSIVE INVESTMENT CAPABILITIES

EQUITY

- Value
- Deep value
- Core value
- Blend
- GARP
- Growth
- Convertibles
- Sector
- Shariah

MULTI-ASSETS

- Income
- Real return
- Balanced/Hybrid
- Total return
- Target date/risk
- Absolute return
- Tactical asset allocation
- Managed volatility

FIXED INCOME

- Government
- Municipals
- Corporate credit
- Bank loans
- Securitized
- Multi-sector
- Currencies
- Sukuk

ALTERNATIVES

- Commodities
- Infrastructure
- Real estate
- Hedge funds
- Private equity

SPECIALIZED INVESTMENT TEAMS

- Franklin Equity Group
- Franklin Local Asset Management
- Franklin Mutual Series
- Franklin Real Asset Advisors
- Franklin Templeton Fixed Income Group
- Franklin Templeton Solutions
- Templeton Emerging Markets
- Templeton Global Equity Group
- Templeton Global Macro
- Templeton Private Equity Partners
- Darby Private Equity
- K2 Advisors
- Pelagos Capital Management

GLOBAL INVESTMENT PLATFORM

RESEARCH

TRADING

PORTFOLIO COMPLIANCE

INVESTMENT RISK MANAGEMENT

Global perspective shaped by local expertise¹⁴

With more than 650 investment professionals in 28 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.



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COUNTRIES
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