



**Annual Report  
and Shareholder Letter**

April 30, 2019

# Franklin Strategic Series

Franklin Biotechnology Discovery Fund  
Franklin Natural Resources Fund



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You may elect to continue to receive paper copies of all your future shareholder reports free of charge by contacting your financial intermediary or, if you invest directly with a Fund, calling (800) 632-2301 to let the Fund know of your request. Your election to receive reports in paper will apply to all funds held in your account.

# Franklin Templeton

Successful investing begins with ambition. And achievement only comes when you reach for it. That's why we continually strive to deliver better outcomes for investors. No matter what your goals are, our deep, global investment expertise allows us to offer solutions that can help.

During our more than 70 years of experience, we've managed through all kinds of markets—up, down and those in between. We're always preparing for what may come next. It's because of this, combined with our strength as one of the world's largest asset managers that we've earned the trust of millions of investors around the world.

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Dear Shareholder:

During the 12 months ended April 30, 2019, the U.S. economy continued to grow amid positive economic data and corporate earnings, and the unemployment rate declined.

In April 2019, the Standard & Poor's 500® Index (S&P 500®) reached an all-time high after declining in 2018's fourth quarter. During the period, markets reflected concerns about the U.S. Federal Reserve's (Fed's) interest-rate path, U.S. political uncertainties and U.S.-China trade disputes, but these concerns were mitigated by the Fed's patient monetary policy stance and investor optimism about a trade deal. Within this environment, U.S. stocks, as measured by the S&P 500, generated a double-digit percentage positive total return for the 12-month period.

We are committed to our long-term perspective and disciplined investment approach as we conduct a rigorous, fundamental analysis of securities with a regular emphasis on investment risk management.

We believe active, professional investment management serves investors well. We also recognize the important role of financial advisors in today's markets and encourage investors to continue to seek their advice. Amid changing markets and economic conditions, we are confident investors with a well-diversified portfolio and a patient, long-term outlook should be well positioned for the years ahead.

In addition, Franklin Strategic Series' annual report includes more detail about prevailing conditions and a discussion about investment decisions during the period. Please remember all securities markets fluctuate, as do mutual fund share prices.

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

Sincerely,



Edward Perks, CFA  
President and Chief Executive Officer –  
Investment Management  
Franklin Strategic Series

*This letter reflects our analysis and opinions as of April 30, 2019, unless otherwise indicated. 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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to access your account, or to find helpful  
financial planning tools.

# Annual Report

## Economic and Market Overview

The U.S. economy grew during the 12-month period. The economy expanded at a faster rate in 2019's first quarter after moderating in the previous two quarters. Growth in consumer spending, inventory investment, exports, state and local government spending and business investment was partly offset by declines in housing investment and federal government spending. The manufacturing and services sectors expanded during the period. The unemployment rate decreased from 3.9% in April 2018 to 3.6% at period-end.<sup>1</sup> The annual inflation rate, as measured by the Consumer Price Index, decreased from 2.5% in April 2018 to 2.0% at period-end.<sup>1</sup>

The U.S. Federal Reserve (Fed) raised its target range for the federal funds rate by 0.25% three times during the period, to 2.25%–2.50%, and continued reducing its balance sheet as part of its plan to normalize monetary policy. At its March 2019 meeting, the Fed held its target range for the federal funds rate unchanged and signaled no rate hike in 2019. The Fed also lowered its forecasts for economic growth in 2019 and 2020. Furthermore, the Fed mentioned it would end its balance sheet normalization by the end of September 2019.

U.S. equity markets overall rose during the period, benefiting from upbeat economic data and better U.S. corporate earnings. However, markets reflected concerns about tighter regulation of technology companies, the Fed's interest-rate path, U.S. political uncertainties, and the impact of U.S. trade disputes with China and other trading partners on global growth and corporate earnings. These concerns were partially alleviated by easing trade tensions and optimism about a potential U.S.-China trade deal. Markets also benefited from the Fed's indications of a patient approach to its monetary policy decisions. The broad U.S. stock market, as measured by the Standard & Poor's 500 Index (S&P 500), sold off sharply in 2018's fourth quarter but rallied in 2019's first four months, reaching a new all-time high in April 2019. Overall, the S&P 500 posted a +13.49% total return for the 12-month period.<sup>2</sup>

*The foregoing information reflects our analysis and opinions as of April 30, 2019. 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.*

1. Bureau of Labor Statistics.

2. Morningstar.

See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

# Franklin Biotechnology Discovery Fund

This annual report for Franklin Biotechnology Discovery Fund covers the fiscal year ended April 30, 2019.

## Your Fund's Goal and Main Investments

The Fund seeks capital appreciation by investing at least 80% of its net assets in securities of biotechnology companies and discovery research firms located in the U.S. and other countries.

## Performance Overview

The Fund's Class A shares posted a -1.60% cumulative total return for the 12 months under review. In comparison, the NASDAQ Biotechnology Index<sup>®</sup>, which tracks U.S. and international-based biotechnology stocks, posted a +3.23% total return.<sup>1</sup> Also in comparison, the Standard & Poor's 500 Index (S&P 500), which is a broad measure of the U.S. stock market, posted a +13.49% total return.<sup>1</sup> You can find the Fund's long-term performance data in the Performance Summary beginning on page 6.

*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](http://franklintempleton.com) or call (800) 342-5236.*

## Investment Strategy

We are research-driven, fundamental investors, pursuing a growth strategy. As bottom-up investors focusing primarily on individual securities, we choose companies that have identifiable drivers of future earnings growth and that present, in our opinion, the best trade-off between potential earnings growth, business and financial risk, and valuation. We rely on a team of analysts to help provide in-depth industry expertise and use both qualitative and quantitative analysis to evaluate companies for distinct and sustainable competitive advantages likely to lead to growth in earnings and/or share price. Competitive advantages, such as a particular product niche, proven technology, sound financial position and strong management, are all factors we believe may contribute to strong growth potential.

1. Source: Morningstar.

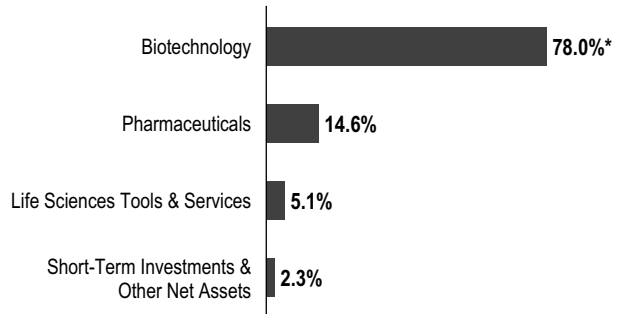
The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

See [www.franklintempletondatasources.com](http://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 Statement of Investments (SOI). The SOI begins on page 22.

## Portfolio Composition

Based on Total Net Assets as of 4/30/19



\*Includes common, preferred stocks, escrows and litigation trusts as well as other equity interests.

## Manager's Discussion

During the 12 months under review, the biotechnology industry experienced significant volatility. Please keep in mind that volatility is not uncommon in the biotechnology industry, and we seek to take advantage of short-term volatility by initiating positions or adding to existing holdings in companies we believe are undervalued.

Key detractors from the Fund's absolute performance included Clovis Oncology (not held at period-end), Nektar Therapeutics (not held at period-end) and Biogen.

Shares of pharmaceutical company Clovis Oncology declined despite a study suggesting Rubraca, currently used for treating ovarian cancer, could be effective for treating prostate cancer. Investor sentiment was hampered by concerns that AstraZeneca's (not a Fund holding) Lynparza, a competing drug in the same class, would remain the market leader across all diseases treated by that drug type. Pharmaceutical company Nektar Therapeutics was hurt by the release of positive trial data from Roche for a competing drug in development for melanoma and head and neck cancer. Its share price was hurt by investor concerns around competition as well as weaker-than-expected clinical data. Pharmaceutical company Biogen was hurt by investor skepticism about its Alzheimer's drug Aducanumab, which was confirmed when the company ended development following a trial failure in March 2019. Its share price was further hurt by Biogen's weak development pipeline, possible near-term generic competition from an

existing drug and the coming-to-market of a competitor's gene therapy drug that is likely superior to Biogen's existing treatment.

In contrast, key contributors to the Fund's absolute performance included Array BioPharma, Fate Therapeutics and Alexion Pharmaceuticals.

Array BioPharma is focused on the development and sale of cancer-treatment drugs. Third-quarter 2018 earnings greatly benefited from the U.S. debut of Braftovi + Mektovi, a two-drug treatment for skin cancer, which saw sales well above market expectations. Positive results from more recent trials of Braftovi + Mektovi's use to treat colorectal cancer also supported the company's share price. We also believe Array's drug discovery process has proven highly successful, and could, in our opinion, continue to develop profitable drugs. Biotechnology company Fate Therapeutics develops cell-based therapies for cancer and immune disorders. Shares rose significantly in late 2018 when the company expanded clinical trials for a promising cancer treatment and the Food and Drug Administration (FDA) approved an application to initiate a new clinical study for the first ever stem cell-derived cancer treatment. Alexion Pharmaceuticals is a biopharmaceutical company that focuses on developing treatments for rare disorders. Alexion benefited from its acquisition of a company with a treatment for autoimmune disorders, further diversifying their pipeline, as well as the FDA approval of Ultomiris, a treatment for rare blood disorders the company is hoping will replace its existing treatment Soliris.

Thank you for your continued participation in Franklin Biotechnology Discover Fund. We look forward to serving your future investment needs.



Evan McCulloch, CFA  
Lead Portfolio Manager

Wendy Lam, Ph.D.  
Steven Kornfeld, CFA

Portfolio Management Team

## Top 10 Holdings

4/30/19

Company Sector/Industry	% of Total Net Assets
Alexion Pharmaceuticals Inc. <i>Biotechnology</i>	7.2%
Vertex Pharmaceuticals Inc. <i>Biotechnology</i>	5.3%
Array BioPharma Inc. <i>Biotechnology</i>	5.3%
Illumina Inc. <i>Life Sciences Tools &amp; Services</i>	5.1%
Biogen Inc. <i>Biotechnology</i>	4.1%
GW Pharmaceuticals PLC <i>Pharmaceuticals</i>	3.9%
Regeneron Pharmaceuticals Inc. <i>Biotechnology</i>	3.8%
Gilead Sciences Inc. <i>Biotechnology</i>	3.6%
BioMarin Pharmaceutical Inc. <i>Biotechnology</i>	3.3%
Amgen Inc. <i>Biotechnology</i>	3.3%

*The foregoing information reflects our analysis, opinions and portfolio holdings as of April 30, 2019, 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 April 30, 2019

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. 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.

### Performance as of 4/30/19<sup>1</sup>

*Cumulative total return excludes sales charges. Average annual total return includes maximum sales charges. Sales charges will vary depending on the size of the investment and the class of share purchased. The maximum is 5.50% and the minimum is 0%. **Class A:** 5.50% maximum initial sales charge; **Advisor Class:** no sales charges. For other share classes, visit [franklintempleton.com](http://franklintempleton.com).*

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>
<b>A<sup>4</sup></b>		
1-Year	-1.60%	-7.02%
5-Year	+34.79%	+4.96%
10-Year	+333.57%	+15.15%
<b>Advisor<sup>5</sup></b>		
1-Year	-1.36%	-1.36%
5-Year	+36.46%	+6.41%
10-Year	+344.96%	+16.10%

*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](http://franklintempleton.com) or call (800) 342-5236.*

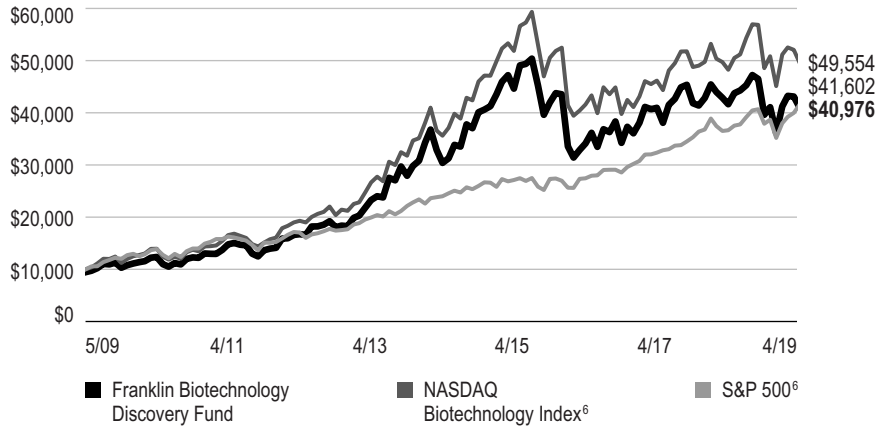
See page 8 for Performance Summary footnotes.



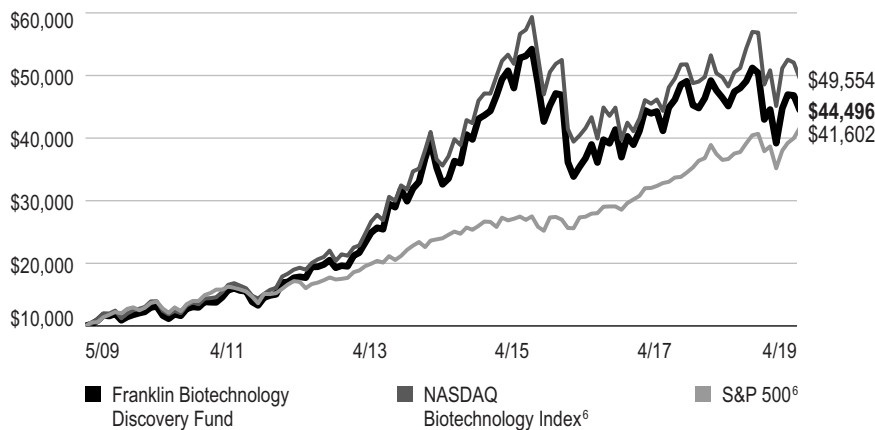
### Total Return Index Comparison for a Hypothetical \$10,000 Investment<sup>1</sup>

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 indexes include reinvestment of any income or distributions. They differ from the Fund in composition and do not pay management fees or expenses. One cannot invest directly in an index.

#### Class A (5/1/09–4/30/19)



#### Advisor Class (5/1/09–4/30/19)<sup>5</sup>



See page 8 for Performance Summary footnotes.

## Distributions (5/1/18–4/30/19)

Share Class	Short-Term Capital Gain	Long-Term Capital Gain	Total
A	\$2.3428	\$2.2068	\$4.5496
C	\$2.3428	\$2.2068	\$4.5496
R6	\$2.3428	\$2.2068	\$4.5496
Advisor	\$2.3428	\$2.2068	\$4.5496

## Total Annual Operating Expenses<sup>7</sup>

Share Class	With Fee Waiver	Without Fee Waiver
A	1.02%	1.04%
Advisor	0.77%	0.79%

Each class of shares is available to certain eligible investors and has different annual fees and expenses, as described in the prospectus.

All investments involve risks, including possible loss of principal. The Fund is a nondiversified fund that concentrates in a single sector, which involves risks such as patent considerations, product liability, government regulatory requirements, and regulatory approval for new drugs and medical products. Biotechnology companies often are small and/or relatively new. Smaller companies can be particularly sensitive to changes in economic conditions and have less certain growth prospects than larger, more established companies and can be volatile, especially over the short term. The Fund may also invest in foreign companies, which involve special risks, including currency fluctuations and political uncertainty. 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.

1. The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 8/31/19. Fund investment results reflect the expense reduction and fee waiver; 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. Return for less than one year, if any, has not been annualized.

4. Prior to 9/10/18, these shares were offered at a higher initial sales charge of 5.75%, thus actual returns would have differed. Total returns with sales charges have been restated to reflect the current maximum initial sales charge of 5.50%.

5. Effective 9/1/09, the Fund began offering Advisor Class shares, which do not have sales charges or a Rule 12b-1 plan. Performance quotations for this class reflect the following methods of calculation: (a) For periods prior to 9/1/09, a restated figure is used based upon the Fund's Class A performance, excluding the effect of Class A's maximum initial sales charge, but reflecting the effect of the Class A Rule 12b-1 fees; and (b) for periods after 9/1/09, actual Advisor Class performance is used reflecting all charges and fees applicable to that class. Since 9/1/09 (commencement of sales), the cumulative and average annual total returns of Advisor Class shares were +288.14% and +15.07%.

6. Source: Morningstar. The NASDAQ Biotechnology Index is a modified capitalization weighted index designed to measure performance of all NASDAQ stocks in the biotechnology sector. The S&P 500 is a market capitalization-weighted index of 500 stocks designed to measure total U.S. equity market performance.

7. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Financial Highlights sections in this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs: (1) transaction costs, including sales charges (loads) on Fund purchases and redemptions; and (2) 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 table below 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 table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value" for each class of shares. 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*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then  $\$8,600 \div \$1,000 = 8.6$* ). Then multiply the result by the number in the row for your class of shares under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were \$7.50, then  $8.6 \times \$7.50 = \$64.50$* ). In this illustration, the actual expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example for the class of shares you hold with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading "Hypothetical" is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

Share Class	Beginning Account Value 11/1/18	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 4/30/19	Expenses Paid During Period 11/1/18–4/30/19 <sup>1,2</sup>	Ending Account Value 4/30/19	Expenses Paid During Period 11/1/18–4/30/19 <sup>1,2</sup>	
A	\$1,000	\$1,034.30	\$5.09	\$1,019.79	\$5.06	1.01%
C	\$1,000	\$1,030.50	\$8.81	\$1,016.12	\$8.75	1.75%
R6	\$1,000	\$1,036.20	\$3.23	\$1,021.62	\$3.21	0.64%
Advisor	\$1,000	\$1,035.50	\$3.84	\$1,021.03	\$3.81	0.76%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 181/365 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

# Franklin Natural Resources Fund

This annual report for Franklin Natural Resources Fund covers the fiscal year ended April 30, 2019.

## Your Fund's Goal and Main Investments

The Fund seeks high total return (total return consists of capital appreciation and current dividend and interest income) by investing, under normal market conditions, at least 80% of its net assets in equity and debt securities of companies that own, produce, refine, process, transport or market natural resources, as well as those that provide related services.

## Performance Overview

The Fund's Class A shares posted a -13.69% cumulative total return for the 12 months under review. In comparison, the Standard & Poor's (S&P®) North American Natural Resources Sector Index, which tracks companies involved in industries such as mining, energy, timber and forestry services, and the production of pulp and paper, posted a -9.11% total return.<sup>1</sup> Also in comparison, the Standard & Poor's 500 Index (S&P 500), which is a broad measure of the U.S. stock market, posted a +13.49% total return.<sup>1</sup> Please note index performance information is provided for reference and we do not attempt to track any index but rather undertake investments on the basis of fundamental research. The Fund's strategy, which focuses on companies with higher long-term growth potential, differs from the natural resources index's large weighting in income-oriented companies that we believe typically provide more limited opportunities for growth. This difference may occasionally lead to wide performance discrepancies, especially in periods when investors focus on short-term safety and yield or, conversely, when investors focus more heavily on companies with stronger growth prospects and greater commodity price leverage. You can find the Fund's long-term performance data in the Performance Summary beginning on page 14.

*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](http://franklintempleton.com) or call (800) 342-5236.*

1. Source: Morningstar.

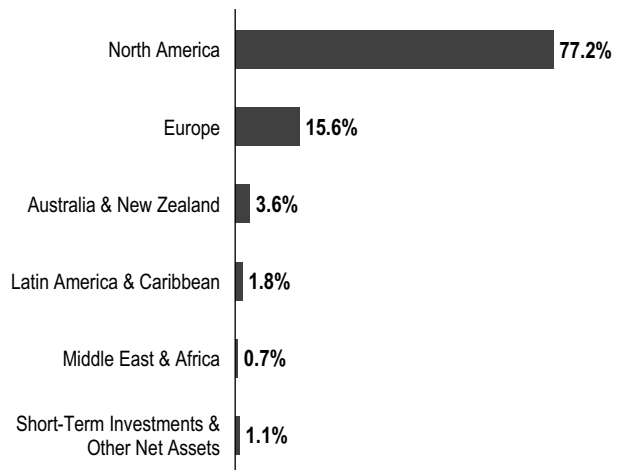
The indexes are unmanaged and include reinvestment of any income or distributions. They do not reflect any fees, expenses or sales charges. One cannot invest directly in an index, and an index is not representative of the Fund's portfolio.

See [www.franklintempleton.com](http://www.franklintempleton.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 Statement of Investments (SOI). The SOI begins on page 29.

## Geographic Composition

Based on Total Net Assets as of 4/30/19



## Investment Strategy

We are research-driven, fundamental investors, pursuing a growth strategy. As bottom-up investors focusing primarily on individual securities, we choose companies that have identifiable drivers of future earnings growth and that present, in our opinion, the best trade-off between potential earnings growth, business and financial risk, and valuation. We rely on a team of analysts to help provide in-depth industry expertise and use both qualitative and quantitative analysis to evaluate companies for distinct and sustainable competitive advantages likely to lead to growth in earnings and/or share price. Competitive advantages, such as a particular product niche, proven technology, sound financial position and strong management, are all factors we believe may contribute to strong growth potential.

## Sector Overview

Global commodity prices declined during the 12-month period amid U.S.-China trade tensions, a strong U.S. dollar and lukewarm global economic data, particularly in China (the world's largest consumer of raw materials). Oil prices were particularly volatile, buffeted by global political instability and production swings, though ended the period roughly where they started as export reductions by the Organization of the Petroleum Exporting Countries offset demand headwinds. Most metals declined, with the notable exceptions of iron ore and

palladium. The overall commodity decline was limited by a rally in 2019 due to optimism about a U.S.-China trade deal, anticipation of an economic recovery in China and signs the U.S. Federal Reserve (Fed) would hold interest rates hikes steady in 2019.

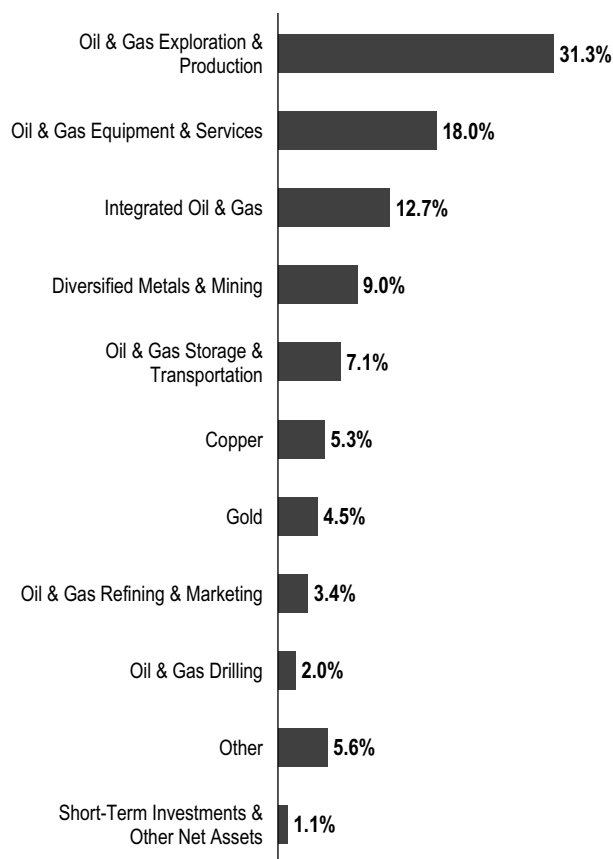
Despite extreme volatility, crude oil prices ended the period at relatively similar levels compared to the start of the period. The U.S. benchmark oil, West Texas Intermediate, dropped slightly, while the international benchmark, Brent crude, increased modestly. Both benchmark oils followed similar trends: prices rallied early in the period due to U.S. sanctions against Iran, plummeting oil output from Venezuela, political turmoil in Libya, declines in U.S. oil stockpiles and healthy global demand growth. After reaching a multi-year high in October, prices declined sharply at the end of 2018 in response to signs of excess supply resulting from increased output by the U.S., Russia and Saudi Arabia. The rise in production was due, in part, to the expected impact of U.S. sanctions on Iran, which were later loosened with the granting of waivers to certain countries. Fears of slowing demand in China and elsewhere also weighed on sentiment. Prices rebounded substantially in 2019 due to supply cuts by the Organization of the Petroleum Exporting Countries and other countries outside the organization, as well as new, unexpected production declines from Venezuela.

U.S. natural gas prices ended the period lower despite continued strong demand as supply growth also remained robust. Prices increased in the first half of the period due to summer heat waves and an extended winter season, which increased demand (for air conditioning and then heating) and set the stage for decreased supplies. Overseas demand for liquefied natural gas increased exports, also helping to absorb excess inventories. In December, these price gains were reversed as investors considered forecasts for above-average temperatures in January and significant increases in U.S. production. The surge in production continued through 2019, leading to further price decreases despite a continued uptrend in demand and below-average gas inventory.

Gold prices declined during the period amid U.S. dollar strength and rising U.S. interest rates, particularly in 2018's fourth quarter, that drove many investors toward income-producing asset classes. Gold prices partly recovered in the second half of the period due to signals the Fed would hold interest rates steady and challenges on the production side. Silver and platinum prices decreased for similar reasons, while palladium prices rose amid tight global supplies and stronger demand for the metal due to its emissions-control use in gasoline vehicles. Iron ore prices increased significantly,

## Portfolio Composition

Based on Total Net Assets as of 4/30/19



particularly after a major Brazilian mine shut down in 2019 due to a nearby tailings dam failure. Prices of copper and other metals declined in response to trade tensions and the weak economic outlook for China, the world's largest consumer of base metals, as its factory activity slowed.

## Manager's Discussion

The global economic environment was not conducive to positive returns for natural resources equities during the period, as the recovery in early 2019 was not enough to offset losses in 2018.

An overweight in oil and gas equipment and services was the biggest detractor from the Fund's relative performance. The sector as a whole was hurt by its relatively high operating leverage, as overall customer spending is tied to investor expectations around commodity prices and cash flows. Major detractors included overweighted positions in Superior Energy Services, Oil States International and Halliburton, all companies with significant U.S. onshore exposure where activity slowed in response to budget constraints and the decline in oil prices.

Underweighted oil and gas storage and transportation positions detracted from relative performance as well. An underweighting in Enbridge and TransCanada detracted from relative results as share prices rose due to the companies' perceived stability and lower exposure to a weak commodity environment.

The Fund's lack of exposure to metal and glass containers along with stock selection and an underweighting in integrated oil and gas, two relatively stable sectors, also hurt relative performance. In the latter sector, relative results were hurt by underweights in well-performing U.S.-based Chevron and Exxon Mobil.

In contrast, an overweight and stock selection in diversified metals and mining contributed to relative results. Top contributors included off-benchmark positions in mining companies BHP Group, Rio Tinto and Anglo American, all of which benefited from iron ore supply disruptions in Brazil related to a major mine-related dam failure and subsequent shut-down of other mines believed to also present safety risks.

An underweighted position in oil and gas refining and marketing also contributed to relative returns, as profit margins compressed due to investor concerns about demand and the general economy.

Cash holdings were another relative contributor.

## Top 10 Holdings

4/30/19

Company Sector/Industry	% of Total Net Assets
Schlumberger Ltd. <i>Oil &amp; Gas Equipment &amp; Services</i>	3.9%
Diamondback Energy Inc. <i>Oil &amp; Gas Exploration &amp; Production</i>	3.3%
Concho Resources Inc. <i>Oil &amp; Gas Exploration &amp; Production</i>	3.3%
EOG Resources Inc. <i>Oil &amp; Gas Exploration &amp; Production</i>	3.0%
Pioneer Natural Resources Co. <i>Oil &amp; Gas Exploration &amp; Production</i>	2.9%
Occidental Petroleum Corp. <i>Integrated Oil &amp; Gas</i>	2.8%
Royal Dutch Shell PLC <i>Integrated Oil &amp; Gas</i>	2.8%
TechnipFMC PLC <i>Oil &amp; Gas Equipment &amp; Services</i>	2.6%
Chevron Corp. <i>Integrated Oil &amp; Gas</i>	2.5%
Cabot Oil & Gas Corp. <i>Oil &amp; Gas Exploration &amp; Production</i>	2.5%

Thank you for your continued participation in Franklin Natural Resources Fund. We look forward to serving your future investment needs.



Frederick G. Fromm, CFA



Matthew J. Adams, CFA

Stephen M. Land, CFA

Portfolio Management Team

*The foregoing information reflects our analysis, opinions and portfolio holdings as of April 30, 2019, 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 April 30, 2019

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. 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.

### Performance as of 4/30/19<sup>1</sup>

*Cumulative total return excludes sales charges. Average annual total return includes maximum sales charges. Sales charges will vary depending on the size of the investment and the class of share purchased. The maximum is 5.50% and the minimum is 0%. **Class A:** 5.50% maximum initial sales charge; **Advisor Class:** no sales charges. For other share classes, visit [franklintempleton.com](http://franklintempleton.com).*

Share Class	Cumulative Total Return <sup>2</sup>	Average Annual Total Return <sup>3</sup>
<b>A<sup>4</sup></b>		
1-Year	-13.69%	-18.44%
5-Year	-36.76%	-9.78%
10-Year	+16.23%	+0.94%
<b>Advisor</b>		
1-Year	-13.50%	-13.50%
5-Year	-35.92%	-8.52%
10-Year	+19.51%	+1.80%

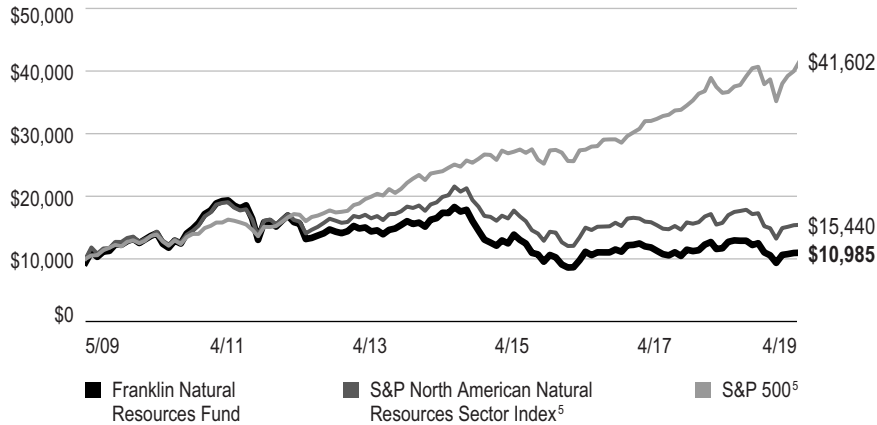
*Performance data represent past performance, which does not guarantee future results. Investment return and principal value will fluctuate, and you may have a gain or loss when you sell your shares. Current performance may differ from figures shown. For most recent month-end performance, go to [franklintempleton.com](http://franklintempleton.com) or call (800) 342-5236.*

See page 16 for Performance Summary footnotes.

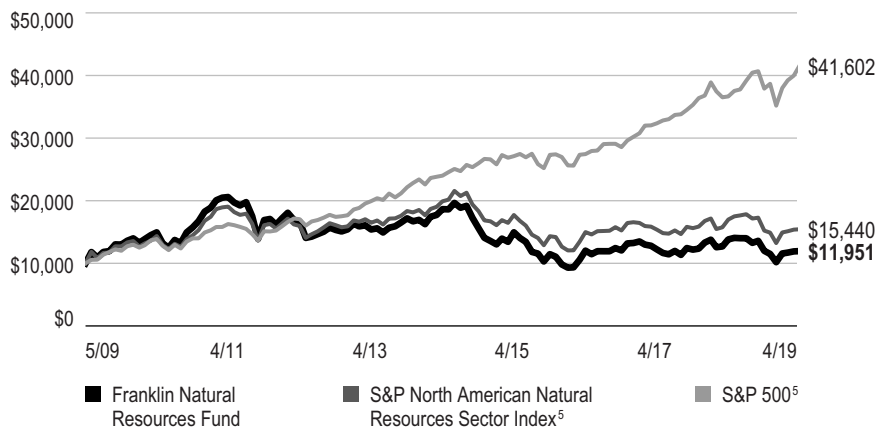
### Total Return Index Comparison for a Hypothetical \$10,000 Investment<sup>1</sup>

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 indexes include reinvestment of any income or distributions. They differ from the Fund in composition and do not pay management fees or expenses. One cannot invest directly in an index.

#### Class A (5/1/09–4/30/19)



#### Advisor Class (5/1/09–4/30/19)



See page 16 for Performance Summary footnotes.

## Distributions (5/1/18–4/30/19)

Share Class	Net Investment Income
A	\$0.4894
C	\$0.3949
R6	\$0.5348
Advisor	\$0.5109

## Total Annual Operating Expenses<sup>6</sup>

Share Class	With Fee Waiver	Without Fee Waiver
A	1.06%	1.06%
Advisor	0.81%	0.81%

Each class of shares is available to certain eligible investors and has different annual fees and expenses, as described in the prospectus.

All investments involve risks, including possible loss of principal. Investing in a fund concentrating in the natural resources sector involves special risks, including increased susceptibility to adverse economic and regulatory developments affecting the sector. Growth stock prices may fall dramatically if the company fails to meet projections of earnings or revenue; their prices may be more volatile than other securities, particularly over the short term. Smaller companies can be particularly sensitive to changes in economic conditions and have less certain growth prospects than larger, more established companies and can be volatile, especially over the short term. The Fund may also invest in foreign companies, which involve special risks, including currency fluctuations and political uncertainty. 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.

1. The Fund has a fee waiver associated with any investment it makes in a Franklin Templeton money fund and/or other Franklin Templeton fund, contractually guaranteed through 8/31/19. Fund investment results reflect the expense reduction and fee waiver; 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. Return for less than one year, if any, has not been annualized.

4. Prior to 9/10/18, these shares were offered at a higher initial sales charge of 5.75%, thus actual returns would have differed. Total returns with sales charges have been restated to reflect the current maximum initial sales charge of 5.50%.

5. Source: Morningstar. The S&P North American Natural Resources Index is a modified capitalization-weighted index that includes companies involved in extractive industries (mining), energy and forestry services, producers of pulp and paper, and owners and operators of timber tracts or plantations. The S&P 500 is a market capitalization-weighted index of 500 stocks designed to measure total U.S. equity market performance.

6. Figures are as stated in the Fund's current prospectus and may differ from the expense ratios disclosed in the Your Fund's Expenses and Financial Highlights sections in this report. In periods of market volatility, assets may decline significantly, causing total annual Fund operating expenses to become higher than the figures shown.

See [www.franklintempletondatasources.com](http://www.franklintempletondatasources.com) for additional data provider information.

## Your Fund's Expenses

As a Fund shareholder, you can incur two types of costs: (1) transaction costs, including sales charges (loads) on Fund purchases and redemptions; and (2) 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 table below 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 table below provides information about actual account values and actual expenses in the columns under the heading "Actual." In these columns the Fund's actual return, which includes the effect of Fund expenses, is used to calculate the "Ending Account Value" for each class of shares. 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*): Divide your account value by \$1,000 (*if your account had an \$8,600 value, then  $\$8,600 \div \$1,000 = 8.6$* ). Then multiply the result by the number in the row for your class of shares under the headings "Actual" and "Expenses Paid During Period" (*if Actual Expenses Paid During Period were \$7.50, then  $8.6 \times \$7.50 = \$64.50$* ). In this illustration, the actual expenses paid this period are \$64.50.

### Hypothetical Example for Comparison with Other Funds

Under the heading "Hypothetical" in the table, information is provided about hypothetical account values and hypothetical expenses based on the Fund's actual expense ratio and an assumed rate of return of 5% per year before expenses, which is not the Fund's actual return. This information may not be used to estimate the actual ending account balance or expenses you paid for the period, but it can help you compare ongoing costs of investing in the Fund with those of other funds. To do so, compare this 5% hypothetical example for the class of shares you hold with the 5% hypothetical examples that appear in the shareholder reports of other funds.

Please note that expenses shown in the table are meant to highlight ongoing costs and do not reflect any transactional costs. Therefore, information under the heading "Hypothetical" is useful in comparing ongoing costs only, and will not help you compare total costs of owning different funds. In addition, if transactional costs were included, your total costs would have been higher.

Share Class	Beginning Account Value 11/1/18	Actual (actual return after expenses)		Hypothetical (5% annual return before expenses)		Net Annualized Expense Ratio <sup>2</sup>
		Ending Account Value 4/30/19	Expenses Paid During Period 11/1/18–4/30/19 <sup>1,2</sup>	Ending Account Value 4/30/19	Expenses Paid During Period 11/1/18–4/30/19 <sup>1,2</sup>	
A	\$1,000	\$995.60	\$5.24	\$1,019.54	\$5.31	1.06%
C	\$1,000	\$991.30	\$8.94	\$1,015.82	\$9.05	1.81%
R6	\$1,000	\$997.90	\$3.02	\$1,021.77	\$3.06	0.61%
Advisor	\$1,000	\$996.40	\$4.01	\$1,020.78	\$4.06	0.81%

1. Expenses are equal to the annualized expense ratio for the six-month period as indicated above—in the far right column—multiplied by the simple average account value over the period indicated, and then multiplied by 181/365 to reflect the one-half year period.

2. Reflects expenses after fee waivers and expense reimbursements. Does not include acquired fund fees and expenses.

## Financial Highlights

### Franklin Biotechnology Discovery Fund

	Year Ended April 30,				
	2019	2018	2017	2016	2015
<b>Class A</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$146.14	\$147.22	\$128.19	\$182.30	\$129.27
Income from investment operations <sup>a</sup> :					
Net investment income (loss) <sup>b</sup> . . . . .	(0.99)	(0.80)	(0.79)	(0.94)	(1.09)
Net realized and unrealized gains (losses) . . . . .	(1.75)	3.32	25.75	(39.39)	60.79
Total from investment operations . . . . .	(2.74)	2.52	24.96	(40.33)	59.70
Less distributions from:					
Net investment income . . . . .	—	—	(1.73)	—	—
Net realized gains . . . . .	(4.55)	(3.60)	(4.20)	(13.78)	(6.67)
Total distributions . . . . .	(4.55)	(3.60)	(5.93)	(13.78)	(6.67)
Net asset value, end of year . . . . .	\$138.85	\$146.14	\$147.22	\$128.19	\$182.30
Total return <sup>c</sup> . . . . .	(1.60)%	1.69%	20.02%	(23.55)%	46.81%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.02%	1.05%	1.04%	0.99%	1.00%
Expenses net of waiver and payments by affiliates <sup>d</sup> . . . . .	1.00%	1.03%	1.02%	0.98%	1.00% <sup>e</sup>
Net investment income (loss) . . . . .	(0.67)%	(0.53)%	(0.58)%	(0.56)%	(0.67)%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$924,611	\$1,081,883	\$1,176,687	\$1,074,903	\$1,601,906
Portfolio turnover rate . . . . .	28.62%	26.95%	34.12%	22.13%	41.43%

<sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the 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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.

<sup>d</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>e</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

**Franklin Biotechnology Discovery Fund** (continued)

	Year Ended April 30,				
	2019	2018	2017	2016	2015
<b>Class C</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$141.75	\$143.98	\$125.99	\$180.67	\$129.11
Income from investment operations <sup>a</sup> :					
Net investment income (loss) <sup>b</sup> . . . . .	(2.03)	(1.90)	(1.81)	(2.11)	(2.38)
Net realized and unrealized gains (losses) . . . . .	(1.66)	3.27	25.29	(38.79)	60.61
Total from investment operations . . . . .	(3.69)	1.37	23.48	(40.90)	58.23
Less distributions from:					
Net investment income . . . . .	—	—	(1.29)	—	—
Net realized gains . . . . .	(4.55)	(3.60)	(4.20)	(13.78)	(6.67)
Total distributions . . . . .	(4.55)	(3.60)	(5.49)	(13.78)	(6.67)
Net asset value, end of year . . . . .	\$133.51	\$141.75	\$143.98	\$125.99	\$180.67
Total return <sup>c</sup> . . . . .	(2.33)%	0.93%	19.14%	(24.09)%	45.76%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.77%	1.80%	1.79%	1.71%	1.75%
Expenses net of waiver and payments by affiliates <sup>d</sup> . . . . .	1.75%	1.78%	1.77%	1.70%	1.75% <sup>e</sup>
Net investment income (loss) . . . . .	(1.42)%	(1.28)%	(1.33)%	(1.28)%	(1.42)%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$46,508	\$58,433	\$53,935	\$17,562	\$23,051
Portfolio turnover rate . . . . .	28.62%	26.95%	34.12%	22.13%	41.43%

<sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the 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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.

<sup>d</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>e</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

**Franklin Biotechnology Discovery Fund** (continued)

	Year Ended April 30,				
	2019	2018	2017	2016	2015
<b>Class R6</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$150.65	\$151.03	\$131.37	\$185.75	\$131.09
Income from investment operations <sup>a</sup> :					
Net investment income (loss) <sup>b</sup> . . . . .	(0.46)	(0.17)	(0.25)	(0.32)	(0.45)
Net realized and unrealized gains (losses) . . . . .	(1.81)	3.39	26.41	(40.28)	61.78
Total from investment operations . . . . .	(2.27)	3.22	26.16	(40.60)	61.33
Less distributions from:					
Net investment income . . . . .	—	—	(2.30)	—	—
Net realized gains . . . . .	(4.55)	(3.60)	(4.20)	(13.78)	(6.67)
Total distributions . . . . .	(4.55)	(3.60)	(6.50)	(13.78)	(6.67)
Net asset value, end of year . . . . .	\$143.83	\$150.65	\$151.03	\$131.37	\$185.75
Total return . . . . .	(1.24)%	2.11%	20.50%	(23.24)%	47.40%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.70%	0.65%	0.63%	0.60%	0.60%
Expenses net of waiver and payments by affiliates <sup>c</sup> . . . . .	0.63%	0.61%	0.61%	0.59%	0.60% <sup>d</sup>
Net investment income (loss) . . . . .	(0.30)%	(0.11)%	(0.17)%	(0.17)%	(0.27)%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$6,164	\$8,307	\$8,891	\$5,568	\$76,436
Portfolio turnover rate . . . . .	28.62%	26.95%	34.12%	22.13%	41.43%

<sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the 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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>d</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.



**Franklin Biotechnology Discovery Fund** (continued)

	Year Ended April 30,				
	2019	2018	2017	2016	2015
<b>Advisor Class</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$149.54	\$150.20	\$130.67	\$185.12	\$130.86
Income from investment operations <sup>a</sup> :					
Net investment income (loss) <sup>b</sup> . . . . .	(0.63)	(0.45)	(0.46)	(0.55)	(0.70)
Net realized and unrealized gains (losses) . . . . .	(1.80)	3.39	26.27	(40.12)	61.63
Total from investment operations . . . . .	(2.43)	2.94	25.81	(40.67)	60.93
Less distributions from:					
Net investment income . . . . .	—	—	(2.08)	—	—
Net realized gains . . . . .	(4.55)	(3.60)	(4.20)	(13.78)	(6.67)
Total distributions . . . . .	(4.55)	(3.60)	(6.28)	(13.78)	(6.67)
Net asset value, end of year . . . . .	\$142.56	\$149.54	\$150.20	\$130.67	\$185.12
Total return . . . . .	(1.36)%	1.94%	20.32%	(23.36)%	47.17%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.77%	0.80%	0.79%	0.75%	0.75%
Expenses net of waiver and payments by affiliates <sup>c</sup> . . . . .	0.75%	0.78%	0.77%	0.74%	0.75% <sup>d</sup>
Net investment income (loss) . . . . .	(0.42)%	(0.28)%	(0.33)%	(0.32)%	(0.42)%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$153,874	\$180,219	\$159,894	\$93,263	\$167,035
Portfolio turnover rate . . . . .	28.62%	26.95%	34.12%	22.13%	41.43%

<sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the 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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>d</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

## Statement of Investments, April 30, 2019

### Franklin Biotechnology Discovery Fund

	Country	Shares/ Warrants	Value
<b>Common Stocks and Other Equity Interests 97.4%</b>			
<b>Biotechnology 77.7%</b>			
<sup>a</sup> Acadia Pharmaceuticals Inc. . . . .	United States	294,600	\$ 7,085,130
<sup>a</sup> Accelaron Pharma Inc. . . . .	United States	250,900	10,219,157
<sup>a</sup> Aimmune Therapeutics Inc. . . . .	United States	155,700	3,135,798
<sup>a</sup> Alder Biopharmaceuticals Inc. . . . .	United States	281,700	3,828,303
<sup>a</sup> Alector Inc. . . . .	United States	194,300	3,858,798
<sup>a</sup> Alexion Pharmaceuticals Inc. . . . .	United States	598,200	81,432,966
<sup>a,b</sup> Allogene Therapeutics Inc., 144A . . . . .	United States	326,797	9,787,570
<sup>a</sup> Alnylam Pharmaceuticals Inc. . . . .	United States	77,200	6,897,048
Amgen Inc. . . . .	United States	208,000	37,298,560
<sup>a</sup> Amicus Therapeutics Inc. . . . .	United States	803,900	10,724,026
<sup>a</sup> AnaptysBio Inc. . . . .	United States	111,900	8,137,368
<sup>a,c</sup> ARCA biopharma Inc., wts., 6/16/22 . . . . .	United States	1,338,619	54
<sup>a</sup> Argenx SE, ADR. . . . .	Netherlands	138,825	17,779,318
<sup>a</sup> Array BioPharma Inc. . . . .	United States	2,639,900	59,688,139
<sup>a</sup> Ascendis Pharma AS, ADR . . . . .	Denmark	257,700	28,702,626
<sup>a</sup> Audentes Therapeutics Inc. . . . .	United States	87,500	3,306,625
<sup>a,d</sup> Aurinia Pharmaceuticals Inc. . . . .	Canada	570,300	3,518,751
<sup>a</sup> Biogen Inc. . . . .	United States	201,861	46,274,616
<sup>a</sup> Biohaven Pharmaceutical Holding Co. Ltd. . . . .	United States	109,600	6,559,560
<sup>a</sup> BioMarin Pharmaceutical Inc. . . . .	United States	441,556	37,766,285
<sup>a</sup> Bluebird Bio Inc. . . . .	United States	57,800	8,197,774
<sup>a</sup> Cara Therapeutics Inc. . . . .	United States	159,600	3,045,168
<sup>a</sup> ChemoCentryx Inc. . . . .	United States	528,108	7,007,993
<sup>a,d</sup> CRISPR Therapeutics AG . . . . .	Switzerland	166,314	6,684,160
<sup>a,c</sup> DelMar Pharmaceuticals Inc., wts., 4/12/22 . . . . .	Canada	291,578	37
<sup>a</sup> Dynavax Technologies Corp. . . . .	United States	771,870	5,132,936
<sup>a</sup> Fate Therapeutics Inc. . . . .	United States	1,260,546	21,177,173
<sup>a</sup> G1 Therapeutics Inc. . . . .	United States	412,426	8,825,916
Gilead Sciences Inc. . . . .	United States	624,500	40,617,480
<sup>a</sup> Global Blood Therapeutics Inc. . . . .	United States	197,500	10,941,500
<sup>a</sup> GlycoMimetics Inc. . . . .	United States	693,700	8,442,329
<sup>a</sup> Gossamer Bio Inc. . . . .	United States	242,900	4,119,584
<sup>a</sup> Heron Therapeutics Inc. . . . .	United States	1,436,677	31,147,157
<sup>a</sup> Homology Medicines Inc. . . . .	United States	138,400	2,978,368
<sup>a</sup> Immunomedics Inc. . . . .	United States	348,700	5,586,174
<sup>a,c,e</sup> Intarcia Therapeutics Inc., DD . . . . .	United States	80,195	642,536
<sup>a</sup> Intercept Pharmaceuticals Inc. . . . .	United States	166,700	14,366,206
<sup>a</sup> Ionis Pharmaceuticals Inc. . . . .	United States	102,400	7,611,392
<sup>a</sup> Iovance Biotherapeutics Inc. . . . .	United States	2,233,600	25,463,040
<sup>a</sup> Kezar Life Sciences Inc. . . . .	United States	131,900	2,488,953
<sup>a,d</sup> LogicBio Therapeutics Inc. . . . .	United States	280,700	3,820,327
<sup>a</sup> MacroGenics Inc. . . . .	United States	180,200	3,021,954
<sup>a</sup> Minerva Neurosciences Inc. . . . .	United States	492,400	3,628,988
<sup>a</sup> Mirati Therapeutics Inc. . . . .	United States	162,151	9,646,363
<sup>a,c,e</sup> Molecular Templates Inc., wts., 2/28/20 . . . . .	United States	39,954	17
<sup>a</sup> MorphoSys AG, ADR . . . . .	Germany	275,700	6,798,762
<sup>a</sup> Neurocrine Biosciences Inc. . . . .	United States	292,600	21,137,424
<sup>a</sup> Pfenex Inc. . . . .	United States	870,884	5,042,418
<sup>a</sup> Portola Pharmaceuticals Inc. . . . .	United States	374,900	13,233,970
<sup>a,c,e</sup> Precision Biosciences Inc., 144A . . . . .	United States	425,322	4,965,280
<sup>a</sup> Principia Biopharma Inc. . . . .	United States	92,600	2,769,666
<sup>a</sup> PTC Therapeutics Inc. . . . .	United States	586,300	21,939,346

Franklin Biotechnology Discovery Fund (continued)

	Country	Shares/ Warrants	Value
<b>Common Stocks and Other Equity Interests (continued)</b>			
<b>Biotechnology (continued)</b>			
<sup>a</sup> Regeneron Pharmaceuticals Inc. . . . .	United States	125,009	\$ 42,895,588
<sup>a</sup> REGENXBIO Inc. . . . .	United States	214,076	10,789,430
<sup>a</sup> Rocket Pharmaceuticals Inc. . . . .	United States	178,571	3,314,278
<sup>a,d</sup> Rubius Therapeutics Inc. . . . .	United States	174,200	3,046,758
<sup>a</sup> Sage Therapeutics Inc. . . . .	United States	144,470	24,304,188
<sup>a</sup> Sarepta Therapeutics Inc. . . . .	United States	140,100	16,383,294
<sup>a</sup> uniQure NV . . . . .	Netherlands	206,000	11,575,140
<sup>a</sup> Vertex Pharmaceuticals Inc. . . . .	United States	355,600	60,089,288
<sup>a</sup> Xencor Inc. . . . .	United States	178,132	5,470,434
<sup>a</sup> Zymeworks Inc. . . . .	Canada	251,920	4,801,595
			<u>879,151,082</u>
<b>Life Sciences Tools &amp; Services 5.1%</b>			
<sup>a</sup> Illumina Inc. . . . .	United States	183,900	<u>57,376,800</u>
<b>Pharmaceuticals 14.6%</b>			
<sup>a</sup> Aclaris Therapeutics Inc. . . . .	United States	995,662	6,272,670
<sup>a,b</sup> BioPharmX Corp., 144A . . . . .	United States	77,829	101,178
<sup>a,c</sup> BioPharmX Corp., wts., 3/29/21 . . . . .	United States	108,000	993
<sup>a,c</sup> BioPharmX Corp., wts., 11/22/23 . . . . .	United States	1,679,900	47,686
<sup>a</sup> Collegium Pharmaceutical Inc. . . . .	United States	403,450	5,620,058
<sup>a</sup> Cymbay Therapeutics Inc. . . . .	United States	438,356	5,615,340
<sup>a</sup> Dermira Inc. . . . .	United States	538,268	5,969,392
<sup>a</sup> Foamix Pharmaceuticals Ltd. . . . .	Israel	750,900	2,440,425
<sup>a</sup> GW Pharmaceuticals PLC, ADR. . . . .	United Kingdom	260,500	44,105,255
<sup>a</sup> Intra-Cellular Therapies Inc. . . . .	United States	236,000	3,108,120
<sup>a</sup> Iterum Therapeutics PLC . . . . .	United States	144,737	1,172,370
<sup>a</sup> Jazz Pharmaceuticals PLC . . . . .	United States	188,500	24,461,645
<sup>a</sup> Marinus Pharmaceuticals Inc. . . . .	United States	942,053	4,653,742
<sup>a</sup> Neos Therapeutics Inc. . . . .	United States	489,765	1,180,334
<sup>a,d</sup> Odonate Therapeutics Inc. . . . .	United States	404,482	7,952,116
<sup>a,d</sup> Optinose Inc. . . . .	United States	230,300	2,293,788
<sup>a</sup> Reata Pharmaceuticals Inc. . . . .	United States	242,600	19,034,396
<sup>a</sup> Revanche Therapeutics Inc. . . . .	United States	647,300	8,570,252
<sup>a,d</sup> TherapeuticsMD Inc. . . . .	United States	2,847,040	12,242,272
<sup>a</sup> Zogenix Inc. . . . .	United States	275,215	10,730,633
			<u>165,572,665</u>
<b>Total Common Stocks and Other Equity Interests (Cost \$686,651,080) . . . . .</b>			<u>1,102,100,547</u>
<b>Preferred Stocks (Cost \$2,821,056) 0.2%</b>			
<b>Biotechnology 0.2%</b>			
<sup>a,c,e</sup> Metacrine Inc., pfd., C . . . . .	United States	1,330,687	<u>1,953,313</u>
<b>Escrows and Litigation Trusts (Cost \$2,241,691) 0.1%</b>			
<sup>a,c</sup> True North Therapeutics Inc., Escrow Account . . . . .	United States	759,880	<u>997,867</u>
<b>Total Investments before Short Term Investments (Cost \$691,713,827) . . . . .</b>			<u>1,105,051,727</u>

FRANKLIN STRATEGIC SERIES  
STATEMENT OF INVESTMENTS

**Franklin Biotechnology Discovery Fund** (continued)

	Country	Shares	Value
<b>Short Term Investments 4.9%</b>			
<b>Money Market Funds (Cost \$27,393,876) 2.4%</b>			
<sup>f,g</sup> Institutional Fiduciary Trust Money Market Portfolio, 2.10% . . . . .	United States	27,393,876	\$ 27,393,876
<b><sup>h</sup> Investments from Cash Collateral Received for Loaned Securities (Cost \$27,827,675) 2.5%</b>			
<b>Money Market Funds 2.5%</b>			
<sup>f,g</sup> Institutional Fiduciary Trust Money Market Portfolio, 2.10% . . . . .	United States	27,827,675	27,827,675
<b>Total Investments (Cost \$746,935,378) 102.6%</b> . . . . .			1,160,273,278
<b>Other Assets, less Liabilities (2.6%)</b> . . . . .			(29,115,908)
<b>Net Assets 100.0%</b> . . . . .			<u>\$1,131,157,370</u>

See Abbreviations on page 47.

<sup>a</sup>Non-income producing.

<sup>b</sup>Security was purchased pursuant to Rule 144A under the Securities Act of 1933 and may be sold in transactions exempt from registration only to qualified institutional buyers or in a public offering registered under the Securities Act of 1933. These securities have been deemed liquid under guidelines approved by the Trust's Board of Trustees. At April 30, 2019, the aggregate value of these securities was \$9,888,748, representing 0.9% of net assets.

<sup>c</sup>Fair valued using significant unobservable inputs. See Note 10 regarding fair value measurements.

<sup>d</sup>A portion or all of the security is on loan at April 30, 2019. See Note 1(c).

<sup>e</sup>See Note 8 regarding restricted securities.

<sup>f</sup>See Note 3(f) regarding investments in affiliated management investment companies.

<sup>g</sup>The rate shown is the annualized seven-day effective yield at period end.

<sup>h</sup>See Note 1(c) regarding securities on loan.

## Financial Highlights

### Franklin Natural Resources Fund

	Year Ended April 30,				
	2019	2018	2017	2016	2015
<b>Class A</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$27.96	\$25.11	\$25.02	\$31.46	\$39.79
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.31	0.39 <sup>c</sup>	0.20	0.29	0.23
Net realized and unrealized gains (losses) . . . . .	(4.20)	2.77	0.17	(6.55)	(8.27)
Total from investment operations . . . . .	(3.89)	3.16	0.37	(6.26)	(8.04)
Less distributions from:					
Net investment income . . . . .	(0.49)	(0.31)	(0.28)	(0.18)	(0.29)
Net asset value, end of year . . . . .	\$23.58	\$27.96	\$25.11	\$25.02	\$31.46
Total return <sup>d</sup> . . . . .	(13.69)%	12.74%	1.37%	(19.80)%	(20.07)%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.03%	1.13%	1.06%	1.14%	1.08%
Expenses net of waiver and payments by affiliates . . . . .	1.03% <sup>e,f</sup>	1.13% <sup>e,f</sup>	1.05% <sup>e</sup>	1.13%	1.08% <sup>e,f</sup>
Net investment income . . . . .	1.21%	1.56% <sup>c</sup>	0.79%	1.22%	0.67%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$247,362	\$344,695	\$398,703	\$461,596	\$572,518
Portfolio turnover rate . . . . .	29.83%	29.98%	29.74%	35.77%	30.05%

<sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the 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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.16 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.91%.

<sup>d</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.

<sup>e</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>f</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

**Franklin Natural Resources Fund** (continued)

	Year Ended April 30,				
	2019	2018	2017	2016	2015
<b>Class C</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$27.17	\$24.28	\$24.25	\$30.46	\$38.39
Income from investment operations <sup>a</sup> :					
Net investment income (loss) <sup>b</sup> . . . . .	0.11	0.20 <sup>c</sup>	0.01	0.11	(0.01)
Net realized and unrealized gains (losses) . . . . .	(4.07)	2.69	0.15	(6.31)	(7.91)
Total from investment operations . . . . .	(3.96)	2.89	0.16	(6.20)	(7.92)
Less distributions from:					
Net investment income . . . . .	(0.39)	—	(0.13)	(0.01)	(0.01)
Net asset value, end of year . . . . .	\$22.82	\$27.17	\$24.28	\$24.25	\$30.46
Total return <sup>d</sup> . . . . .	(14.37)%	11.90%	0.63%	(20.37)%	(20.63)%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	1.78%	1.88%	1.81%	1.87%	1.78%
Expenses net of waiver and payments by affiliates . . . . .	1.78% <sup>e,f</sup>	1.88% <sup>e,f</sup>	1.80% <sup>e</sup>	1.86%	1.78% <sup>e,f</sup>
Net investment income (loss) . . . . .	0.46%	0.81% <sup>c</sup>	0.04%	0.49%	(0.03)%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$49,620	\$83,814	\$96,835	\$107,724	\$123,735
Portfolio turnover rate . . . . .	29.83%	29.98%	29.74%	35.77%	30.05%

<sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the 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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.16 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 0.16%.

<sup>d</sup>Total return does not reflect sales commissions or contingent deferred sales charges, if applicable.

<sup>e</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>f</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

**Franklin Natural Resources Fund** (continued)

	Year Ended April 30,				
	2019	2018	2017	2016	2015
<b>Class R6</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$29.79	\$26.87	\$26.73	\$33.62	\$42.58
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.45	0.57 <sup>c</sup>	0.47	0.51	0.46
Net realized and unrealized gains (losses) . . . . .	(4.49)	2.95	0.04	(7.06)	(8.92)
Total from investment operations . . . . .	(4.04)	3.52	0.51	(6.55)	(8.46)
Less distributions from:					
Net investment income . . . . .	(0.53)	(0.60)	(0.37)	(0.34)	(0.50)
Net asset value, end of year. . . . .	\$25.22	\$29.79	\$26.87	\$26.73	\$33.62
Total return . . . . .	(13.31)%	13.37%	1.89%	(19.31)%	(19.61)%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.62%	0.64%	0.83%	0.60%	0.55%
Expenses net of waiver and payments by affiliates . . . . .	0.59% <sup>d</sup>	0.57% <sup>d</sup>	0.54% <sup>d</sup>	0.55%	0.54% <sup>d</sup>
Net investment income . . . . .	1.65%	2.12% <sup>c</sup>	1.30%	1.80%	1.21%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$15,627	\$15,866	\$218	\$15	\$439
Portfolio turnover rate . . . . .	29.83%	29.98%	29.74%	35.77%	30.05%

<sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the 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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.16 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.47%.

<sup>d</sup>Benefit of expense reduction rounds to less than 0.01%.



**Franklin Natural Resources Fund** (continued)

	Year Ended April 30,				
	2019	2018	2017	2016	2015
<b>Advisor Class</b>					
<b>Per share operating performance</b>					
(for a share outstanding throughout the year)					
Net asset value, beginning of year . . . . .	\$29.80	\$26.81	\$26.71	\$33.63	\$42.52
Income from investment operations <sup>a</sup> :					
Net investment income <sup>b</sup> . . . . .	0.40	0.49 <sup>c</sup>	0.29	0.36	0.35
Net realized and unrealized gains (losses) . . . . .	(4.49)	2.95	0.17	(7.00)	(8.85)
Total from investment operations . . . . .	(4.09)	3.44	0.46	(6.64)	(8.50)
Less distributions from:					
Net investment income . . . . .	(0.51)	(0.45)	(0.36)	(0.28)	(0.39)
Net asset value, end of year. . . . .	\$25.20	\$29.80	\$26.81	\$26.71	\$33.63
Total return . . . . .	(13.50)%	13.04%	1.64%	(19.60)%	(19.81)%
<b>Ratios to average net assets</b>					
Expenses before waiver and payments by affiliates . . . . .	0.78%	0.88%	0.81%	0.87%	0.78%
Expenses net of waiver and payments by affiliates . . . . .	0.78% <sup>d,e</sup>	0.88% <sup>d,e</sup>	0.80% <sup>d</sup>	0.86%	0.78% <sup>d,e</sup>
Net investment income . . . . .	1.46%	1.81% <sup>c</sup>	1.04%	1.49%	0.97%
<b>Supplemental data</b>					
Net assets, end of year (000's) . . . . .	\$62,639	\$78,443	\$94,070	\$90,185	\$79,307
Portfolio turnover rate . . . . .	29.83%	29.98%	29.74%	35.77%	30.05%

<sup>a</sup>The amount shown for a share outstanding throughout the period may not correlate with the 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.

<sup>b</sup>Based on average daily shares outstanding.

<sup>c</sup>Net investment income per share includes approximately \$0.16 per share related to income received in the form of special dividends in connection with certain Fund holdings. Excluding this amount, the ratio of net investment income to average net assets would have been 1.16%.

<sup>d</sup>Benefit of expense reduction rounds to less than 0.01%.

<sup>e</sup>Benefit of waiver and payments by affiliates rounds to less than 0.01%.

**Statement of Investments, April 30, 2019**  
**Franklin Natural Resources Fund**

	Country	Shares	Value
<b>Common Stocks 98.9%</b>			
<b>Aluminum 0.4%</b>			
<sup>a</sup> Alcoa Corp. . . . .	United States	53,400	\$ 1,424,712
<b>Commodity Chemicals 0.2%</b>			
Dow Inc. . . . .	United States	16,000	907,680
<b>Construction Materials 0.5%</b>			
<sup>a</sup> Cemex SAB de CV, CPO, ADR . . . . .	Mexico	367,000	1,688,200
<b>Copper 5.3%</b>			
Antofagasta PLC. . . . .	United Kingdom	455,800	5,397,024
First Quantum Minerals Ltd. . . . .	Zambia	248,400	2,624,205
Freeport-McMoRan Inc. . . . .	United States	429,200	5,283,452
<sup>a</sup> Imperial Metals Corp. . . . .	Canada	364,500	685,785
Lundin Mining Corp. . . . .	Chile	589,900	3,166,627
Sandfire Resources NL . . . . .	Australia	584,367	2,901,359
			<u>20,058,452</u>
<b>Diversified Chemicals 0.8%</b>			
BASF SE . . . . .	Germany	35,600	2,894,708
<b>Diversified Metals &amp; Mining 9.0%</b>			
Anglo American PLC . . . . .	United Kingdom	139,000	3,591,544
BHP Group PLC, ADR. . . . .	United Kingdom	153,200	7,220,316
Glencore PLC. . . . .	Switzerland	1,850,500	7,344,405
Hudbay Minerals Inc. . . . .	Canada	216,600	1,442,491
<sup>a,b</sup> Nautilus Minerals Inc. . . . .	Canada	3,895,831	65,601
Nexa Resources SA . . . . .	Peru	165,200	1,955,968
Rio Tinto PLC, ADR . . . . .	Australia	85,700	5,047,730
South32 Ltd. . . . .	Australia	981,400	2,311,722
Teck Resources Ltd., B . . . . .	Canada	202,300	4,784,395
			<u>33,764,172</u>
<b>Fertilizers &amp; Agricultural Chemicals 0.7%</b>			
Nutrien Ltd. . . . .	Canada	48,900	2,649,402
<b>Gold 4.5%</b>			
Agnico Eagle Mines Ltd. . . . .	Canada	66,300	2,746,248
Alamos Gold Inc., A . . . . .	Canada	537,400	2,495,616
<sup>a</sup> B2Gold Corp. . . . .	Canada	962,100	2,614,636
Barrick Gold Corp. . . . .	Canada	248,091	3,155,717
<sup>a</sup> Guyana Goldfields Inc. . . . .	Canada	1,303,900	905,351
Newcrest Mining Ltd. . . . .	Australia	119,800	2,113,069
Newmont Goldcorp Corp. . . . .	United States	58,515	1,817,476
OceanaGold Corp. . . . .	Australia	402,310	1,129,375
			<u>16,977,488</u>
<b>Integrated Oil &amp; Gas 12.7%</b>			
Chevron Corp. . . . .	United States	77,900	9,352,674
Exxon Mobil Corp. . . . .	United States	71,000	5,699,880
Occidental Petroleum Corp. . . . .	United States	176,500	10,392,320
Royal Dutch Shell PLC, A, ADR . . . . .	United Kingdom	163,521	10,388,489
Suncor Energy Inc. . . . .	Canada	247,400	8,160,469
Total SA, B, ADR . . . . .	France	66,110	3,680,344
			<u>47,674,176</u>

**Franklin Natural Resources Fund** (continued)

	Country	Shares	Value
<b>Common Stocks</b> (continued)			
<b>Oil &amp; Gas Drilling 2.0%</b>			
Ensco Rowan PLC, A . . . . .	United States	81,881	\$ 1,143,878
Patterson-UTI Energy Inc. . . . .	United States	324,500	4,409,955
<sup>a</sup> Pioneer Energy Services Corp. . . . .	United States	1,015,946	1,767,746
			7,321,579
<b>Oil &amp; Gas Equipment &amp; Services 18.0%</b>			
Baker Hughes a GE Co., A. . . . .	United States	242,700	5,829,654
<sup>a</sup> C&J Energy Services Inc. . . . .	United States	72,300	1,015,815
<sup>a</sup> Cactus Inc. . . . .	United States	40,700	1,477,410
<sup>a</sup> Dril-Quip Inc. . . . .	United States	40,400	1,759,824
Halliburton Co. . . . .	United States	312,335	8,848,451
Hunting PLC. . . . .	United Kingdom	137,400	1,055,349
Liberty Oilfield Services Inc., A. . . . .	United States	129,600	1,932,336
Mammoth Energy Services Inc. . . . .	United States	77,943	1,215,131
<sup>a</sup> Nine Energy Service Inc. . . . .	United States	79,650	1,603,355
<sup>a</sup> Oceaneering International Inc. . . . .	United States	127,400	2,446,080
<sup>a</sup> Oil States International Inc. . . . .	United States	209,366	4,044,951
<sup>a</sup> ProPetro Holding Corp. . . . .	United States	73,600	1,628,768
<sup>a</sup> Ranger Energy Services Inc. . . . .	United States	163,422	1,197,066
RPC Inc. . . . .	United States	137,800	1,417,962
Schlumberger Ltd. . . . .	United States	347,347	14,824,770
Schoeller-Bleckmann Oilfield Equipment AG . . . . .	Austria	20,700	1,936,481
<sup>a</sup> Select Energy Services Inc. . . . .	United States	222,200	2,559,744
<sup>a</sup> Superior Energy Services Inc. . . . .	United States	722,700	2,594,493
TechnipFMC PLC . . . . .	United Kingdom	405,700	9,976,163
<sup>a</sup> Weatherford International PLC . . . . .	United States	511,300	282,902
			67,646,705
<b>Oil &amp; Gas Exploration &amp; Production 31.3%</b>			
Anadarko Petroleum Corp. . . . .	United States	117,100	8,530,735
Cabot Oil & Gas Corp., A. . . . .	United States	359,200	9,299,688
<sup>a</sup> Cairn Energy PLC. . . . .	United Kingdom	1,679,700	3,749,987
<sup>a</sup> Callon Petroleum Co. . . . .	United States	841,100	6,316,661
Canadian Natural Resources Ltd. . . . .	Canada	253,500	7,612,192
Concho Resources Inc. . . . .	United States	106,200	12,253,356
ConocoPhillips . . . . .	United States	94,800	5,983,776
Diamondback Energy Inc. . . . .	United States	116,000	12,341,240
EOG Resources Inc. . . . .	United States	115,700	11,112,985
EQT Corp. . . . .	United States	230,700	4,717,815
Hess Corp. . . . .	United States	112,200	7,194,264
<sup>a</sup> Jagged Peak Energy Inc. . . . .	United States	557,216	5,889,773
Noble Energy Inc. . . . .	United States	327,600	8,864,856
Pioneer Natural Resources Co. . . . .	United States	66,600	11,086,236
<sup>a</sup> Ring Energy Inc. . . . .	United States	497,800	2,578,604
			117,532,168
<b>Oil &amp; Gas Refining &amp; Marketing 3.4%</b>			
HollyFrontier Corp. . . . .	United States	31,500	1,503,495
Marathon Petroleum Corp. . . . .	United States	82,500	5,021,775
Phillips 66 . . . . .	United States	42,800	4,034,756
Valero Energy Corp. . . . .	United States	22,900	2,076,114
			12,636,140

Franklin Natural Resources Fund (continued)

	Country	Shares	Value
<b>Common Stocks (continued)</b>			
<b>Oil &amp; Gas Storage &amp; Transportation 7.1%</b>			
Enbridge Inc. . . . .	Canada	77,647	\$ 2,868,280
Kinder Morgan Inc. . . . .	United States	191,400	3,803,118
ONEOK Inc. . . . .	United States	64,200	4,361,106
Targa Resources Corp. . . . .	United States	167,100	6,709,065
TransCanada Corp. . . . .	Canada	67,800	3,238,128
The Williams Cos. Inc. . . . .	United States	195,700	5,544,181
			<u>26,523,878</u>
<b>Paper Packaging 0.6%</b>			
Packaging Corp. of America. . . . .	United States	24,100	<u>2,389,756</u>
<b>Pharmaceuticals 0.2%</b>			
<sup>a</sup> Elanco Animal Health Inc. . . . .	United States	17,600	<u>554,400</u>
<b>Specialty Chemicals 1.7%</b>			
Albemarle Corp. . . . .	United States	44,700	3,355,182
DowDuPont Inc. . . . .	United States	48,000	1,845,600
Umicore SA . . . . .	Belgium	32,200	1,246,097
			<u>6,446,879</u>
<b>Trading Companies &amp; Distributors 0.5%</b>			
<sup>a</sup> Univar Inc. . . . .	United States	82,900	<u>1,851,157</u>
<b>Total Common Stocks (Cost \$330,432,245)</b> . . . . .			<u>370,941,652</u>
<b>Short Term Investments (Cost \$788,220) 0.2%</b>			
<b>Money Market Funds 0.2%</b>			
<sup>c,d</sup> Institutional Fiduciary Trust Money Market Portfolio, 2.10% . . . . .	United States	788,220	<u>788,220</u>
<b>Total Investments (Cost \$331,220,465) 99.1%</b> . . . . .			<u>371,729,872</u>
<b>Other Assets, less Liabilities 0.9%</b> . . . . .			<u>3,518,636</u>
<b>Net Assets 100.0%</b> . . . . .			<u>\$375,248,508</u>

See Abbreviations on page 47.

<sup>a</sup>Non-income producing.

<sup>b</sup>Fair valued using significant unobservable inputs. See Note 10 regarding fair value measurements.

<sup>c</sup>See Note 3(f) regarding investments in affiliated management investment companies.

<sup>d</sup>The rate shown is the annualized seven-day effective yield at period end.

## Financial Statements

### Statements of Assets and Liabilities

April 30, 2019

	Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund
Assets:		
Investments in securities:		
Cost - Unaffiliated issuers . . . . .	\$ 691,713,827	\$ 330,432,245
Cost - Non-controlled affiliates (Note 3f) . . . . .	55,221,551	788,220
Value - Unaffiliated issuers <sup>+</sup> . . . . .	\$1,105,051,727	\$ 370,941,652
Value - Non-controlled affiliates (Note 3f) . . . . .	55,221,551	788,220
Cash . . . . .	—	32,194
Receivables:		
Investment securities sold ** . . . . .	151,328	3,411,099
Capital shares sold . . . . .	994,449	234,654
Dividends and interest . . . . .	35,825	827,709
Other assets . . . . .	1,066	343
Total assets . . . . .	1,161,455,946	376,235,871
Liabilities:		
Payables:		
Capital shares redeemed . . . . .	1,293,533	527,744
Management fees . . . . .	559,398	163,115
Distribution fees . . . . .	236,888	94,663
Transfer agent fees . . . . .	260,829	121,466
Payable upon return of securities loaned . . . . .	27,827,675	—
Accrued expenses and other liabilities . . . . .	120,253	80,375
Total liabilities . . . . .	30,298,576	987,363
Net assets, at value . . . . .	\$1,131,157,370	\$ 375,248,508
Net assets consist of:		
Paid-in capital . . . . .	\$ 665,468,509	\$ 489,848,499
Total distributable earnings (loss) . . . . .	465,688,861	(114,599,991)
Net assets, at value . . . . .	\$1,131,157,370	\$ 375,248,508

\*Includes securities loaned . . . . . \$ 26,306,665 \$ —

\*\*Includes securities loaned . . . . . \$ 151,328 \$ —

**Statements of Assets and Liabilities** (continued)

April 30, 2019

	<b>Franklin Biotechnology Discovery Fund</b>	<b>Franklin Natural Resources Fund</b>
<b>Class A:</b>		
Net assets, at value . . . . .	\$924,611,188	\$247,362,445
Shares outstanding . . . . .	6,659,165	10,491,818
Net asset value per share <sup>a</sup> . . . . .	\$138.85	\$23.58
Maximum offering price per share (net asset value per share ÷ 94.50%) . . . . .	\$146.93	\$24.95
<b>Class C:</b>		
Net assets, at value . . . . .	\$ 46,507,938	\$ 49,619,977
Shares outstanding . . . . .	348,357	2,174,155
Net asset value and maximum offering price per share <sup>a</sup> . . . . .	\$133.51	\$22.82
<b>Class R6:</b>		
Net assets, at value . . . . .	\$ 6,164,398	\$ 15,626,986
Shares outstanding . . . . .	42,860	619,736
Net asset value and maximum offering price per share . . . . .	\$143.83	\$25.22
<b>Advisor Class:</b>		
Net assets, at value . . . . .	\$153,873,846	\$ 62,639,100
Shares outstanding . . . . .	1,079,360	2,485,694
Net asset value and maximum offering price per share . . . . .	\$142.56	\$25.20

<sup>a</sup>Redemption price is equal to net asset value less contingent deferred sales charges, if applicable.

**Statements of Operations**  
for the year ended April 30, 2019

	Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund
Investment income:		
Dividends: (net of foreign taxes)*		
Unaffiliated issuers . . . . .	\$ 2,817,526	\$ 9,643,674
Non-controlled affiliates (Note 3f) . . . . .	625,895	98,998
Interest:		
Unaffiliated issuers . . . . .	5,958	—
Income from securities loaned:		
Unaffiliated issuers (net of fees and rebates) . . . . .	398,001	45,857
Non-controlled affiliates (Note 3f) . . . . .	402,641	50,493
Total investment income . . . . .	<u>4,250,021</u>	<u>9,839,022</u>
Expenses:		
Management fees (Note 3a) . . . . .	7,552,466	2,226,164
Distribution fees: (Note 3c)		
Class A . . . . .	2,596,536	720,496
Class C . . . . .	551,321	644,452
Transfer agent fees: (Note 3e)		
Class A . . . . .	1,539,586	638,911
Class C . . . . .	82,016	143,206
Class R6 . . . . .	5,697	9,376
Advisor Class . . . . .	267,073	154,590
Custodian fees (Note 4) . . . . .	22,568	10,985
Reports to shareholders . . . . .	141,605	89,468
Registration and filing fees . . . . .	88,834	89,453
Professional fees . . . . .	59,398	50,029
Trustees' fees and expenses . . . . .	19,398	6,740
Other . . . . .	34,305	24,945
Total expenses . . . . .	12,960,803	4,808,815
Expense reductions (Note 4) . . . . .	(973)	(504)
Expenses waived/paid by affiliates (Note 3f and 3g) . . . . .	(224,405)	(37,935)
Net expenses . . . . .	<u>12,735,425</u>	<u>4,770,376</u>
Net investment income (loss) . . . . .	<u>(8,485,404)</u>	<u>5,068,646</u>
Realized and unrealized gains (losses):		
Net realized gain (loss) from:		
Investments:		
Unaffiliated issuers . . . . .	59,100,885	3,219,999
Foreign currency transactions . . . . .	—	(432)
Net realized gain (loss) . . . . .	<u>59,100,885</u>	<u>3,219,567</u>
Net change in unrealized appreciation (depreciation) on:		
Investments:		
Unaffiliated issuers . . . . .	(69,695,618)	(76,621,703)
Translation of other assets and liabilities denominated in foreign currencies . . . . .	—	7,499
Net change in unrealized appreciation (depreciation) . . . . .	<u>(69,695,618)</u>	<u>(76,614,204)</u>
Net realized and unrealized gain (loss) . . . . .	<u>(10,594,733)</u>	<u>(73,394,637)</u>
Net increase (decrease) in net assets resulting from operations . . . . .	<u>\$(19,080,137)</u>	<u>\$(68,325,991)</u>

\*Foreign taxes withheld on dividends . . . . . \$ — \$ 379,718



Statements of Changes in Net Assets

	Franklin Biotechnology Discovery Fund		Franklin Natural Resources Fund	
	Year Ended April 30,		Year Ended April 30,	
	2019	2018	2019	2018
Increase (decrease) in net assets:				
Operations:				
Net investment income (loss) . . . . .	\$ (8,485,404)	\$ (7,400,442)	\$ 5,068,646	\$ 7,807,287
Net realized gain (loss) . . . . .	59,100,885	54,362,893	3,219,567	(12,640,009)
Net change in unrealized appreciation (depreciation) . . . . .	(69,695,618)	(22,596,221)	(76,614,204)	63,514,023
Net increase (decrease) in net assets resulting from operations . . . . .	(19,080,137)	24,366,230	(68,325,991)	58,681,301
Distributions to shareholders: (Note 1e)				
Class A . . . . .	(31,140,117)	(27,114,653)	(5,445,964)	(4,171,579)
Class C . . . . .	(1,654,793)	(1,417,301)	(929,534)	—
Class R6 . . . . .	(198,908)	(199,407)	(313,292)	(26,407)
Advisor Class . . . . .	(5,381,467)	(4,208,617)	(1,289,908)	(1,426,444)
Total distributions to shareholders . . . . .	(38,375,285)	(32,939,978)	(7,978,698)	(5,624,430)
Capital share transactions: (Note 2)				
Class A . . . . .	(112,026,697)	(88,622,240)	(46,670,690)	(89,055,299)
Class C . . . . .	(9,069,507)	5,540,101	(22,834,504)	(22,010,700)
Class R6 . . . . .	(1,820,119)	(555,474)	2,159,944	14,973,208
Advisor Class . . . . .	(17,313,109)	21,646,333	(3,919,165)	(23,972,393)
Total capital share transactions . . . . .	(140,229,432)	(61,991,280)	(71,264,415)	(120,065,184)
Net increase (decrease) in net assets . . . . .	(197,684,854)	(70,565,028)	(147,569,104)	(67,008,313)
Net assets:				
Beginning of year . . . . .	1,328,842,224	1,399,407,252	522,817,612	589,825,925
End of year (Note 1e) . . . . .	\$1,131,157,370	\$1,328,842,224	\$ 375,248,508	\$ 522,817,612

## Notes to Financial Statements

### 1. Organization and Significant Accounting Policies

Franklin Strategic Series (Trust) is registered under the Investment Company Act of 1940 (1940 Act) as an open-end management investment company, consisting of eight separate funds, two of which are included in this report (Funds) and applies the specialized accounting and reporting guidance in U.S. Generally Accepted Accounting Principles (U.S. GAAP). The Funds offer four classes of shares: Class A, Class C, Class R6, and Advisor Class. Beginning on October 19, 2018, Class C shares automatically convert to Class A shares after they have been held for 10 years. Each class of shares may differ by its initial sales load, contingent deferred sales charges, voting rights on matters affecting a single class, its exchange privilege and fees due to differing arrangements for distribution and transfer agent fees.

The following summarizes the Funds' significant accounting policies.

#### a. Financial Instrument Valuation

The Funds' 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 Funds calculate the net asset value (NAV) per share each business day as of 4 p.m. Eastern time or the regularly scheduled close of the New York Stock Exchange (NYSE), whichever is earlier. Under compliance policies and procedures approved by the Trust's Board of Trustees (the Board), the Funds' administrator has responsibility for oversight of valuation, including leading the cross-functional Valuation Committee (VC). The Funds may utilize independent pricing services, quotations from securities and financial instrument dealers, and other market sources to determine fair value.

Equity securities listed on an exchange or on the NASDAQ National Market System are valued at the last quoted sale price or the official closing price of the day, respectively. Foreign equity securities are valued as of the close of trading on the foreign stock exchange on which the security is primarily traded, or as of 4 p.m. Eastern time. The value is then converted into its U.S. dollar equivalent at the foreign exchange rate in effect at 4 p.m. Eastern time on the day that the value of the security is determined. Over-the-counter(OTC) securities are valued within the range of the most recent quoted bid and ask prices. Securities that trade in multiple markets or on multiple

exchanges are valued according to the broadest and most representative market. Certain equity securities are valued based upon fundamental characteristics or relationships to similar securities.

Investments in open-end mutual funds are valued at the closing NAV.

The Funds have procedures to determine the fair value of financial instruments for which market prices are not reliable or readily available. Under these procedures, the Funds primarily employ 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.

Trading in securities on foreign securities stock exchanges and OTC markets may be completed before 4 p.m. Eastern time. In addition, trading in certain foreign markets may not take place on every Funds' business day. Occasionally, events occur between the time at which trading in a foreign security is completed and 4 p.m. Eastern time that might call into question the reliability of the value of a portfolio security held by the Fund. As a result, differences may arise between the value of the Funds' portfolio securities as determined at the foreign market close and the latest indications of value at 4 p.m. Eastern time. In order to minimize the potential for these differences, the VC monitors price movements following the close of trading in foreign stock markets through a series of country specific market proxies (such as baskets of American Depositary Receipts, futures contracts and exchange traded funds). These price movements are measured against established trigger thresholds for each specific market proxy to assist in determining if an event has occurred that may call into question the reliability of the values of the foreign securities held by the Funds. If such an event occurs, the securities may be valued using fair value procedures, which may include the use of independent pricing services.

When the last day of the reporting period is a non-business day, certain foreign markets may be open on those days that the Funds' NAV is not calculated, which could result in differences between the value of the Funds' portfolio securities on the last business day and the last calendar day of the reporting period. Any significant security valuation changes due to an open foreign market are adjusted and reflected by the Funds for financial reporting purposes.

**b. Foreign Currency Translation**

Portfolio securities and other assets and liabilities denominated in foreign currencies are translated into U.S. dollars based on the exchange rate of such currencies against U.S. dollars on the date of valuation. The Funds may enter into foreign currency exchange contracts to facilitate transactions denominated in a foreign currency. Purchases and sales of securities, income and expense items denominated in foreign currencies are translated into U.S. dollars at the exchange rate in effect on the transaction date. Portfolio securities and assets and liabilities denominated in foreign currencies contain risks that those currencies will decline in value relative to the U.S. dollar. Occasionally, events may impact the availability or reliability of foreign exchange rates used to convert the U.S. dollar equivalent value. If such an event occurs, the foreign exchange rate will be valued at fair value using procedures established and approved by the Board.

The Funds do not separately report the effect of changes in foreign exchange rates from changes in market prices on securities held. Such changes are included in net realized and unrealized gain or loss from investments in the Statements of Operations.

Realized foreign exchange gains or losses arise from sales of foreign currencies, currency gains or losses realized between the trade and settlement dates on securities transactions and the difference between the recorded amounts of dividends, interest, and foreign withholding taxes and the U.S. dollar equivalent of the amounts actually received or paid. Net unrealized foreign exchange gains and losses arise from changes in foreign exchange rates on foreign denominated assets and liabilities other than investments in securities held at the end of the reporting period.

**c. Securities Lending**

Certain or all Funds participate in an agency based securities lending program to earn additional income. The Fund receives cash collateral against the loaned securities in an amount equal

to at least 102% of the fair value of the loaned securities. Collateral is maintained over the life of the loan in an amount not less than 100% of the fair value of loaned securities, as determined at the close of Fund business each day; any additional collateral required due to changes in security values is delivered to the Fund on the next business day. The collateral is deposited into a joint cash account with other funds and is used to invest in a money market fund managed by Franklin Advisers, Inc., an affiliate of the Funds. The Fund may receive income from the investment of cash collateral, in addition to lending fees and rebates paid by the borrower. Income from securities loaned, net of fees paid to the securities lending agent and/or third-party vendor, is reported separately in the Statements of Operations. The Fund bears the market risk with respect to the collateral investment, securities loaned, and the risk that the agent may default on its obligations to the Fund. If the borrower defaults on its obligation to return the securities loaned, the Fund has the right to repurchase the securities in the open market using the collateral received. The securities lending agent has agreed to indemnify the Fund in the event of default by a third party borrower. At April 30, 2019, the Franklin Natural Resources Fund had no securities on loan.

**d. Income and Deferred Taxes**

It is each Fund's policy to qualify as a regulated investment company under the Internal Revenue Code. Each 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 Funds may be subject to foreign taxation related to income received, capital gains on the sale of securities and certain foreign currency transactions in the foreign jurisdictions in which the Funds invest. Foreign taxes, if any, are recorded based on the tax regulations and rates that exist in the foreign markets in which the Funds invest. When a capital gain tax is determined to apply, certain or all Funds record an estimated deferred tax liability in an amount that would be payable if the securities were disposed of on the valuation date.

Each Fund may recognize an income tax liability related to its uncertain tax positions under U.S. GAAP when the uncertain tax position has a less than 50% probability that it will be sustained upon examination by the tax authorities based on its technical merits. As of April 30, 2019, each Fund has determined that no tax liability is required in its financial

## 1. Organization and Significant Accounting Policies (continued)

### d. Income and Deferred Taxes (continued)

statements related to uncertain tax positions for any open tax years (or expected to be taken in future tax years). Open tax years are those that remain subject to examination and are based on the statute of limitations in each jurisdiction in which the Fund invests.

### 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. Dividend income is recorded on the ex-dividend date except for certain dividends from securities where the dividend rate is not available. In such cases, the dividend is recorded as soon as the information is received by the Funds. Distributions to shareholders are recorded on the ex-dividend date. Distributable earnings are determined according to income tax regulations (tax basis) and 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 or based on the ratio of number

of shareholders of each Fund to the combined number of shareholders 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, excluding 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. 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.

### g. 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 Funds, 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.

\*Effective during the current reporting period, it is no longer required to present certain line items in the Statements of Changes in Net Assets. The below prior period amounts affected by this change are shown as they were in the prior year Statements of Changes in Net Assets.

For the year ended April 30, 2018, distributions to shareholders were as follows:

	Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund
Distributions from net investment income:		
Class A . . . . .	\$ —	\$(4,171,579)
Class R6 . . . . .	—	(26,407)
Advisor Class . . . . .	—	(1,426,444)
Distributions from net realized gains:		
Class A . . . . .	(27,114,653)	—
Class C . . . . .	(1,417,301)	—
Class R6 . . . . .	(199,407)	—
Advisor Class . . . . .	(4,208,617)	—

For the year ended April 30, 2018, undistributed net investment income(loss) included in net assets were as follows:

Fund	Undistributed net investment income (loss)
Franklin Biotechnology Discovery Fund . . .	\$(8,318,907)
Franklin Natural Resources Fund . . . . .	\$ 4,345,619

## 2. Shares of Beneficial Interest

At April 30, 2019, there were an unlimited number of shares authorized (without par value). Transactions in the Funds' shares were as follows:

	Franklin Biotechnology Discovery Fund		Franklin Natural Resources Fund	
	Shares	Amount	Shares	Amount
<b>Class A Shares:</b>				
Year ended April 30, 2019				
Shares sold <sup>a</sup> . . . . .	721,089	\$ 106,972,540	1,281,103	\$ 32,532,375
Shares issued in reinvestment of distributions . . . . .	232,391	29,692,637	256,254	5,342,901
Shares redeemed . . . . .	(1,697,525)	(248,691,874)	(3,371,926)	(84,545,966)
Net increase (decrease) . . . . .	(744,045)	\$(112,026,697)	(1,834,569)	\$ (46,670,690)
Year ended April 30, 2018				
Shares sold . . . . .	1,057,237	\$ 160,996,348	1,583,808	\$ 40,230,459
Shares issued in reinvestment of distributions . . . . .	175,206	25,819,984	164,031	4,090,940
Shares redeemed . . . . .	(1,821,677)	(275,438,572)	(5,298,641)	(133,376,698)
Net increase (decrease) . . . . .	(589,234)	\$ (88,622,240)	(3,550,802)	\$ (89,055,299)
<b>Class C Shares:</b>				
Year ended April 30, 2019				
Shares sold . . . . .	72,561	\$ 10,442,091	324,962	\$ 7,969,298
Shares issued in reinvestment of distributions . . . . .	13,364	1,646,340	45,232	915,493
Shares redeemed <sup>a</sup> . . . . .	(149,801)	(21,157,938)	(1,280,715)	(31,719,295)
Net increase (decrease) . . . . .	(63,876)	\$ (9,069,507)	(910,521)	\$ (22,834,504)
Year ended April 30, 2018				
Shares sold . . . . .	142,042	\$ 21,098,664	388,443	\$ 9,522,328
Shares issued in reinvestment of distributions . . . . .	9,827	1,408,701	—	—
Shares redeemed . . . . .	(114,253)	(16,967,264)	(1,292,254)	(31,533,028)
Net increase (decrease) . . . . .	37,616	\$ 5,540,101	(903,811)	\$ (22,010,700)

## 2. Shares of Beneficial Interest (continued)

	Franklin Biotechnology Discovery Fund		Franklin Natural Resources Fund	
	Shares	Amount	Shares	Amount
<b>Class R6 Shares:</b>				
Year ended April 30, 2019				
Shares sold	14,632	\$ 2,320,850	331,245	\$ 8,552,092
Shares issued in reinvestment of distributions	1,505	198,908	14,066	313,109
Shares redeemed	(28,420)	(4,339,877)	(258,140)	(6,705,257)
Net increase (decrease)	(12,283)	\$ (1,820,119)	87,171	\$ 2,159,944
Year ended April 30, 2018				
Shares sold	18,257	\$ 2,841,320	544,711	\$ 15,552,699
Shares issued in reinvestment of distributions	1,314	199,406	995	26,408
Shares redeemed	(23,294)	(3,596,200)	(21,257)	(605,899)
Net increase (decrease)	(3,723)	\$ (555,474)	524,449	\$ 14,973,208
<b>Advisor Class Shares:</b>				
Year ended April 30, 2019				
Shares sold	338,870	\$ 52,338,943	757,766	\$ 19,842,560
Shares issued in reinvestment of distributions	36,842	4,828,793	57,021	1,269,854
Shares redeemed	(501,477)	(74,480,845)	(961,445)	(25,031,579)
Net increase (decrease)	(125,765)	\$ (17,313,109)	(146,658)	\$ (3,919,165)
Year ended April 30, 2018				
Shares sold	444,625	\$ 68,532,853	1,055,556	\$ 28,419,344
Shares issued in reinvestment of distributions	24,690	3,720,072	52,254	1,387,336
Shares redeemed	(328,722)	(50,606,592)	(1,984,254)	(53,779,073)
Net increase (decrease)	140,593	\$ 21,646,333	(876,444)	\$ (23,972,393)

<sup>a</sup>May include a portion of Class C shares that were automatically converted to Class A.

## 3. Transactions with Affiliates

Franklin Resources, Inc. is the holding company for various subsidiaries that together are referred to as Franklin Templeton. Certain officers and trustees of the Trust are also officers and/or directors of the following subsidiaries:

Subsidiary	Affiliation
Franklin Advisers, Inc. (Advisers)	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**

Franklin Biotechnology Discovery Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.775%	Up to and including \$100 million
0.650%	Over \$100 million, up to and including \$200 million
0.635%	Over \$200 million, up to and including \$250 million
0.585%	Over \$250 million, up to and including \$700 million
0.550%	Over \$700 million, up to and including \$1.2 billion
0.525%	Over \$1.2 billion, up to and including \$7.5 billion
0.515%	Over \$7.5 billion, up to and including \$10 billion
0.505%	Over \$10 billion, up to and including \$12.5 billion
0.495%	Over \$12.5 billion, up to and including \$15 billion
0.475%	in excess of \$15 billion

Franklin Natural Resources Fund pays an investment management fee to Advisers based on the average daily net assets of the Fund as follows:

Annualized Fee Rate	Net Assets
0.625%	Up to and including \$100 million
0.500%	Over \$100 million, up to and including \$250 million
0.450%	Over \$250 million, up to and including \$7.5 billion
0.440%	Over \$7.5 billion, up to and including \$10 billion
0.430%	Over \$10 billion, up to and including \$12.5 billion
0.420%	Over \$12.5 billion, up to and including \$15 billion
0.400%	In excess of \$15 billion

For the year ended April 30, 2019, each Fund's gross effective investment management fee rate based on average daily net assets was as follows:

Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund
0.589%	0.507%

**b. Administrative Fees**

Under an agreement with Advisers, FT Services provides administrative services to the Funds. The fee is paid by Advisers based on Funds' average daily net assets, and is not an additional expense of the Funds.

**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. Under the Funds' Class A reimbursement distribution plans, the Funds reimburse Distributors for costs incurred in connection with the servicing, sale and distribution of each Fund's shares up to the maximum annual plan rate for each class. Under the Class A reimbursement distribution plans, costs exceeding the maximum for the current plan year cannot be reimbursed in subsequent periods. In addition, under the Funds' Class C compensation distribution plans, the Funds pay Distributors



**3. Transactions with Affiliates** (continued)

**c. Distribution Fees** (continued)

for costs incurred in connection with the servicing, sale and distribution of each 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:

	Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund
Reimbursement Plans:		
Class A . . . . .	0.35%	0.35%
Class C . . . . .	1.00%	1.00%

The Board has set the current rate at 0.25% per year for Class A shares 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 Funds. 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 Funds of the following commission transactions related to the sales and redemptions of the Funds’ shares for the year:

	Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund
Sales charges retained net of commissions paid to unaffiliated brokers/dealers . . . . .	\$184,267	\$36,839
CDSC retained . . . . .	\$ 52,257	\$ 3,183

Effective September 10, 2018, the Board approved changes to certain front-end sales charges and dealer commissions on Class A shares. Further details are disclosed in the Funds’ Prospectus.

**e. Transfer Agent Fees**

Each class of shares pays transfer agent fees to Investor Services for its performance of shareholder servicing obligations. The fees are based on an annualized asset based fee of 0.02% plus a transaction based fee. In addition, each class reimburses Investor Services for out of pocket expenses incurred and, except for Class R6, reimburses shareholder 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 April 30, 2019, the Funds paid transfer agent fees as noted in the Statements of Operations of which the following amounts were retained by Investor Services:

	Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund
Transfer agent fees . . . . .	\$736,649	\$398,953



**f. Investments in Affiliated Management Investment Companies**

Certain or all Funds invest in one or more affiliated management investment companies for purposes other than exercising a controlling influence over the management or policies. Management fees paid by the Funds are waived on assets invested in the affiliated management investment companies, as noted in the Statements of Operations, in an amount not to exceed the management and administrative fees paid directly or indirectly by each affiliate. During the year ended April 30, 2019, investments in affiliated management investment companies were as follows:

	Number of Shares Held at Beginning of Year	Gross Additions	Gross Reductions	Number of Shares Held at End of Year	Value at End of Year	Investment Income	Realized Gain (Loss)	Net Change in Unrealized Appreciation (Depreciation)
<b>Franklin Biotechnology Discovery Fund</b>								
<b>Non-Controlled Affiliates</b>								
						<u>Dividends</u>		
Institutional Fiduciary Trust Money Market Portfolio, 2.10% . . . . .	48,671,129	304,094,093	(325,371,346)	27,393,876	\$ 27,393,876	\$ 625,895	\$ —	\$ —
						<u>Income from securities loaned</u>		
Institutional Fiduciary Trust Money Market Portfolio, 2.10% . . . . .	31,355,415	223,576,934	(227,104,674)	27,827,675	27,827,675	402,641	—	—
<b>Total Affiliated Securities</b> . . . . .					<u>\$ 55,221,551</u>	<u>\$ 1,028,536</u>	<u>\$ —</u>	<u>\$ —</u>
<b>Franklin Natural Resources Fund</b>								
<b>Non-Controlled Affiliates</b>								
						<u>Dividends</u>		
Institutional Fiduciary Trust Money Market Portfolio, 2.10% . . . . .	11,815,239	85,287,366	(96,314,385)	788,220	\$ 788,220	\$ 98,998	\$ —	\$ —
						<u>Income from securities loaned</u>		
Institutional Fiduciary Trust Money Market Portfolio, 2.10% . . . . .	5,473,225	59,545,277	(65,018,502)	—	—	50,493	—	—
<b>Total Affiliated Securities</b> . . . . .					<u>\$ 788,220</u>	<u>\$ 149,491</u>	<u>\$ —</u>	<u>\$ —</u>

**g. Waiver and Expense Reimbursements**

Investor Services has contractually agreed in advance to waive or limit its fees so that the Class R6 transfer agent fees do not exceed 0.03% based on the average net assets of the class until August 31, 2019.

**4. Expense Offset Arrangement**

The Funds have entered into an arrangement with their custodian whereby credits realized as a result of uninvested cash balances are used to reduce a portion of the Funds' custodian expenses. During the year ended April 30, 2019, the custodian fees were reduced as noted in the Statements of Operations.

**5. Income Taxes**

For tax purposes, capital losses may be carried over to offset future capital gains.

**5. Income Taxes** (continued)

At April 30, 2019, the capital loss carryforwards were as follows:

	<b>Franklin Natural Resources Fund</b>
Capital loss carryforwards not subject to expiration:	
Short term . . . . .	\$ 10,086,801
Long term . . . . .	135,396,222
Total capital loss carryforwards . . . . .	<u>\$145,483,023</u>

For tax purposes, the Fund may elect to defer any portion of a post-October capital loss or late-year ordinary loss to the first day of the following fiscal year. At April 30, 2019, Franklin Biotechnology Discovery Fund deferred late-year ordinary losses of \$2,803,664.

The tax character of distributions paid during the years ended April 30, 2019 and 2018, was as follows:

	<b>Franklin Biotechnology Discovery Fund</b>		<b>Franklin Natural Resources Fund</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Distributions paid from:				
Ordinary income . . . . .	\$19,760,629	\$ 9,966,331	\$ 7,978,698	\$ 5,624,430
Long term capital gain . . . . .	18,614,656	22,973,647	—	—
	<u>\$38,375,285</u>	<u>\$32,939,978</u>	<u>\$ 7,978,698</u>	<u>\$ 5,624,430</u>

At April 30, 2019, the cost of investments, net unrealized appreciation (depreciation), undistributed ordinary income and undistributed long term capital gains for income tax purposes were as follows:

	<b>Franklin Biotechnology Discovery Fund</b>	<b>Franklin Natural Resources Fund</b>
Cost of investments . . . . .	\$749,005,156	\$344,971,645
Unrealized appreciation . . . . .	\$469,365,854	\$ 82,049,236
Unrealized depreciation . . . . .	(58,097,732)	(55,291,009)
Net unrealized appreciation (depreciation) . . . . .	<u>\$411,268,122</u>	<u>\$ 26,758,227</u>
Distributable earnings:		
Undistributed ordinary income . . . . .	\$ —	\$ 4,122,622
Undistributed long term capital gains . . . . .	55,405,644	—
Total distributable earnings . . . . .	<u>\$ 55,405,644</u>	<u>\$ 4,122,622</u>

Differences between income and/or capital gains as determined on a book basis and a tax basis are primarily due to differing treatments of passive foreign investment company shares and wash sales.

## 6. Investment Transactions

Purchases and sales of investments (excluding short term securities) for the year ended April 30, 2019, were as follows:

	Franklin Biotechnology Discovery Fund	Franklin Natural Resources Fund
Purchases . . . . .	\$355,829,444	\$128,911,999
Sales . . . . .	\$521,623,188	\$195,822,705

At April 30, 2019, in connection with securities lending transactions, certain or all Funds loaned investments and received cash collateral as follows:

	Franklin Biotechnology Discovery Fund
<b>Securities lending transactions<sup>a</sup>:</b>	
Equity Investments <sup>b</sup> . . . . .	\$27,827,675

<sup>a</sup>The agreements can be terminated at any time.

<sup>b</sup>The gross amount of recognized liability for such transactions is included in payable upon return of securities loaned in the Statements of Assets and Liabilities.

## 7. Concentration of Risk

Investing in foreign securities may include certain risks and considerations not typically associated with investing in U.S. securities, such as fluctuating currency values and changing local and regional economic, political and social conditions, which may result in greater market volatility. Current political and financial uncertainty surrounding the European Union may increase market volatility and the economic risk of investing in securities in Europe. In addition, certain foreign securities may not be as liquid as U.S. securities.

## 8. Restricted Securities

Certain or all Funds invest in securities that are restricted under the Securities Act of 1933 (1933 Act). Restricted securities are often purchased in private placement transactions, and cannot be sold without prior registration unless the sale is pursuant to an exemption under the 1933 Act. Disposal of these securities may require greater effort and expense, and prompt sale at an acceptable price may be difficult. The Funds may have registration rights for restricted securities. The issuer generally incurs all registration costs.

At April 30, 2019, investments in restricted securities, excluding securities exempt from registration under the 1933 Act deemed to be liquid, were as follows:

Shares	Issuer	Acquisition Date	Cost	Value
<b>Franklin Biotechnology Discovery Fund</b>				
80,195	Intarcia Therapeutics Inc., DD . . . . .	3/26/14	\$ 2,597,516	\$ 642,536
1,330,687	Metacrine Inc., pfd., C. . . . .	6/04/18	2,821,056	1,953,313
39,954	Molecular Templates Inc., wts., 2/28/20 . . . . .	2/12/15	—	17
425,322	Precision Biosciences Inc., 144A . . . . .	5/25/18 - 3/01/19	4,758,467	4,965,280
	<b>Total Restricted Securities</b> (Value is 0.7% of Net Assets) . . . . .		<b>\$10,177,039</b>	<b>\$7,561,146</b>

## 9. Credit Facility

The Funds, together with other U.S. registered and foreign investment funds (collectively, Borrowers), managed by Franklin Templeton, are borrowers in a joint syndicated senior unsecured credit facility totaling \$2 billion (Global Credit Facility) which matures on February 7, 2020. 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 Funds shall, in addition to interest charged on any borrowings made by the Funds and other costs incurred by the Funds, pay their share of fees and expenses incurred in connection with the implementation and maintenance of the Global Credit Facility, based upon their relative share of the aggregate net assets of all of the Borrowers, including an annual commitment fee of 0.15% based upon the unused portion of the Global Credit Facility. These fees are reflected in other expenses in the Statements of Operations. During the year ended April 30, 2019, the Funds did not use the Global Credit Facility.

## 10. Fair Value Measurements

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

A summary of inputs used as of April 30, 2019, in valuing the Funds' assets carried at fair value, is as follows:

	Level 1	Level 2	Level 3	Total
<b>Franklin Biotechnology Discovery Fund</b>				
<b>Assets:</b>				
Investments in Securities: <sup>a</sup>				
Equity Investments: <sup>b</sup>				
Biotechnology . . . . .	\$ 873,543,158	\$ —	\$ 7,561,237	\$ 881,104,395
Pharmaceuticals . . . . .	165,523,986	—	48,679	165,572,665
All Other Equity Investments . . . . .	57,376,800	—	—	57,376,800
Escrows and Litigation Trusts . . . . .	—	—	997,867	997,867
Short Term Investments . . . . .	55,221,551	—	—	55,221,551
Total Investments in Securities . . . . .	\$ 1,151,665,495	\$ —	\$ 8,607,783	\$ 1,160,273,278
<b>Franklin Natural Resources Fund</b>				
<b>Assets:</b>				
Investments in Securities: <sup>a</sup>				
Equity Investments: <sup>b</sup>				
Diversified Metals & Mining . . . . .	\$ 33,698,571	\$ —	\$ 65,601	\$ 33,764,172
All Other Equity Investments . . . . .	337,177,480	—	—	337,177,480
Short Term Investments . . . . .	788,220	—	—	788,220
Total Investments in Securities . . . . .	\$ 371,664,271	\$ —	\$ 65,601	\$ 371,729,872

<sup>a</sup>For detailed categories, see the accompanying Statement of Investments.

<sup>b</sup>Includes common and preferred stocks as well as other equity interests.

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 beginning and/or end of the year.

## 11. Subsequent Events

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

## Abbreviations

### Selected Portfolio

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**ADR** American Depositary Receipt

**CPO** Certificate of Ordinary Participation (usually Mexico)

## Report of Independent Registered Public Accounting Firm

To the Board of Trustees of Franklin Strategic Series and Shareholders of Franklin Biotechnology Discovery Fund and Franklin Natural Resources Fund

### ***Opinions on the Financial Statements***

We have audited the accompanying statements of assets and liabilities, including the statements of investments, of Franklin Biotechnology Discovery Fund and Franklin Natural Resources Fund (the "Funds") as of April 30, 2019, the related statements of operations for the year ended April 30, 2019, the statements of changes in net assets for each of the two years in the period ended April 30, 2019, including the related notes, and the financial highlights for each of the five years in the period ended April 30, 2019 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of each of the Funds as of April 30, 2019, the results of each of their operations for the year then ended, the changes in each of their net assets for each of the two years in the period ended April 30, 2019 and each of the financial highlights for each of the five years in the period ended April 30, 2019 in conformity with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

These financial statements are the responsibility of the Funds' management. Our responsibility is to express an opinion on the Funds' financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Funds in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits of these financial statements in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. Our procedures included confirmation of securities owned as of April 30, 2019 by correspondence with the custodian and transfer agent. We believe that our audits provide a reasonable basis for our opinions.

PricewaterhouseCoopers LLP

San Francisco, California

June 17, 2019

We have served as the auditor of one or more investment companies in the Franklin Templeton Group of Funds since 1948.

## Tax Information (unaudited)

Under Section 852(b)(3)(C) of the Internal Revenue Code, Franklin Biotechnology Discovery Fund hereby reports the maximum amount allowable but no less than \$18,614,656 as long term capital gain dividends for the fiscal year ended April 30, 2019.

Under Section 871(k)(2)(C) of the Internal Revenue Code, Franklin Biotechnology Discovery Fund hereby reports the maximum amount allowable but no less than \$19,760,629 as short term capital gain dividends for purposes of the tax imposed under Section 871(a)(1)(A) of the Internal Revenue Code for the fiscal year ended April 30, 2019.

Under Section 854(b)(1)(A) of the Internal Revenue Code, the Funds hereby report the following percentage amounts of the ordinary income dividends as income qualifying for the dividends received deduction for the fiscal year ended April 30, 2019:

<b>Franklin Biotechnology Discovery Fund</b>	<b>Franklin Natural Resources Fund</b>
14.26%	52.84%

Under Section 854(b)(1)(B) of the Internal Revenue Code, the Funds hereby report the maximum amount allowable but no less than the following amounts as qualified dividends for purposes of the maximum rate under Section 1(h)(11) of the Internal Revenue Code for the fiscal year ended April 30, 2019:

<b>Franklin Biotechnology Discovery Fund</b>	<b>Franklin Natural Resources Fund</b>
\$2,817,526	\$9,076,798

Distributions, including qualified dividend income, paid during calendar year 2019 will be reported to shareholders on Form 1099-DIV by mid-February 2020. Shareholders are advised to check with their tax advisors for information on the treatment of these amounts on their individual income tax returns.

## 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 U.S. registered portfolios overseen in the Franklin Templeton 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
<b>Harris J. Ashton (1932)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 1991	136	Bar-S Foods (meat packing company) (1981-2010).

#### Principal Occupation During at Least the Past 5 Years:

Director of various companies; and **formerly**, Director, RBC Holdings, Inc. (bank holding company) (until 2002); and President, Chief Executive Officer and Chairman of the Board, General Host Corporation (nursery and craft centers) (until 1998).

<b>Terrence J. Checki (1945)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2017	112	Hess Corporation (exploration of oil and gas) (2014-present).
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#### Principal Occupation During at Least the Past 5 Years:

Member of the Council on Foreign Relations (1996-present); Member of the National Committee on U.S.-China Relations (1999-present); member of the Board of Trustees of the Economic Club of New York (2013-present); member of the Board of Trustees of the Foreign Policy Association (2005-present) and member of various other boards of trustees and advisory boards; and **formerly**, Executive Vice President of the Federal Reserve Bank of New York and Head of its Emerging Markets and Internal Affairs Group and Member of Management Committee (1995-2014); and Visiting Fellow at the Council on Foreign Relations (2014).

<b>Mary C. Choksi (1950)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2014	136	Avis Budget Group Inc. (car rental) (2007-present), Omnicom Group Inc. (advertising and marketing communications services) (2011-present) and White Mountains Insurance Group, Ltd. (holding company) (2017-present).
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#### Principal Occupation During at Least the Past 5 Years:

Director of various companies; and **formerly**, Founder and Senior Advisor, Strategic Investment Group (investment management group) (2015-2017); Founding Partner and Senior Managing Director, Strategic Investment Group (1987-2015); Founding Partner and Managing Director, Emerging Markets Management LLC (investment management firm) (1987-2011); and Loan Officer/Senior Loan Officer/Senior Pension Investment Officer, World Bank Group (international financial institution) (1977-1987).

<b>Edith E. Holiday (1952)</b> One Franklin Parkway San Mateo, CA 94403-1906	Lead Independent Trustee	Trustee since 1998 and Lead Independent Trustee since March 2019	136	Hess Corporation (exploration of oil and gas) (1993-present), Canadian National Railway (railroad) (2001-present), White Mountains Insurance Group, Ltd. (holding company) (2004-present), Santander Consumer USA Holdings, Inc. (consumer finance) (2016-present), RTI International Metals, Inc. (manufacture and distribution of titanium) (1999-2015) and H.J. Heinz Company (processed foods and allied products) (1994-2013).
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#### Principal Occupation During at Least the Past 5 Years:

Director or Trustee of various companies and trusts; and **formerly**, Assistant to the President of the United States and Secretary of the Cabinet (1990-1993); General Counsel to the United States Treasury Department (1989-1990); and Counselor to the Secretary and Assistant Secretary for Public Affairs and Public Liaison—United States Treasury Department (1988-1989).

<b>J. Michael Luttig (1954)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2009	136	Boeing Capital Corporation (aircraft financing) (2006-2013).
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#### Principal Occupation During at Least the Past 5 Years:

Executive Vice President, Counselor and Senior Advisor to Boeing Chairman and Board of Directors, The Boeing Company (aerospace company) (May 2019); and **formerly**, General Counsel and member of the Executive Council, The Boeing Company (2006-2019); Federal Appeals Court Judge, U.S. Court of Appeals for the Fourth Circuit (1991-2006).



## 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
<b>Larry D. Thompson (1945)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2007	136	The Southern Company (energy company) (2014-present; previously 2010-2012), Graham Holdings Company (education and media organization) (2011-present) and Cbeyond, Inc. (business communications provider) (2010-2012).

### Principal Occupation During at Least the Past 5 Years:

Director of various companies; Counsel, Finch McCranie, LLP (law firm) (2015-present); Independent Compliance Monitor and Auditor, Volkswagen AG (manufacturer of automobiles and commercial vehicles) (2017-present); John A. Sibley Professor of Corporate and Business Law, University of Georgia School of Law (2015-present; previously 2011-2012); and **formerly**, Executive Vice President – Government Affairs, General Counsel and Corporate Secretary, PepsiCo, Inc. (consumer products) (2012-2014); Senior Vice President – Government Affairs, General Counsel and Secretary, PepsiCo, Inc. (2004-2011); Senior Fellow of The Brookings Institution (2003-2004); Visiting Professor, University of Georgia School of Law (2004); and Deputy Attorney General, U.S. Department of Justice (2001-2003).

## 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
<b>**Gregory E. Johnson (1961)</b> One Franklin Parkway San Mateo, CA 94403-1906	Trustee	Since 2013	150	None

### Principal Occupation During at Least the Past 5 Years:

Chairman of the Board, Member – Office of the Chairman, Director 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 42 of the investment companies in Franklin Templeton; Vice Chairman, Investment Company Institute; and **formerly**, President, Franklin Resources, Inc. (1994-2015).

<b>**Rupert H. Johnson, Jr. (1940)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chairman of the Board and Trustee	Chairman of the Board since 2013 and Trustee since 1991	136	None
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### Principal Occupation During at Least the Past 5 Years:

Vice Chairman, Member – Office of the Chairman and Director, Franklin Resources, Inc.; Director, Franklin Advisers, Inc.; and officer and/or director or trustee, as the case may be, of some of the other subsidiaries of Franklin Resources, Inc. and of 40 of the investment companies in Franklin Templeton.

<b>Alison E. Baur (1964)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2012	Not Applicable	Not Applicable
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### Principal Occupation During at Least the Past 5 Years:

Deputy General Counsel, Franklin Templeton; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton.

<b>Sonal Desai, Ph.D. (1963)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since December 2018	Not Applicable	Not Applicable
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### Principal Occupation During at Least the Past 5 Years:

Director and Executive Vice President, Franklin Advisers, Inc.; Executive Vice President, Franklin Templeton Institutional, LLC; and officer of 18 of the investment companies in Franklin Templeton.

**Interested Board Members and Officers** (continued)

<b>Name, Year of Birth and Address</b>	<b>Position</b>	<b>Length of Time Served</b>	<b>Number of Portfolios in Fund Complex Overseen by Board Member*</b>	<b>Other Directorships Held During at Least the Past 5 Years</b>
<b>Gaston Gardey (1967)</b> One Franklin Parkway San Mateo, CA 94403-1906	Treasurer, Chief Financial Officer and, Chief Accounting Officer	Since 2009	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Treasurer, U.S. Fund Administration & Reporting and officer of 28 of the investment companies in Franklin Templeton.				
<b>Aliya S. Gordon (1973)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2009	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel and officer of 44 of the investment companies in Franklin Templeton.				
<b>Steven J. Gray (1955)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President and Co-Secretary	Vice President since 2009 and Co-Secretary since January 2019	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton; Vice President, Franklin Templeton Distributors, Inc. and FASA, LLC; and officer of 44 of the investment companies in Franklin Templeton.				
<b>Matthew T. Hinkle (1971)</b> One Franklin Parkway San Mateo, CA 94403-1906	Chief Executive Officer – Finance and Administration	Since 2017	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Vice President, Franklin Templeton Services, LLC; officer of 44 of the investment companies in Franklin Templeton; and <b>formerly</b> , Vice President, Global Tax (2012-April 2017) and Treasurer/Assistant Treasurer, Franklin Templeton (2009-2017).				
<b>Robert Lim (1948)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President – AML Compliance	Since 2016	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Vice President, Franklin Templeton Companies, LLC; Chief Compliance Officer, Franklin Templeton Distributors, Inc. and Franklin Templeton Investor Services, LLC; and officer of 44 of the investment companies in Franklin Templeton.				
<b>Kimberly H. Novotny (1972)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President	Since 2013	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Associate General Counsel, Franklin Templeton; Vice President and Corporate Secretary, Fiduciary Trust International of the South; Vice President, Templeton Investment Counsel, LLC; Assistant Secretary, Franklin Resources, Inc.; and officer of 44 of the investment companies in Franklin Templeton.				
<b>Edward D. Perks (1970)</b> One Franklin Parkway San Mateo, CA 94403-1906	President and Chief Executive Officer – Investment Management	Since December 2018	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> President and Director, Franklin Advisers, Inc.; and officer of nine of the investment companies in Franklin Templeton (since December 2018).				

## 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
<b>Robert C. Rosselot (1960)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Chief Compliance Officer	Since 2013	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Director, Global Compliance, Franklin Templeton; Vice President, Franklin Templeton Companies, LLC; officer of 44 of the investment companies in Franklin Templeton; and <b>formerly</b> , Senior Associate General Counsel, Franklin Templeton (2007-2013); and Secretary and Vice President, Templeton Group of Funds (2004-2013).				
<b>Navid J. Tofigh (1972)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2015	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Associate General Counsel and officer of 44 of the investment companies in Franklin Templeton.				
<b>Craig S. Tyle (1960)</b> One Franklin Parkway San Mateo, CA 94403-1906	Vice President	Since 2005	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> General Counsel, Executive Vice President and Secretary, Franklin Resources, Inc.; and officer of some of the other subsidiaries of Franklin Resources, Inc. and of 44 of the investment companies in Franklin Templeton.				
<b>Lori A. Weber (1964)</b> 300 S.E. 2nd Street Fort Lauderdale, FL 33301-1923	Vice President and Co-Secretary	Vice President since 2011 and Co-Secretary since January 2019	Not Applicable	Not Applicable
<b>Principal Occupation During at Least the Past 5 Years:</b> Senior Associate General Counsel, Franklin Templeton; Assistant Secretary, Franklin Resources, Inc.; Vice President and Secretary, Templeton Investment Counsel, LLC; and officer of 44 of the investment companies in Franklin Templeton.				

\*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. Rupert H. Johnson, Jr. is considered to be an interested person of the Fund under the federal securities laws due to his position as an officer and director and major shareholder of Resources.

Note 1: Rupert H. Johnson, Jr. is the uncle of Gregory E. Johnson.

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.

The Sarbanes-Oxley Act of 2002 and Rules adopted by the Securities and Exchange Commission require the Fund to disclose whether the Fund's Audit Committee includes at least one member who is an audit committee financial expert within the meaning of such Act and Rules. The Fund's Board has determined that there is at least one such financial expert on the Audit Committee and effective May 21, 2019, designated Mary C. Choksi as its audit committee financial expert. The Board believes that Ms. Choksi qualifies as such an expert in view of her extensive business background and experience. She currently serves as a director of Avis Budget Group, Inc. (2007-present) and formerly, Founder and Senior Advisor, Strategic Investment Group (1987 to 2017). Ms. Choksi has been a Member of the Fund's Audit Committee since 2014. As a result of such background and experience, the Board believes that Ms. Choksi has acquired an understanding of generally accepted accounting principles and financial statements, the general application of such principles in connection with the accounting estimates, accruals and reserves, and analyzing and evaluating financial statements that present a breadth and level of complexity of accounting issues generally comparable to those of the Fund, as well as an understanding of internal controls and procedures for financial reporting and an understanding of audit committee functions. Ms. Choksi is an independent Board member as that term is defined under the relevant Securities and Exchange Commission Rules and Releases.

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

# Shareholder Information

## Board Approval of Investment Management Agreements

**FRANKLIN STRATEGIC SERIES**  
**Franklin Biotechnology Discovery Fund**  
**Franklin Natural Resources Fund**  
 (each a Fund)

At an in-person meeting held on April 16, 2019 (Meeting), the Board of Trustees (Board) of Franklin Strategic Series (Trust), including a majority of the trustees who are not “interested persons” as defined in the Investment Company Act of 1940 (Independent Trustees), reviewed and approved the continuance of the investment management agreement between Franklin Advisers, Inc. (Manager) and the Trust, on behalf of each Fund (each a Management Agreement) for an additional one-year period. The Independent Trustees received advice from and met separately with Independent Trustee counsel in considering whether to approve the continuation of each Management Agreement. Although the Management Agreements for the Funds were considered at the same Board meeting, the Board considered the information provided to it about the Funds together and with respect to each Fund separately as the Board deemed appropriate.

In considering the continuation of each Management Agreement, the Board reviewed and considered information provided by the Manager at the Meeting and throughout the year at meetings of the Board and its committees. The Board also reviewed and considered information provided in response to a detailed set of requests for information submitted to the Manager by Independent Trustee counsel on behalf of the Independent Trustees in connection with the annual contract renewal process. In addition, prior to the Meeting, the Independent Trustees held a telephonic contract renewal meeting at which the Independent Trustees conferred amongst themselves and Independent Trustee counsel about contract renewal matters. The Board reviewed and considered all of the factors it deemed relevant in approving the continuance of each Management Agreement, including, but not limited to: (i) the nature, extent and quality of the services provided by the Manager; (ii) the investment performance of each Fund; (iii) the costs of the services provided and profits realized by the Manager and its affiliates from the relationship with each Fund; (iv) the extent to which economies of scale are realized as each Fund grows; and (v) whether fee levels reflect these economies of scale for the benefit of Fund investors.

In approving the continuance of each Management Agreement, the Board, including a majority of the Independent Trustees,

determined that the terms of the Management Agreement are fair and reasonable and that the continuance of such Management Agreement is in the interests of the applicable Fund and its shareholders. While attention was given to all information furnished, the following discusses some primary factors relevant to the Board’s determination.

### Nature, Extent and Quality of Services

The Board reviewed and considered information regarding the nature, extent and quality of investment management services provided by the Manager and its affiliates to the Funds and their shareholders. This information included, among other things, the qualifications, background and experience of the senior management and investment personnel of the Manager; the structure of investment personnel compensation; oversight of third-party service providers; investment performance reports and related financial information for each Fund; reports on expenses, shareholder services, marketing support payments made to financial intermediaries and third-party servicing arrangements; legal and compliance matters; risk controls; pricing and other services provided by the Manager and its affiliates; and management fees charged by the Manager and its affiliates to US funds and other accounts, including management’s explanation of differences among accounts where relevant. The Board also reviewed and considered an annual report on payments made by Franklin Templeton Investments (FTI) or the Funds to financial intermediaries, as well as a memorandum relating to third-party servicing arrangements in response to a guidance update in 2016 from the US Securities and Exchange Commission (SEC) relating to mutual fund distribution and sub-accounting fees. The Board noted management’s continuing efforts and expenditures in establishing effective business continuity plans and developing strategies to address areas of heightened concern in the mutual fund industry, such as cybersecurity and liquidity risk management. The Board also recognized management’s commitment to facilitating Board oversight of liquidity through the designation of a liquidity/risk administrator and the development of reports that highlight the amount of illiquid investments for each Fund.

The Board also reviewed and considered the benefits provided to Fund shareholders of investing in a fund that is part of the Franklin Templeton family of funds. The Board noted the financial position of Franklin Resources, Inc. (FRI), the Manager’s parent, and its commitment to the mutual fund business as evidenced by its continued introduction of new funds, reassessment of the fund offerings in response to the market environment and project initiatives and capital

investments relating to the services provided to the Funds by the FTI organization.

Following consideration of such information, the Board was satisfied with the nature, extent and quality of services provided by the Manager and its affiliates to the Funds and their shareholders.

### **Fund Performance**

The Board reviewed and considered the performance results of each Fund over various time periods ended January 31, 2019. The Board considered the performance returns for each Fund in comparison to the performance returns of mutual funds deemed comparable to the Fund included in a universe (Performance Universe) selected by Broadridge Financial Solutions, Inc. (Broadridge), an independent provider of investment company data. The Board received a description of the methodology used by Broadridge to select the mutual funds included in a Performance Universe. The Board also reviewed and considered Fund performance reports provided and discussions that occurred with portfolio managers at Board meetings throughout the year. A summary of each Fund's performance results is below.

*Franklin Biotechnology Discovery Fund* - The Performance Universe for this Fund included the Fund and all retail and institutional health/biotechnology funds. The Board noted that the Fund's annualized total return for the one-, three-, five- and 10-year periods was below the median and in the fifth (worst) or fourth quintile of its Performance Universe. The Board discussed this performance with management and management explained that the Fund focuses on biotechnology, while the Performance Universe is comprised of mostly general healthcare funds. The Board noted management's explanation that the Fund underperformed its biotechnology-only peers due to individual stock selection. The Board further noted a number of changes implemented/being implemented by management to address the Fund's below median annualized total return, in particular, changes to the Fund's portfolio management team and portfolio construction. The Board concluded that the Fund's Management Agreement should be continued for an additional one-year period, and these changes monitored.

*Franklin Natural Resources Fund* - The Performance Universe for this Fund included the Fund and all retail and institutional global natural resources funds. The Board noted that the Fund's annualized total return for the one- and five-year periods was below the median of its Performance Universe, but for the three- and 10-year periods was above the median of its Performance Universe. The Board discussed this performance

with management and management explained that the Fund's relative performance over the past five years was negatively impacted by its overweight position in the weak-performing energy sector as compared to its peers. Management further explained that several funds in the Performance Universe had no exposure to the energy sector and the average weighting to the energy sector for the Performance Universe was 50% as compared to 60-80% for most diversified natural resources funds. The Board further noted management's explanation that management has sought to focus more heavily on company-specific risk factors such as size and operating leverage and to continue to diversify Fund exposure by adding several non-energy positions. The Board concluded that the Fund's performance was acceptable, noting the Fund's longer term performance.

### **Comparative Fees and Expenses**

The Board reviewed and considered information regarding each Fund's actual total expense ratio and its various components, including, as applicable, management fees; transfer agent expenses; underlying fund expenses; Rule 12b-1 and non-Rule 12b-1 service fees; and other non-management fees. The Board also noted the quarterly and annual reports it receives on all marketing support payments made by FTI to financial intermediaries. The Board considered the actual total expense ratio and, separately, the contractual management fee rate, without the effect of fee waivers, if any (Management Rate) of each Fund in comparison to the median expense ratio and median Management Rate, respectively, of other mutual funds deemed comparable to and with a similar expense structure to the Fund selected by Broadridge (Expense Group). Broadridge fee and expense data is based upon information taken from each 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 and Management Rates generally increase as assets decline and decrease as assets grow, the Board believed the independent analysis conducted by Broadridge to be an appropriate measure of comparative fees and expenses. The Broadridge Management Rate includes administrative charges, and the actual total expense ratio, for comparative consistency, was shown for Class A shares for funds with multiple classes of shares. The Board received a description of the methodology used by Broadridge to select the mutual funds included in an Expense Group.

The Expense Group for the Franklin Biotechnology Discovery Fund included the Fund and eight other health/biotechnology



funds. The Expense Group for the Franklin Natural Resources Fund included the Fund and nine other global natural resources funds. The Board noted that the Management Rates and actual total expense ratios for these Funds were below the medians and in the first quintile (least expensive) of their respective Expense Groups. The Board concluded that the Management Rates charged to these Funds are reasonable.

### **Profitability**

The Board reviewed and considered information regarding the profits realized by the Manager and its affiliates in connection with the operation of each Fund. In this respect, the Board considered the Fund profitability analysis provided by the Manager that addresses the overall profitability of FTI's US fund business, as well as its profits in providing investment management and other services to each of the individual funds during the 12-month period ended September 30, 2018, being the most recent fiscal year-end for FRI. The Board noted that although management continually makes refinements to its methodologies used in calculating profitability in response to organizational and product-related changes, the overall methodology has remained consistent with that used in the Funds' profitability report presentations from prior years. Additionally, PricewaterhouseCoopers LLP, auditor to FRI and certain Franklin Templeton funds, has been engaged by the Manager to periodically review and assess the allocation methodologies to be used solely by the Funds' Board with respect to the profitability analysis.

The Board noted management's belief that costs incurred in establishing the infrastructure necessary for the type of mutual fund operations conducted by the Manager and its affiliates may not be fully reflected in the expenses allocated to each Fund in determining its profitability, as well as the fact that the level of profits, to a certain extent, reflected operational cost savings and efficiencies initiated by management. The Board also noted management's expenditures in improving shareholder services provided to the Funds, as well as the need to implement systems and meet additional regulatory and compliance requirements resulting from recent SEC and other regulatory requirements.

The Board also considered the extent to which the Manager and its affiliates might derive ancillary benefits from fund operations, including revenues generated from transfer agent services, potential benefits resulting from personnel and systems enhancements necessitated by fund growth, as well as increased leverage with service providers and counterparties. Based upon its consideration of all these factors, the Board

concluded that the level of profits realized by the Manager and its affiliates from providing services to each Fund was not excessive in view of the nature, extent and quality of services provided to each Fund.

### **Economies of Scale**

The Board reviewed and considered the extent to which the Manager may realize economies of scale, if any, as each Fund grows larger and whether each Fund's management fee structure reflects any economies of scale for the benefit of shareholders. With respect to possible economies of scale, the Board noted the existence of management fee breakpoints, which operate generally to share any economies of scale with a Fund's shareholders by reducing the Fund's effective management fees as the Fund grows in size. The Board considered the Manager's view that any analyses of potential economies of scale in managing a particular fund are inherently limited in light of the joint and common costs and investments the Manager incurs across the Franklin Templeton family of funds as a whole. The Board noted that the Franklin Biotechnology Discovery Fund had experienced a decrease in assets and would not be expected to demonstrate additional economies of scale in the near term, but concluded that to the extent economies of scale may be realized by the Manager and its affiliates, each Fund's management fee structure provided a sharing of benefits with the Fund and its shareholders as the Fund grows.

### **Conclusion**

Based on its review, consideration and evaluation of all factors it believed relevant, including the above-described factors and conclusions, the Board unanimously approved the continuation of each Management Agreement for an additional one-year period.

## **Proxy Voting Policies and Procedures**

The Trust's investment manager has established Proxy Voting Policies and Procedures (Policies) that the Trust uses to determine how to vote proxies relating to portfolio securities. Shareholders may view the Trust's complete Policies online at [franklintempleton.com](http://franklintempleton.com). 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 Trust's proxy voting records are also made available online at [franklintempleton.com](http://franklintempleton.com) and posted on the U.S. Securities and Exchange Commission's website at [sec.gov](http://sec.gov) and reflect the most recent 12-month period ended June 30.

## Quarterly Statement of Investments

The Trust files a complete statement of investments with the U.S. Securities and Exchange Commission for the first and third quarters for each fiscal year as an exhibit to its report on Form N-PORT. Shareholders may view the filed Form N-PORT by visiting the Commission's website at [sec.gov](http://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 each 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 househanded, 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.

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**FRANKLIN  
TEMPLETON**

**Annual Report and Shareholder Letter  
Franklin Strategic Series**

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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.