

Quarterly Performance Update

This performance information may be used only through April 30, 2015.

Each U.S. registered mutual fund in the 129 member Franklin Templeton Group is designed and managed to meet specific investment goals. Which funds are right for you depends on many factors, including your objectives, your age, and your level of comfort with various types of investments.

Performance data shown represents past performance, which does not guarantee future results. Current performance may differ from the figures shown. The fund's investment return and principal value will change with market conditions, and you may have a gain or a loss when you sell your shares. Please call Franklin Templeton Investments at (800) DIAL BEN/ 342-5236 or visit us at franklintempleton.com for most recent month-end performance data.

Periods Ended December 31, 2014					Total Return s charges	A	rn²	Gross		
Open-End Funds	Class	Combal		YTD ¹⁷	Since Inception ¹	1-Year	5-Year	10-Year	Since Inception	Expense Ratio
VALUE	Class	Symbol	Inception	(%)	(%)	(%)	(%)	(%)	(%)	(%)
Franklin All Cap Value ^{9,20,21}	A ¹⁹	FRAVX	6/1/07	-3.29	29.40	-3.29	11.21	_	3.46	1.61
Trankii Trii Gap Value	C	_	6/1/07	0.92	30.33	0.92	11.74		3.55	2.31
Franklin Balance Sheet Investment ²⁰	A ⁵	FRBSX	4/2/90	-5.06	1,112.22	-5.06	11.34	5.29	10.61	0.93
Transmit Balance eneck investment	C	FCBSX	3/1/01	-0.85	175.22	-0.85	11.84	5.11	7.59	1.68
Franklin Large Cap Value ²⁰	A ¹⁹	FLVAX	6/1/00	1.96	140.08	1.96	10.65	4.56	6.19	1.37
Trankiir Earge Cap Value	C	FLCVX	6/1/00	6.44	131.20	6.44	11.19	4.47	5.92	2.08
Franklin MicroCap Value ^{8,20,30}	Д10	FRMCX	12/12/95	-9.30	698.34	-9.30	12.58	7.59	11.52	1.19
Franklin MidCap Value ^{9,20,21}	A19	FMVAX	7/1/05	0.89	70.94	0.89	12.29	7.37	5.80	1.66
Trankiir wiidcap valde	C	FMVCX	7/1/05	5.35	70.74	5.35	12.85		5.75	2.36
Franklin Mutual Beacon ^{8,22}	Δ ¹⁰	TEBIX	6/29/62	0.38	5,564.21	0.38	10.12	5.34	7.99	1.10
Trankiii Wuluai Beacon	C	TEMEX	6/29/62	4.80	3,723.08	4.80	10.12	5.23	7.19	1.80
Franklin Mutual Quest ^{8,22,33}	A10	TEQIX	9/26/80	-2.83	5,745.99	-2.83	8.06	6.57	12.61	1.14
Halikiiii wutudi Quest	C	TEMQX	9/26/80	1.53		1.53	8.58	6.47	11.85	1.14
Franklin Mutual Recovery ^{9,21,27,28}	A ¹⁹	FMRAX	6/2/03	-7.05	4,541.30 70.66	-7.05	6.15	2.51	4.72	3.72
Trankiin wutuai kecovery	C	FCMRX	6/2/03	-3.01	67.84	-3.01			4.72	4.44
Franklin Mutual Shares ^{8,22}	A ¹⁰	TESIX	7/1/49	1.11		1.11	6.66	2.43 5.54	12.03	1.09
Fidikiii wuludi Siidies	C	TEMTX	7/1/49	5.56	170,555.57 70,821.17	5.56	10.70	5.44	10.54	1.79
Franklin Small Can Value ²⁰	Δ ¹⁰	FRVLX	3/11/96							
Franklin Small Cap Value ²⁰	C	FRVEX		-5.75	434.65	-5.75	12.95	7.26	9.32	1.21
BLEND	C	FRVFX	9/3/96	-1.60	359.52	-1.60	13.50	7.14	8.68	1.91
Franklin Focused Core Equity ^{9,20,21}	A ¹⁹	FCEQX	12/13/07	9.93	56.42	9.93	12.69	_	6.55	1.73
	С	_	12/13/07	14.78	57.95	14.78	13.24	_	6.70	2.43
Franklin Large Cap Equity ^{9,21,25}	A ¹⁹	FLCAX	12/11/98	0.70	79.02	0.70	10.30	5.10	3.69	1.36
	С	_	12/11/98	5.09	67.74	5.09	10.96	5.05	3.27	2.06
Franklin Rising Dividends ²⁰	A ¹⁰	FRDPX	1/14/87	3.41	1,084.48	3.41	13.49	6.46	9.24	0.95
	С	FRDTX	5/1/95	7.88	488.10	7.88	13.99	6.29	9.42	1.70
Maximum Sales Charges	Class A (%)	Clas			une 30, 2014, er to Footnote				named.	
EQUITY	5.75	0.	00						rao (CDSC)	
FIXED INCOME				in the first yea					ige (CDSC)	
Long-Term	4.25	0.	00	Please see F	ootnotes for m	ore informa	tion on eac	h fund.		
Intermediate-/Limited-Term	2.25	0.	00	FDIC In	sured May	Lose Valu	e No Bar	nk Guarant	ee	

Periods Ended December 31, 2014				Total Return s charges	Α	_ Gross				
Open-End Funds	Class	Symbol	Inception	YTD ¹⁷ (%)	Since Inception ¹ (%)	1-Year (%)	5-Year (%)	10-Year (%)	Since Inception (%)	Expense Ratio (%)
GROWTH										
Franklin DynaTech	A ^{10,35}	FKDNX	1/1/68	1.03	5,233.41	1.03	13.49	8.26	8.83	0.94
	С	FDYNX	9/16/96	5.41	326.56	5.41	13.98	8.10	8.25	1.69
Franklin Flex Cap Growth ⁸	A ¹⁰	FKCGX	10/30/91	0.13	1,041.65	0.13	10.93	6.47	11.08	0.97
	С	FCIIX	9/3/96	4.58	326.73	4.58	11.42	6.31	8.24	1.72
Franklin Growth ²⁰	A ^{10,35}	FKGRX	3/31/48	8.27	64,626.23	8.27	12.98	8.11	10.18	0.93
	С	FRGSX	5/1/95	13.01	375.24	13.01	13.48	7.94	8.25	1.68
Franklin Growth Opportunities ⁸	A ¹⁹	FGRAX	6/23/99	1.60	246.65	1.60	12.98	8.55	8.34	1.17
	С	FKACX	6/23/99	6.10	230.46	6.10	13.52	8.42	8.00	1.87
Franklin Small Cap Growth ^{20,54}	A ¹⁹	FSGRX	5/1/00	-2.41	165.62	-2.41	17.28	8.42	6.89	1.22
	С	FCSGX	5/1/00	1.80	154.08	1.80	17.82	8.27	6.56	1.92
Franklin Small-Mid Cap Growth ⁸	A ¹⁰	FRSGX	2/14/92	1.35	893.66	1.35	13.71	7.58	10.56	0.96
	С	FRSIX	10/2/95	5.97	342.08	5.97	14.20	7.41	8.03	1.71

				Cumulative All Sale	Ave		ual Total R es Charges	30-Da	_ Gross			
	Class	Symbol	Inception	YTD ¹⁷ (%)	Since Inception ¹ (%)	1-Year (%)	5-Year (%)	10-Year (%)	Since Inception (%)	w/ Waiver (%)	w/o Waiver (%)	Expense Ratio (%)
SECTOR												
Franklin Biotechnology Discovery	A ¹⁰	FBDIX	9/15/97	26.22	738.39	26.22	28.46	14.33	13.08	_	_	1.10
	С	FBTDX	9/15/97	31.95	683.88	31.95	29.01	14.18	12.64	-	_	1.80
Franklin Global Listed Infrastructure Fund ^{9,21}	A ¹⁹	FLGIX	9/6/13	8.38	17.49	8.38	_	_	13.01	1.37	0.96	4.15
	С	-	9/6/13	13.11	23.40	13.11	_	_	17.30	0.72	0.28	4.85
Franklin Global Real Estate ^{9,21}	A ¹⁹	FGRRX	6/16/06	8.23	14.88	8.23	9.66	_	1.64	1.10	0.98	1.61
	С	FCGRX	6/16/06	13.09	14.97	13.09	10.24	_	1.65	0.45	0.32	2.31
Franklin Gold and Precious Metals ⁸	A ^{10,35}	FKRCX	5/19/69	-15.30	570.34	-15.30	-15.91	1.37	4.26	-	_	1.07
	С	FRGOX	5/1/95	-11.68	57.59	-11.68	-15.53	1.22	2.34	_	_	1.82
Franklin Mutual Financial Services ⁸	A ¹⁰	TFSIX	8/19/97	4.37	307.87	4.37	9.73	3.02	8.43	-	_	1.46
	С	TMFSX	8/19/97	8.93	284.86	8.93	10.27	2.91	8.07	-	_	2.16
Franklin Natural Resources ⁸	A ¹⁰	FRNRX	6/5/95	-24.76	330.27	-24.76	-2.07	4.53	7.74	-	_	1.07
	С	FNCRX	9/1/05	-21.51	15.33	-21.51	-1.60	_	1.54	_	_	1.76
Franklin Real Estate Securities ⁸	A ¹⁰	FREEX	1/3/94	22.56	517.95	22.56	14.98	3.75	9.06	_	_	1.05
	С	FRRSX	5/1/95	28.10	420.59	28.10	15.47	3.59	8.75	-	_	1.80
Franklin Utilities	A ^{6,12}	FKUTX	9/30/48	19.89	52,508.31	19.89	12.94	9.54	9.92	2.49	2.49	0.75
	С	FRUSX	5/1/95	23.54	477.68	23.54	13.36	9.45	9.33	2.09	2.09	1.25

Periods Ended December 31, 2014				e Total Return es charges	Ave	Gross				
Open-End Funds	Class	Symbol	Inception	YTD ¹⁷ (%)	Since Inception ¹ (%)	1-Year (%)	5-Year (%)	10-Year (%)	Since Inception (%)	Expense Ratio (%)
GLOBAL										
Franklin Mutual Global Discovery ^{8,22,33}	A ¹⁰	TEDIX	12/31/92	-1.04	1,036.99	-1.04	8.65	7.75	11.68	1.28
	С	TEDSX	12/31/92	3.30	940.43	3.30	9.18	7.65	11.23	1.98
Franklin World Perspectives ^{9,20,21}	A ¹⁹	FWPAX	12/16/10	-3.84	29.35	-3.84	_	_	6.58	2.05
	С	_	12/16/10	0.42	33.54	0.42	_	_	7.42	2.75
Templeton Global Opportunities Trust	A ^{15,19}	TEGOX	2/28/90	-9.57	556.33	-9.57	5.54	5.46	7.87	1.32
	С	TEGPX	5/1/95	-5.67	232.70	-5.67	6.00	5.28	6.30	2.07
Templeton Global Smaller Companies	A ^{15,19}	TEMGX	6/1/81	-8.81	2,265.41	-8.81	7.50	5.11	9.88	1.34
	С	TESGX	5/1/95	-4.83	239.76	-4.83	7.98	4.95	6.41	2.09
Templeton Growth	A ^{15,19}	TEPLX	11/29/54	-7.54	104,996.74	-7.54	8.04	3.89	12.28	1.03
	С	TEGTX	5/1/95	-3.57	282.79	-3.57	8.52	3.74	7.06	1.78
Templeton World	A ^{15,19}	TEMWX	1/17/78	-8.71	5,679.48	-8.71	7.64	5.43	11.60	1.05
	С	TEWTX	5/1/95	-4.79	308.75	-4.79	8.10	5.26	7.42	1.80
INTERNATIONAL										
Franklin India Growth ^{9,21}	A ¹⁹	FINGX	1/31/08	35.54	24.25	35.54	6.43	_	3.19	2.26
	С	FINDX	1/31/08	41.62	25.47	41.62	6.93	_	3.33	2.98
Franklin International Growth ^{9,21}	A ¹⁹	FNGAX	6/3/08	-10.30	6.08	-10.30	4.07	_	0.90	1.70
	С	_	6/3/08	-6.40	7.37	-6.40	4.56	_	1.09	2.40
Franklin International Small Cap Growth ^{8,9,18,50}	A ¹⁹	FINAX	10/15/02	-16.02	441.90	-16.02	8.45	10.89	14.84	1.42
	С	FCSMX	10/15/02	-12.34	427.74	-12.34	8.97	10.79	14.59	2.12
Franklin Mutual European ^{8,22}	A ¹⁰	TEMIX	7/3/96	-9.82	551.67	-9.82	5.83	6.70	10.67	1.37
	С	TEURX	7/3/96	-5.81	513.95	-5.81	6.35	6.59	10.31	2.07
Franklin Mutual International ^{9,21}	A ¹⁹	FMIAX	5/1/09	-7.55	66.83	-7.55	5.43	_	9.45	1.79
	С	FCMIX	5/1/09	-3.50	70.00	-3.50	5.94	_	9.81	2.49
Templeton BRIC ²⁰	A ¹⁹	TABRX	6/1/06	-13.01	5.35	-13.01	-5.91	_	0.61	2.10
	С	TPBRX	6/1/06	-9.25	5.41	-9.25	-5.45	_	0.62	2.82
Templeton China World ¹⁶	A ¹⁹	TCWAX	9/9/93	-7.12	370.05	-7.12	1.61	8.90	7.53	1.85
	С	TCWCX	9/9/93	-2.99	326.33	-2.99	2.11	8.81	7.04	2.54
Templeton Developing Markets	A ¹⁹	TEDMX	10/16/91	-13.37	303.72	-13.37	-0.89	4.96	6.20	1.71
	С	TDMTX	5/1/95	-9.46	163.29	-9.46	-0.43	4.84	5.04	2.44
Templeton Emerging Markets Small Cap ²⁰	A ¹⁹	TEMMX	10/2/06	-3.10	40.31	-3.10	4.15	_	4.19	2.12
	С	TCEMX	10/2/06	1.16	40.80	1.16	4.65	_	4.24	2.82
Templeton Foreign	A ^{15,19}	TEMFX	10/5/82	-15.96	2,408.88	-15.96	3.72	4.19	10.51	1.16
	С	TEFTX	5/1/95	-12.25	208.03	-12.25	4.18	4.04	5.89	1.91
Templeton Foreign Smaller Companies ^{8,51}	A ^{15,23}	FINEX	9/20/91	-15.34	424.14	-15.34	4.13	4.06	7.38	1.65
· ·	С	FCFSX	7/1/98	-11.74	137.07	-11.74	4.58	3.90	5.37	2.40
Templeton Frontier Markets ³⁹	A ¹⁹	TFMAX	10/14/08	-20.01	59.10	-20.01	2.37	_	7.76	1.99
	С	FFRMX	10/14/08	-16.63	61.28	-16.63	2.85	_	8.00	2.74

Maximum Sales Charges	Class A (%)	Class C* (%)
EQUITY	5.75	0.00
FIXED INCOME		
Long-Term	4.25	0.00
Intermediate-/Limited-Term	2.25	0.00

*For Class C shares, there is a 1% contingent deferred sales charge (CDSC) in the first year only.

Please see Footnotes for more information on each fund.

Periods Ended December 31, 2014			-		e Total Return es charges	Aver	age Annu All Sales	al Total R Charges		30-Da	y Yield ²⁴	. Gross
Open-End Funds	Class	Symbol	Inception	YTD ¹⁷ (%)	Since Inception ¹ (%)	1-Year (%)	5-Year (%)	10-Year (%)	Since Inception (%)	w/ Waiver (%)	w/o Waiver (%)	Expense Ratio (%)
HYBRID	Oldos	- Cymbor	шоорион	(70)	(70)	(70)	(,0)	(70)	(70)	(70)	(70)	(70)
Franklin Balanced ²⁰	A ¹⁹	FBLAX	7/3/06	1.27	61.78	1.27	8.91	_	5.83	1.93	1.93	1.14
	С	FBMCX	7/3/06	5.78	61.91	5.78	9.46	_	5.84	1.34	1.33	1.84
Franklin Convertible Securities ⁸	A ^{10,35}		4/15/87	-1.65	1,008.23	-1.65	9.35	6.19	9.07	1.35	1.35	0.88
	С	FROTX	10/2/95	2.54	317.85	2.54	9.81	6.02	7.71	0.67	0.66	1.63
Franklin Equity Income ⁸	A ^{10,35}	FISEX	3/15/88	2.85	821.30	2.85	11.82	5.16	8.64	2.00	2.00	0.91
	С	FRETX	10/2/95	7.26	243.12	7.26	12.30	5.00	6.61	1.33	1.33	1.66
Franklin Income	A ^{6,12}	FKINX	8/31/48	-0.41	69,535.14	-0.41	8.51	6.07	10.37	4.00	4.00	0.62
	С	FCISX	5/1/95	2.56	342.05	2.56	8.89	6.03	7.85	3.68	3.68	1.12
Templeton Emerging Markets Balanced ^{9,20,21}	A^{19}	TAEMX	10/3/11	-10.66	-1.02	-10.66	_	_	-0.31	2.88	2.32	2.04
	С	_	10/3/11	-6.71	2.58	-6.71	_	_	0.79	2.32	1.74	2.74
Templeton Global Balanced ^{20,37,38}	A ¹⁹	TAGBX	7/1/05	-6.44	82.91	-6.44	6.54	_	6.56	2.33	2.33	1.14
	С	FCGBX	7/1/05	-2.01	73.34	-2.01	6.93	_	5.96	1.69	1.69	1.89
ALTERNATIVE	40											
Franklin K2 Alternative Strategies Fund ^{9,21}	A ¹⁹	FAAAX	10/11/13	-1.12	3.01	-1.12	_	_	2.46	_	_	3.71
0.21	C	FASCX	10/11/13	3.20	8.48	3.20	_	_	6.89	_	_	4.41
Franklin Pelagos Commodities Strategy Fund ^{9,21}	A ¹⁹	FLSQX	12/7/11	-22.97	-30.55	-22.97	_	_	-11.21	_	_	3.58
	С	FLSVX	12/7/11	-19.86	-27.94	-19.86	_	_	-10.14	_	_	4.28
ASSET ALLOCATION	a 19	FTOOY	0/45/00									
Franklin Corefolio Allocation ⁸	A ¹⁹	FTCOX	8/15/03	0.38	118.10	0.38	10.63	5.82	7.09	_		1.08
Franklin Frankling Frank Allegation8	C 419	FTCLX	8/15/03	4.69	113.62	4.69	11.17	5.71	6.90	_	_	1.79
Franklin Founding Funds Allocation ⁸	A ¹⁹	FFALX	8/15/03	-3.03	105.75	-3.03	8.72	4.96	6.55	_	_	1.02
Franklin Global Allocation ^{9,21}	C A ¹⁹	FFACX	8/15/03	1.13	101.43	1.13	9.17	4.83	6.35	_	_	1.77
Franklin Global Allocation	C	FGAAX	9/1/11	-6.78	9.27	-6.78	_		2.70	_	_	2.04
Franklin Multi-Asset Real Return ^{9,20,21}	A ¹⁹	-	9/1/11	-2.72	13.09	-2.72	_		3.76	_	_	2.74
FTANKIIII Wulli-ASSet Real Return	С	FTMAX		-9.74	-0.09	-9.74	_	_	-0.03	-	_	1.96
Franklin Conservative Allocation ^{3,9,45}	A ¹⁰	FTCIV	12/19/11 12/31/96	-5.86	3.49	-5.86	4.0/	4.01	1.14	-		2.70
Harkiiri Conservative Allocation	C	FTCIX	12/31/96	-2.57 1.59	175.14 154.46	-2.57 1.59	4.86 5.32	4.81	5.78 5.33	-		1.22
Franklin Moderate Allocation ^{3,9,46}	A ¹⁰	FMTIX	12/31/96	-1.89	194.28	-1.89	6.23	5.57	6.18	-		1.25
Trankin Woderate / illocation	С	FTMTX	12/31/96	2.35	171.06	2.35	6.69	5.40	5.70		_	2.00
Franklin Growth Allocation ^{3,9,20,21,47}	A ¹⁰	FGTIX	12/31/96	-1.07	200.92	-1.07	7.93	6.15	6.31	_	_	1.32
	С	FTGTX	12/31/96	3.21	179.65	3.21	8.39	5.98	5.88	_	_	2.07
Franklin LifeSmart [™] 2015 Retirement Target ^{9,20,21}		FTRAX	8/1/06	-2.87	51.97	-2.87	5.90	_	5.10	_	_	1.45
	С	FRTCX	8/1/06	1.44	52.05	1.44	6.41	_	5.11	_	_	2.15
Franklin LifeSmart [™] 2020 Retirement Target ^{9,20,21,5}	² A ¹⁹	FLRMX	7/1/13	-1.22	9.36	-1.22	_	_	6.14	_	_	11.90
	С	FLRQX	7/1/13	3.09	14.67	3.09	_	_	9.55	_	_	12.60
Franklin LifeSmart [™] 2025 Retirement Target ^{9,20,21,}	³⁶ A ¹⁹	FTRTX	8/1/06	-1.62	56.28	-1.62	7.66	_	5.45	_	_	1.51
	С	FTTCX	8/1/06	2.61	56.37	2.61	8.18	_	5.46	_	_	2.21
Franklin LifeSmart [™] 2030 Retirement Target ^{9,20,21,5}	² A ¹⁹	FLRSX	7/1/13	-0.79	11.32	-0.79	-	_	7.41	_	_	21.56
	С	FLRTX	7/1/13	3.67	16.95	3.67	_	_	10.99	_	_	22.26
Franklin LifeSmart [™] 2035 Retirement Target ^{9,20,21,3}		FRTAX	8/1/06	-1.05	57.34	-1.05	8.21	_	5.53	_	_	1.62
	С	FTRCX	8/1/06	3.24	57.42	3.24	8.76	_	5.54	_	_	2.32
Franklin LifeSmart [™] 2040 Retirement Target ^{9,20,21,5}		FLAPX	7/1/13	-0.38	12.45	-0.38	_	_	8.13	_	_	34.24
TV 0.00.21	C	FLOLX	7/1/13	4.03	18.12	4.03	_	_	11.73	_	_	34.94
Franklin LifeSmart [™] 2045 Retirement Target ^{9,20,21,3}		FTTAX	8/1/06	-1.13	59.40	-1.13	8.68	_	5.70	_	_	1.86
F 18 18 0 (TMoore 2) - 000 315	C . 19	FLRIX	8/1/06	3.16	59.41	3.16	9.20	_	5.70	_	_	2.56
Franklin LifeSmart [™] 2050 Retirement Target ^{9,20,21,6}		FLSJX	7/1/13	-0.25	12.82	-0.25	_	_	8.37	_		35.00
EIVED INCOME	С	FLSKX	7/1/13	4.03	18.50	4.03	_	_	11.97	_	_	35.70
FIXED INCOME	۸7	FICAV	10/20/07	1 / 4	100.40	4 /4	0.50	2.11	1.00	0.50	0.50	0.07
Franklin Adjustable U.S. Government Securities ⁸	A ⁷	FISAX	10/20/87	-1.61	192.42	-1.61	0.52	2.16	4.02	0.52	0.52	0.87
Franklin Floating Pata Pailly Access ²⁰	C A ⁷	FCSCX	7/1/03	-0.64	23.37	-0.64	0.60	1.99	1.84	0.13	0.13	1.27
Franklin Floating Rate Daily Access ²⁰	C C	FAFRX FCFRX	5/1/01 5/1/01	-1.75	60.01	-1.75	3.94	3.15	3.50	4.72	4.71	0.87
Franklin Global Government Bond ^{20,21}	A ¹²	FGGAX	9/6/13	-0.88	55.16	-0.88	3.97	2.98	3.27	4.42	4.40	1.27
Frankiiri Giobai Governiiletti Buttu	C	- FGGAX	9/6/13	-1.20 1.56	1.32 5.00	-1.20 1.56		_	1.00 3.77	1.01 0.46	0.00	3.23
	C		7/0/13	1.00	5.00	1.00		_	3.11	0.40	0.00	3.02

Periods Ended December 31, 2014					e Total Return es charges	Aver		al Total R Charges	eturn²	30-Day	Yield ²⁴	Gross
Open-End Funds	Class	Symbol	Inception	YTD ¹⁷ (%)	Since Inception ¹ (%)	1-Year (%)	5-Year (%)	10-Year (%)	Since Inception (%)	w/ Waiver (%)	w/o Waiver (%)	Expense Ratio (%)
FIXED INCOME, cont'd.												
Franklin High Income	$A^{6,12}$	FHAIX	12/31/69	-4.47	2,817.90	-4.47	7.09	6.27	7.78	5.63	5.63	0.76
	С	FCHIX	5/16/95	-1.83	238.80	-1.83	7.37	6.22	6.41	5.37	5.37	1.26
Franklin Low Duration Total Return ^{9,21,42,43,44}	A^7	FLDAX	11/17/04	-1.23	35.72	-1.23	1.87	3.10	3.06	1.09	0.97	0.98
	С	FLDCX	11/17/04	-0.43	32.72	-0.43	1.91	2.88	2.84	0.70	0.58	1.38
Franklin Real Return ^{9,21,31}	A^{12}	FRRAX	11/17/04	-5.25	35.76	-5.25	0.95	2.99	3.07	1.15	0.94	1.10
	С	FRRCX	11/17/04	-2.48	33.47	-2.48	1.40	2.84	2.89	0.79	0.58	1.50
Franklin Strategic Income ²⁰	A^{12}	FRSTX	5/24/94	-2.61	320.02	-2.61	5.14	5.26	7.21	3.98	3.98	0.86
	С	FSGCX	5/1/98	0.41	155.26	0.41	5.65	5.30	5.78	3.73	3.72	1.26
Franklin Strategic Mortgage Portfolio ²⁰	A^{40}	_	2/1/93	1.93	199.58	1.93	5.07	3.83	5.13	1.79	1.78	0.98
	C^{40}	_	2/1/93	5.02	174.70	5.02	5.57	3.82	4.72	1.45	1.45	1.38
Franklin Total Return ^{9,20,21}	A^{12}	FKBAX	8/3/98	1.45	132.70	1.45	4.80	4.45	5.28	1.74	1.71	0.93
	С	FCTLX	3/1/02	4.50	87.07	4.50	5.28	4.48	5.00	1.42	1.37	1.33
Franklin U.S. Government Securities	$A^{6,12}$	FKUSX	5/31/70	-0.18	1,491.27	-0.18	2.48	3.66	6.40	2.41	2.41	0.73
	С	FRUGX	5/1/95	2.81	148.23	2.81	2.85	3.59	4.73	2.00	2.00	1.23
Templeton Constrained Bond ^{9,21}	A^{12}	FTCAX	9/20/13	-3.82	-3.05	-3.82	_	_	-2.39	1.49	0.58	3.47
	С	-	9/20/13	-1.11	0.43	-1.11	_	_	0.34	0.90	0.00	3.87
Templeton Emerging Markets Bond ^{9,20,21}	A^{12}	FEMGX	4/1/13	-6.83	-6.99	-6.83	_	_	-4.06	5.17	4.11	3.24
	С	_	4/1/13	-3.95	-3.49	-3.95	_	_	-2.01	4.90	3.79	3.64
Templeton Global Bond ²⁰	$A^{12,15}$	TPINX	9/18/86	-2.72	744.05	-2.72	4.85	6.92	7.83	2.20	2.19	0.91
	С	TEGBX	5/1/95	0.29	330.51	0.29	5.34	6.96	7.70	1.87	1.86	1.31
Templeton Global Total Return ²⁰	A ¹²	TGTRX	9/30/08	-3.91	76.31	-3.91	6.13	_	9.49	3.74	3.73	1.04
	С	TTRCX	9/30/08	-0.97	79.54	-0.97	6.63	_	9.81	3.50	3.48	1.44
Templeton Hard Currency ²⁰	Α	ICPHX	11/17/89	-9.44	147.10	-9.44	-0.40	1.58	3.67	_	_	1.18
Templeton International Bond ^{9,20,21}	A ¹²	TBOAX	12/3/07	-6.79	43.93	-6.79	3.18	_	5.28	2.27	2.18	1.16
	С	FCNBX	12/3/07	-3.90	46.77	-3.90	3.73	_	5.57	2.01	1.91	1.51

				Cumulative Total Return All Sales charges		n Average Annual Total Return ² All Sales Charges					Taxable	Gross
				YTD ¹⁷	Since Inception ¹	1-Year	5-Year	10-Year	Since Inception	30-Day Yield ²⁴	Equivalent Yield ¹¹	
Open-End Funds	Class	Symbol	Inception	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
TAX-FREE												
NATIONAL												
Franklin Double Tax-Free Income ^{8,32,41}	$A^{6,12}$	FPRTX	4/3/85	5.54	372.20	5.54	0.80	2.13	5.36	3.85	6.80	0.67
	С	FPRIX	5/1/95	8.62	102.37	8.62	1.10	2.01	3.65	3.45	6.10	1.23
Franklin Federal Tax-Free Income ⁴	$A^{6,12}$	FKTIX	10/7/83	6.49	664.57	6.49	4.64	4.32	6.73	1.87	3.30	0.62
	С	FRFTX	5/1/95	9.51	150.38	9.51	4.97	4.19	4.78	1.39	2.46	1.17
Franklin High Yield Tax-Free Income ^{4,8}	$A^{6,12}$	FRHIX	3/18/86	9.07	481.42	9.07	5.47	4.56	6.31	2.88	5.09	0.63
	С	FHYIX	5/1/95	12.35	159.45	12.35	5.83	4.44	4.97	2.44	4.31	1.18
Franklin Insured Tax-Free Income ^{4,8,48}	$A^{6,12}$	FTFIX	4/3/85	6.42	500.25	6.42	4.32	3.94	6.21	2.07	3.66	0.61
	С	FRITX	5/1/95	9.56	140.11	9.56	4.66	3.83	4.55	1.60	2.83	1.16
INTERMEDIATE/LIMITED-TERM												
Franklin California Intermediate-Term Tax-Free Income ^{8,32}	A ⁷	FKCIX	9/21/92	5.88	198.02	5.88	4.75	3.96	5.02	1.57	3.19	0.63
	С	FCCIX	7/1/03	6.72	49.17	6.72	4.66	3.63	3.54	1.04	2.12	1.18
Franklin Federal Intermediate-Term Tax-Free Income ^{4,8}	A ⁷	FKITX	9/21/92	4.49	197.35	4.49	4.28	3.92	5.01	1.21	2.14	0.65
	С	FCITX	7/1/03	5.26	48.00	5.26	4.19	3.58	3.47	0.68	1.20	1.20

Maximum Sales Charges	Class A (%)	Class C* (%)
EQUITY	5.75	0.00
FIXED INCOME		
Long-Term	4.25	0.00
Intermediate-/Limited-Term	2.25	0.00

^{*}For Class C shares, there is a 1% contingent deferred sales charge (CDSC) in the first year only.

Please see Footnotes for more information on each fund.

Periods Ended December 31, 2014					Total Return s charges	Avei		ual Total F es Charges			Taxable	Gross
Open-End Funds	Class	Symbol	Inception	YTD ¹⁷ (%)	Since Inception ¹ (%)	1-Year (%)	5-Year (%)	10-Year (%)	Since Inception (%)	30-Day Yield ²⁴ (%)	Equivalent Yield ¹¹ (%)	Expense Ratio (%)
TAX-FREE, cont'd.	Glabb	- Cymbol	шоорион	(70)	(70)	(70)	(,0)	(70)	(70)	(70)	(70)	(70)
Franklin Federal Limited-Term Tax-Free Income ^{4,9,21}	A ¹³	FFTFX	9/2/03	-1.18	28.76	-1.18	1.55	2.34	2.26	0.25 w/waiver 0.04 w/o waiver	0.44 w/waiver 0.07 w/o waiver	0.84
Franklin New York Intermediate-Term	A ⁷	FKNIX	9/21/92	4.63	184.54	4.63	4.04	3.68	4.81	1.22	2.49	0.65
Tax-Free Income ^{8,29}	С	FKNCX	7/1/03		43.65	5.35	3.92	3.36	3.20	0.68	1.39	1.20
STATE												
Franklin Alabama Tax-Free Income ^{8,32}	A ^{6,12}	FRALX	9/1/87	5.89	348.37	5.89	3.91	3.73	5.64	2.13	3.98	0.71
	С	FALEX	5/1/95	8.84	131.50	8.84	4.23	3.61	4.36	1.67	3.12	1.26
Franklin Arizona Tax-Free Income ³²	A ^{6,12}	FTAZX	9/1/87	6.32	354.06	6.32	4.20	3.98	5.69	2.31	4.29	0.62
	С	FAZIX	5/1/95	9.42	136.81	9.42	4.53	3.86	4.48	1.85	3.43	1.17
Franklin California High Yield Municipal ^{8,32}	A ¹²	FCAMX	5/3/93	9.84	231.67	9.84	7.59	5.14	5.69	3.21	6.53	0.63
	С	FCAHX	5/1/96	13.07	165.85	13.07	7.92	5.02	5.38	2.80	5.69	1.18
Franklin California Insured Tax-Free Income ^{32,49}	A ^{6,12}	FRCIX	9/3/85	8.17	484.40	8.17	5.50	4.33	6.20	2.33	4.74	0.61
	С	FRCAX	5/1/95	11.45	152.24	11.45	5.86	4.22	4.82	1.87	3.80	1.16
Franklin California Tax-Free Income ³²	A ^{6,12}	FKTFX	2/1/77	8.68	718.64	8.68	5.50	4.64	5.70	2.50	5.08	0.57
	С	FRCTX	5/1/95	11.94	157.99	11.94	5.85	4.49	4.94	2.04	4.15	1.13
Franklin Colorado Tax-Free Income ^{8,32}	A ^{6,12}	FRCOX	9/1/87	6.28	372.20	6.28	4.09	3.96	5.84	2.16	4.01	0.64
	С	FCOIX	5/1/95	9.35	142.30	9.35	4.44	3.83	4.60	1.69	3.14	1.19
Franklin Connecticut Tax-Free Income ^{8,32}	A ^{6,12}	FXCTX	10/3/88	4.83	278.54	4.83	3.18	3.54	5.20	2.06	3.92	0.67
	С	FCTIX	5/1/95	7.94	126.79	7.94	3.52	3.43	4.25	1.58	3.01	1.22
Franklin Florida Tax-Free Income ^{8,32}	A ^{6,12}	FRFLX	9/1/87	5.16	367.52	5.16	3.39	3.57	5.80	2.23	3.94	0.62
	С	FRFIX	5/1/95	8.28	135.16	8.28	3.73	3.45	4.44	1.77	3.13	1.17
Franklin Georgia Tax-Free Income ^{8,32}	A ^{6,12}	FTGAX	9/1/87	5.79	363.77	5.79	4.03	3.94	5.77	1.95	3.68	0.66
	С	FGAIX	5/1/95	8.94	137.57	8.94	4.39	3.83	4.50	1.48	2.79	1.21
Franklin Kentucky Tax-Free Income ^{8,32}	A ^{6,12}	FRKYX	10/12/91	5.56	226.57	5.56	3.82	3.76	5.23	1.81	3.42	0.76
Franklin Louisiana Tax-Free Income ^{8,32}	A ^{6,12}	FKLAX	9/1/87	5.01	355.23	5.01	3.81	3.68	5.70	2.02	3.81	0.67
	С	FLAIX	5/1/95	8.15	137.19	8.15	4.16	3.57	4.49	1.54	2.91	1.22
Franklin Maryland Tax-Free Income ^{8,32}	A ^{6,12}	FMDTX	10/3/88	5.76	302.23	5.76	3.65	3.55	5.44	2.14	4.18	0.65
	С	FMDIX	5/1/95	8.75	134.26	8.75	3.98	3.42	4.42	1.67	3.26	1.20
Franklin Massachusetts Tax-Free Income ^{8,32}	A ^{6,12}	FMISX	4/3/85	6.57	435.59	6.57	3.62	3.65	5.80	1.87	3.50	0.66
	С	FMAIX	5/1/95	9.73	133.44	9.73	3.95	3.54	4.40	1.40	2.62	1.21
Franklin Michigan Tax-Free Income ^{8,32}	A ^{6,12}	FTTMX	4/3/85	6.24	457.11	6.24	3.34	3.58	5.94	2.02	3.74	0.63
	С	FRMTX	5/1/95	9.38	133.44	9.38	3.66	3.47	4.40	1.55	2.87	1.18
Franklin Minnesota Tax-Free Income ^{8,32}	A ^{6,12}	FMINX	4/3/85	3.56	455.85	3.56	3.59	3.81	5.94	1.37	2.70	0.64
	С	FMNIX	5/1/95	6.59	129.96	6.59	3.93	3.70	4.32	0.86	1.70	1.19
Franklin Missouri Tax-Free Income ^{8,32}	A ^{6,12}	FRMOX	9/1/87	4.47	360.26	4.47	3.46	3.65	5.74	2.08	3.93	0.62
	С	FMOIX	5/1/95	7.50	136.85	7.50	3.79	3.53	4.48	1.62	3.06	1.17
Franklin New Jersey Tax-Free Income ³²	A ^{6,12}	FRNJX	5/12/88	4.28	338.00	4.28	3.29	3.69	5.70	2.27	4.44	0.63
	С	FNIIX	5/1/95	7.32	136.85	7.32	3.63	3.57	4.48	1.81	3.54	1.18

Periods Ended December 31, 2014				Cumulative Total Return All Sales charges		Ave		ual Total R es Charges			Taxable	Gross
Open-End Funds	Class	Symbol	Inception	YTD ¹⁷ (%)	Since Inception ¹ (%)	1-Year (%)	5-Year (%)	10-Year (%)	Since Inception (%)	30-Day Yield ²⁴ (%)	Equivalent Yield ¹¹ (%)	
TAX-FREE, cont'd.												
STATE Franklin New York Tax-Free Income ²⁹	A ^{6,12}	FNYTX	9/13/82	4.68	698.14	4.68	3.32	3.72	6.64	1.62	3.31	0.60
	С	FNYIX	5/1/95	7.59	138.55	7.59	3.66	3.59	4.52	1.13	2.31	1.15
Franklin North Carolina Tax-Free Income ^{8,32}	A ^{6,12}	FXNCX	9/1/87	4.03	354.43	4.03	3.10	3.55	5.69	1.84	3.46	0.62
	С	FNCIX	5/1/95	7.06	134.01	7.06	3.43	3.43	4.42	1.35	2.54	1.17
Franklin Ohio Tax-Free Income ^{8,32}	A ^{6,12}	FTOIX	4/3/85	5.54	468.78	5.54	3.64	3.85	6.02	2.02	3.78	0.63
	С	FOITX	5/1/95	8.61	137.63	8.61	3.95	3.73	4.50	1.55	2.90	1.18
Franklin Oregon Tax-Free Income ³²	A ^{6,12}	FRORX	9/1/87	5.15	336.08	5.15	3.42	3.82	5.54	2.04	4.03	0.62
	С	FORIX	5/1/95	8.15	135.02	8.15	3.75	3.70	4.44	1.57	3.10	1.17
Franklin Pennsylvania Tax-Free Income ^{8,32}	A ^{6,12}	FRPAX	12/1/86	5.90	352.16	5.90	3.80	3.90	5.52	2.41	4.40	0.63
	С	FRPTX	5/1/95	9.12	138.17	9.12	4.14	3.78	4.51	1.95	3.56	1.18
Franklin Tennessee Municipal Bond ^{8,21,32}	A ¹²	FRTIX	5/10/94	4.90	178.15	4.90	3.53	3.70	5.08	1.71	3.23	0.72
Franklin Virginia Tax-Free Income ^{8,32}	A ^{6,12}	FRVAX	9/1/87	4.53	349.49	4.53	3.22	3.55	5.65	2.01	3.78	0.64
	С	FVAIX	5/1/95	7.50	130.19	7.50	3.54	3.44	4.33	1.54	2.90	1.19

Performance at Market Price as of 12/31/14		Cumulative Total Return		Average Annual Total Return ⁵³				
	Symbol	Inception	YTD ¹⁷ (%)	Since Inception (%)	1-Year (%)	5-Year (%)	10-Year (%)	Inception (%)
EXCHANGE-TRADED FUND (ETF)								
Franklin Short Duration U.S. Government ETF	FTSD	11/4/13	0.77	1.10	0.77	_	_	0.95

	Class	Symbol	Inception	7-day Current Yield ¹⁴ (%)	7-day Effective Yield ¹⁴ (%)	Current Yield Without Waiver (%)	Effective Yield Without Waiver (%)	Average Weighted Maturity (days)
MONEY FUNDS ³⁴								
Franklin California Tax-Exempt Money ³²	Α	FCLXX	9/3/85	0.00	0.00	_	_	15
Franklin Money	А	FMFXX	5/1/76	0.00	0.00	_	_	37
Franklin Templeton Money ⁹	А	_	12/15/06	0.00	0.00	-0.55	-0.55	37
	С	FRIXX	5/1/95	0.00	0.00	-1.20	-1.20	37

While money funds are managed to maintain a stable \$1.00 share price, there is no guarantee this value will be maintained and it is possible to lose money. An investment in the funds is not insured or guaranteed by the Federal Deposit Insurance Corporation or any government agency.

Maximum Sales Charges	Class A (%)	Class C* (%)	
EQUITY	5.75	0.00	
FIXED INCOME			
Long-Term	4.25	0.00	
Intermediate-/Limited-Term	2.25	0.00	

^{*}For Class C shares, there is a 1% contingent deferred sales charge (CDSC) in the first year only.

Please see Footnotes for more information on each fund.

Morningstar Overall Ratings*

Periods Ended December 31, 2014

Pellous Ellueu Decellibel 31, 2014		
Class A	Morningstar Category	Overall Morningstar Rating™
Franklin California High Yield Municipal Fund	Muni California Long	****
Franklin Biotechnology Discovery Fund	Health	***
Franklin California Intermediate-Term Tax-Free Income Fund	Muni California Intermediate	***
Franklin California Tax-Free Income Fund	Muni California Long	***
Franklin Income Fund	Conservative Allocation	***
Franklin International Small Cap Growth Fund	Foreign Small/Mid Blend	***
Franklin Mutual European Fund	Europe Stock	***
Franklin Mutual Global Discovery Fund	World Stock	***
Franklin Mutual International Fund	Foreign Large Value	***
Franklin Mutual Quest Fund	World Stock	***
Templeton Emerging Markets Small Cap Fund	Diversified Emerging Mkts	***
Templeton Frontier Markets Fund	Diversified Emerging Mkts	***
Templeton Global Bond Fund	World Bond	***
Templeton Global Total Return Fund	World Bond	***
Franklin DynaTech Fund	Large Growth	***
Franklin Federal Tax-Free Income Fund	Muni National Long	***
Franklin Gold and Precious Metals Fund	Equity Precious Metals	***
Franklin Growth Fund	Large Growth	***
Franklin MicroCap Value Fund	Small Value	***
Franklin Rising Dividends Fund	Large Blend	***
Franklin Small Cap Growth Fund	Small Growth	***
Franklin Small Cap Value Fund	Small Value	***
Franklin Utilities Fund	Utilities	***
Templeton Foreign Fund	Foreign Large Value	***
Templeton International Bond Fund	World Bond	***
Templeton World Fund	World Stock	***
Franklin Growth Opportunities Fund	Large Growth	**
Franklin All Cap Value Fund	Mid-Cap Value	*
Franklin Balance Sheet Investment Fund	Mid-Cap Value	*
Franklin Flex Cap Growth Fund	Large Growth	*
Franklin Large Cap Value Fund	Large Value	*

^{*}Source: Morningstar® 12/31/14. For each fund with at least a three-year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a fund's monthly performance (including the effects of sales charges, loads, and redemption fees), placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. (Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in the distribution percentages.) Past performance does not guarantee future results.

The Overall Morningstar Rating $^{\text{TM}}$ for a fund is derived from a weighted average of the performance figures associated with its three-, five- and ten-year (if applicable) Morningstar Rating $^{\text{TM}}$ metrics.

3-Year Rating	# of Funds	5-Year Rating	# of Funds	10-Year Rating	# of Funds
***	132	****	127	****	107
***	119	***	112	***	94
***	49	***	43	***	38
***	132	***	127	***	107
***	575	***	463	***	253
***	73	***	60	***	25
***	83	***	77	****	64
**	881	***	688	****	346
***	303	***	262	N/A	N/A
**	881	***	688	****	346
****	521	***	341	N/A	N/A
***	521	***	341	N/A	N/A
***	290	***	233	****	140
***	290	***	233	N/A	N/A
**	1,528	**	1,324	***	909
***	204	***	185	***	151
**	71	**	65	***	51
**	1,528	***	1,324	***	909
**	352	***	281	***	194
*	1,336	***	1,193	***	812
***	645	***	566	***	394
**	352	**	281	***	194
**	62	***	58	***	50
**	303	**	262	***	127
***	290	***	233	N/A	N/A
**	881	**	688	***	346
*	1,528	**	1,324	***	909
*	421	*	350	N/A	N/A
*	421	*	350	*	234
*	1,528	*	1,324	**	909
**	1,106	*	975	*	666

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Lipper Total Return Rankings*		
Periods Ended December 31, 2014		
Class A	Lipper Classification	1-Year
Franklin Biotechnology Discovery Fund	Health/Biotechnology Funds	#15 out of 87 funds
Franklin California Tax-Free Income Fund	California Municipal Debt Funds	# 21 out of 126 funds
Franklin DynaTech Fund	Multi-Cap Growth Funds	#371 out of 557 funds
Franklin Federal Intermediate-Term Tax-Free Income Fund	Intermediate Municipal Debt Funds	#77 out of 216 funds
Franklin Federal Limited-Term Tax-Free Income Fund	Short Municipal Debt Funds	#33 out of 99 funds
Franklin Federal Tax-Free Income Fund	General & Insured Municipal Debt Funds	#82 out of 258 funds
Franklin High Yield Tax-Free Income Fund	High Yield Municipal Debt Funds	#71 out of 136 funds
Franklin New York Tax-Free Income Fund	New York Municipal Debt Funds	#72 out of 102 funds
Franklin Small Cap Growth Fund	Small-Cap Growth Funds	#220 out of 530 funds
Franklin Strategic Income Fund	Multi-Sector Income Funds	#192 out of 246 funds
Templeton Foreign Fund	International Multi-Cap Value	#148 out of 158 funds

^{*}As measured by Lipper, Inc. For those funds that offer other classes of shares, the ranking information is based on the funds' Class A shares only. Lipper rankings do not include sales charges or take into account fee waivers, if any. Past performance does not guarantee future results.

3-Year	5-Year	10-Year
#11 out of 80 funds	#10 out of 70 funds	#13 out of 55 funds
#28 out of 112 funds	#32 out of 107 funds	#8 out of 86 funds
#211 out of 474 funds	#191 out of 417 funds	#72 out of 269 funds
#69 out of 182 funds	#25 out of 147 funds	#20 out of 102 funds
#28 out of 85 funds	#12 out of 72 funds	#10 out of 48 funds
#104 out of 231 funds	#79 out of 207 funds	#26 out of 156 funds
#95 out of 112 funds	#67 out of 98 funds	#12 out of 64 funds
#71 out of 92 funds	#62 out of 81 funds	#23 out of 70 funds
#98 out of 464 funds	#42 out of 408 funds	#62 out of 286 funds
#62 out of 175 funds	#66 out of 142 funds	#33 out of 94 funds
#42 out of 126 funds	#42 out of 104 funds	#7 out of 61 funds

FOOTNOTES

Effective June 30, 2014, the following mutual funds were renamed: Franklin Templeton Conservative Allocation Fund was renamed Franklin Conservative Allocation Fund, Franklin Templeton Corefolio Allocation Fund was renamed Franklin Corefolio Allocation Fund, Franklin Templeton Founding Funds Allocation Fund, Franklin Funding Funds Allocation Fund, Franklin Templeton Global Allocation Fund was renamed Franklin Growth Allocation Fund, Franklin Templeton Hard Currency Fund was renamed Templeton Hard Currency Fund, Franklin Templeton Moderate Allocation Fund was renamed Franklin Moderate Allocation Fund, Franklin Templeton Multi-Asset Real Return Fund was renamed Franklin Multi-Asset Real Was ferlanted Prankini Mode ale Andocardie Fund, Prankin Terripietori Modif-Asset Real Return Fund was renamed Franklin Mutual Return Fund, Mutual Beacon Fund was renamed Franklin Mutual European Fund, Mutual Financial Services Fund was renamed Franklin Mutual Financial Services Fund was renamed Franklin Mutual Financial Services Fund, Mutual International Fund was renamed Franklin Mutual Global Discovery Fund, Mutual International Fund was renamed Franklin Mutual International Fund, Mutual Quest Fund, Mutual Shares Fund was renamed Franklin Mutual Shares Fund.

- 1. Cumulative total returns show the change in value of an investment since inception, include sales charges, and assume reinvestment of dividends and capital gains at net asset value.
- 2. All figures represent the average annual change in value of an investment over the specified periods, assuming reinvestment of dividends and capital gains at net asset value. The fund has a contractually guaranteed expense reduction and/or a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year end. Fund investment results reflect the expense reduction and/or fee waiver, to the extent applicable; without these reductions, the results would have been lower. Class A figures include the current maximum initial sales charge. Class C figures reflect the 1% contingent deferred sales charge (CDSC) to the extent applicable. Prior to 1/1/04, these shares were offered with an initial sales charge, thus actual returns would have differed. For classes of
- applicable. Prior to 17704, increase shales were offered with all ritual sales charge, into actual returns would rave differed. For classes of shares existing for less than one year, aggregate total returns replace average annual total returns.

 3. Effective 5/1/10, the fund changed its name; the investment goal and primary investment strategy remained the same.

 4. Dividends are generally subject to state and local taxes, if any. For investors subject to the alternative minimum tax, a small portion of fund dividends may be taxable. Distributions of capital gains are generally taxable.

 5. Total returns have been restated to reflect the current, maximum 5.75% initial sales charge. Prior to 1/1/01, fund shares were offered at a
- lower initial sales charge (1.50%); thus actual returns may differ.

 6. Effective 5/1/94, the fund implemented a Rule 12b-1 plan, which affects subsequent performance.
- Maximum initial sales charge: 2.25%.
- 8. Past expense limitations increased the fund's total returns.

 9. The fund's manager has contractually agreed in advance to waive or limit its fees and/or to make certain payments to reduce expenses.

 Without this waiver, yield and total return would be lower.
- 10. Total returns have been restated to reflect the current maximum initial sales charge: 5.75%. Prior to 8/3/98, Class A shares were offered at a lower initial sales charge; thus actual returns may differ.
- 11. Assumes the maximum regular federal income tax rate; where applicable, the maximum state, county or city personal income tax rate; and the Medicare tax in effect on December 2014. For investors subject to the alternative minimum tax, a small portion of the dividend income may be subject to such tax, depending on the fund. Distributions of capital gains and ordinary income from accrued market discount, if any, are generally taxable.

 12. Maximum initial sales charge: 4.25%.

 13. Total returns have been restated to reflect the current, maximum 2.25% initial sales charge. Prior to 2/1/06, fund shares were offered
- without an initial sales charge; thus actual returns may differ.

 14. Annualized and effective yields are for the 7-day period ended 12/31/14. Yield reflects fluctuations in interest rates on portfolio
- investments, and fund expenses.
- 15. Effective 1/1/93, the fund implemented a Rule 12b-1 plan, which affects subsequent performance.

 16. On 8/8/03, the fund converted from a closed-end fund to an open-end fund. Returns shown are a restatement of the closed-end fund's performance to include both the Rule 12b-1 fees and the current sales charges applicable to each share class as though in effect from the
- 17. Cumulative total returns show the change in value of an investment year-to-date, include sales charges, and assume reinvestment of dividends and capital gains at net asset value.
- 18. Prior to 5/15/08, the fund offered only a single share class without a sales charge and Rule 12b-1 expenses. Performance figures reflect a restatement of these shares' performance to include both 12b-1 fees and sales charges applicable to each share class as though in effect from the fund's inception.
- 19. Maximum initial sales charge: 5.75%.

 20. The fund has a fee waiver associated with its investments in a Franklin Templeton money fund, contractually guaranteed through at least its current fiscal year end. Fund investment results reflect the fee waiver, without this reduction, the results would have been lower. 21. For the following funds, the fund's manager has contractually agreed to waive or limit its fees and to, if needed, assume as its own expense certain expenses otherwise payable by the fund. Expense ratios are as stated in the fund's prospectus current as of the date of this report. Expenses differ as a result of the different class pricing structures. Investment results reflect the expense reduction, without which the results Expenses differ as a result of the different class pricing structures. Investment results reflect the expense reduction, without which the results would have been lower. Expense ratio with waiver for the following funds is (denoted in parentheses are waiver ending dates, after which, the fund's manager may end this arrangement at any time): F. All Cap Value-Class A: 1.24% and Class C: 1.94% (2/28/15); F. Federal Limited-Term Tax-Free Income-Class A: 0.63% (6/30/15); F. Focused Core Equity-Class A: 1.30% and Class C: 2.00% (8/31/15); F. Global Allocation-Class A: 1.31% and Class C: 2.01% (9/30/15); F. Global Government Bond Fund-Class A: 0.85% and Class C: 1.17% (8/31/15); F. Global Listed Infrastructure Fund-Class A: 1.45% and Class C: 2.15% (11/30/16); F. Global Real Estate-Class A: 1.45% and Class C: 2.15% (11/30/16); F. Growth Allocation-Class A: 1.49% and Class C: 2.19% (11/30/16); F. Rolica Growth-Class A: 1.45% and Class C: 2.40% (2/28/15); F. International Growth-Class A: 1.49% and Class C: 2.19% (11/30/16); F. LifeSmart 2015 Retirement Target-Class A: 2.82% and Class C: 2.40% (2/28/15); F. International Growth-Class A: 1.25% and Class C: 1.95% (11/30/16); F. LifeSmart 2015 Retirement Target-Class A: 0.98% and Class C: 1.64% (4/30/15); F. LifeSmart 2002 Retirement Target-Class A: 1.00% and Class C: 1.72% (4/30/15); F. LifeSmart 2035 Retirement Target-Class A: 0.98% and Class C: 1.72% (4/30/15); F. LifeSmart 2035 Retirement Target-Class A: 0.98% and Class C: 1.72% (4/30/15); F. LifeSmart 2040 Retirement Target-Class A: 1.01% and Class C: 1.72% (4/30/15); F. LifeSmart 2045 Retirement Target-Class A: 1.01% and Class C: 2.17% (4/30/15); F. LifeSmart 2040 Retirement Target-Class A: 1.01% and Class C: 2.17% (4/30/15); F. LifeSmart 2040 Retirement Target-Class A: 1.01% and Class C: 2.17% (4/30/15); F. LifeSmart 2040 Retirement Target-Class A: 1.01% and Class C: 2.17% (4/30/15); F. Muttla Return-Class A: 1.41% and Class C: 2.15% (7/31/15); F. Muttla Return Fund-Class A: 1.53% and Class C: 2.15% (7/31/15); F. Mut

FOOTNOTES, cont'd.

- and Class C: 2.24% (7/31/15); T. Emerging Markets Bond-Class A: 1.26% and Class C: 1.66% (12/31/15); T. International Bond Fund-Class A: 1.06% and Class C: 1.41% (12/31/16).
- 22. Prior to 11/1/96, only a single class of fund shares was offered without a sales charge and Rule 12b-1 expenses. This fund began offering Class A and Class C shares on 11/1/96. Returns reflect a restatement of the original class to include both the Rule 12b-1 fees and the current sales charges applicable to each share class as though in effect from the fund's inception.

 23. Total returns have been restated to reflect the current maximum initial sales charge: 5.75%. Prior to 1/2/97, Class A shares were offered at
- a lower initial sales charge. Thus, actual returns may differ.
- a lower initial sales charge. Thus, actual returns may office at 24. The 30-day standardized yield for the 30 days ended 12/31/14 reflects an estimated yield to maturity (assuming all portfolio securities are held to maturity). It should be regarded as an estimate of the Fund's rate of investment income, and it may not equal the Fund's actual income distribution rate (which reflects the Fund's past dividends paid to shareholders) or the income reported in the Fund's financial statements.

 25. Prior to 9/30/08, the fund offered only a single class of shares, without a sales charge and Rule 12b-1 fees, Advisor Class shares.

 Performance figures reflect a restatement of the Advisor Class performance to include both the Rule 12b-1 fees and sales charges applicable to solve the sales of the sales sales charges applicable performance to include both the Rule 12b-1 fees and sales charges applicable to sale sales charges applicable performance to include both the Rule 12b-1 fees and sales charges applicable to sales charges applicable to the sales and the sales charges applicable to the sales and the sales charges applicable to the sales and the sales and the sales charges applicable to the sales and the sales are sales charges applicable.
- to each share class as though in effect from the fund's inception. For periods after 9/30/08, actual performance is used, reflecting all charges
- and fees applicable to that class.

 26.Total returns have been restated to reflect the current maximum initial sales charge: 2.25%. Prior to 8/3/98, fund shares were offered at a higher initial sales charge; thus actual returns may differ
- righter influit sales charge; thus actual returns may differ.

 27. The minimum purchase into a regular account is \$10,000.

 28. Prior to 11/3/03, the fund offered only a single class of shares without a sales charge and Rule 12b-1 expenses, Advisor Class shares. Performance figures reflect a restatement of the Advisor Class performance to include both the Rule 12b-1 fees and sales charges applicable to each share class as though in effect from the fund's inception. For periods after 11/3/03, actual performance is used, reflecting all charges and fees applicable to that class.
- 29. Distributions of capital gains are generally taxable. Although the fund has the ability to invest up to 20% of its assets in bonds with income subject to the alternative minimum tax, its current exposure to such bonds is 0%.

 30. Effective February 19, 2013, the fund is closed to all new investors. Existing shareholders may continue to add additional money to their
- 31. The fund's distributions should be expected to vary significantly from month to month. Because the fund has a significant investment in TIPS, the fund is highly influenced by the TIPS market and the monthly inflation adjustments on these securities.

 32. For investors subject to the alternative minimum tax, a small portion of these dividends may be taxable. Distributions of capital gains are
- generally taxable
- generally taxable.

 33. Effective 5/1/09, the fund changed its name. The fund's investment goal and strategy remained unchanged.

 34. The fund's manager, administrator and distributor have voluntarily agreed to an expense reduction in order to avoid a negative yield. This reduction may be modified or discontinued at any time. Please see the fund's prospectus for additional information. Total returns and 7-day yields reflect the expense reduction, without which the results would have been lower.

 35. Effective 5/1/94, the fund implemented a Rule 12b-1 plan, which affects subsequent performance.

 36. As of 5/1/11, the fund's glide path was modified, and among other changes, reflects a lower starting allocation to equity funds; such a change can impact performance. Effective 5/1/13, the fund changed its name to Franklin LifeSmart Retirement Target Fund. The fund's investment grades and religiously investment strategies remained upchanged. As of 7/13 the fund changed its changed its travel allocation with short term.
- investment goals and principal investment strategies remained unchanged. As of 71/1/13, the fund changed its target allocation, with short-term investments combined into the fixed income fund target allocation; such a change can impact performance.
- 37. Effective 7/1/11, Templeton Income Fund changed its name to Templeton Global Balanced Fund. Additionally, the fund changed its goal and pricing structure. Under normal circumstances, the fund will invest: at least 25% of its assets in fixed income senior securities and at least 25% of its assets in equity securities; at least 40% of its assets in non-U.S. investments; and, in issuers located in at least three different
- countries (including the U.S.).

 38. On 7/1/11, the fund changed its name, its goal and pricing structure. Class A: Total returns have been restated to reflect the current maximum initial sales charge of 5.75% (Class A shares were previously offered at a lower initial sales charge). Class C: Effective 7/1/11, Class C shares closed to new investors, were renamed Class C1 shares, and a new Class C share with a different expense structure became available. Class C performance shown has been calculated as follows: (a) for periods prior to 7/1/11 a restated figure is used based on Class C1 performance and including the Rule 12b-1 rate differential between Class C and C1, and (b) for periods after 7/1/11, actual Class C performance is used, reflecting all charges and fees applicable to that class. The fund offers other share classes subject to different fees and expenses, which will affect their performance. Please see the prospectus for details.

 39. Effective June 28, 2013, the fund closed to new investors. Existing shareholders may continue to add money to their accounts.
- 40. Class A: Effective 2/1/12, Class A shares of Franklin Strategic Mortgage Portfolio closed to new Investors and were renamed Class A1. A new Class A share, with a 25 basis point (0.25%) Rule 12b-1 fee, is available to investors as of 2/1/12. The new Class A performance shown has been calculated as follows: (a) For periods prior to 2/1/12, a restated figure is used based on Class A1 performance and including the Class A Rule 12b-1 fee, and (b) for periods after 2/1/12, actual Class A performance will be used, reflecting all charges and fees applicable to that class. If you have any questions, please call Franklin Templeton Investments at (800) DIAL BEN/342-5236 or visit franklintempleton.com. The fund offers other share classes, subject to different fees and expenses that will affect their performance. Class C: The fund began offering a new Class C share on 2/1/12. Performance quotations for this class reflect the following methods of calculation: a) For periods prior to 2/1/12, a restated figure is used based on the fund's oldest share class, Class A1 excluding the effect of its maximum initial sales charge, but including Class C's sales charges and Rule 12b-1 fees as though in effect from the fund's inception; and b) for periods after the fund's Class C inception date, actual Class C performance is used, reflecting all charges and fees applicable to that class.

FOOTNOTES, cont'd.

- 41. Effective August 1, 2012, the Franklin Double Tax-Free Income Fund closed to all new investments (other than reinvestment of dividends
- and capital gains distributions).
 42. Effective 10/1/12, Franklin Low Duration Total Return Fund offers a Class C share. Class C: The fund began offering Class C shares on 10/1/12. Total returns are calculated as follows: a) For periods prior to 10/1/12, a restated figure is used based on the fund's oldest share class, Class A, performance excluding its maximum initial sales charge, but including Class C's sales charges and Rule 12b-1 fees as though in effect from the fund's inception; and b) for periods after 10/1/12, actual Class C performance is used, reflecting all charges and fees

- 43. The fund offers other share classes, subject to different fees and expenses that will affect their performance.

 44.The 30-Day Standardized Yield reflects an estimated yield to maturity. It should be regarded as an estimate of the fund's rate of investment income, and it may not equal the fund's actual income distribution rate, which reflects the funds past dividends paid to shareholders.

 45. As of January 1, 2013, the fund changed its target allocation, with short-term investments (formerly a targeted allocation of 20%) combined into the fixed income allocations; such a change can impact performance.
- 46. As of January 1, 2013, the fund changed its target allocation, with short-term investments (formerly a targeted allocation of 10%) combined into the fixed income allocations; such a change can impact performance.

 47. As of January 1, 2013, the fund changed its target allocation, with short-term investments (formerly a targeted allocation of 5%) combined
- into the fixed income allocations; such a change can impact performance.

 48. Effective March 31, 2013, the Franklin Insured Tax-Free Income Fund closed to all investment from new and existing shareholders (dividend reinvestments and capital gains distributions excepted).
- 49. Effective March 1, 2013, the Franklin California Insured Tax-Free Income Fund closed to all investment from new and existing
- shareholders (dividend reinvestments and capital gains distributions excepted).

 50. Effective June 3, 2013, the fund closed to new investors with limited exceptions. Existing shareholders may continue to add money to their
- accounts.

 51. Effective December 10, 2013, the fund closed to new investors with limited exceptions. Existing shareholders may continue to add money to their accounts.

- to men accounts.

 52. On 1/1/14, the fund's glide path was modified, including increasing its tactical allocation ranges and adding a strategic allocation to alternative funds. Such changes impact performance. The fund's investment goal has remained the same.

 53. For funds existing for less than one year, aggregate total returns replace average annual total returns.

 54. Franklin Small Cap Growth Fund will close to all *new* investors at close of market on February 12, 2015. Existing investors may continue to purchase additional shares of the fund. For more information, please contact your financial advisor or call Franklin Templeton Shareholder Services at (800) 632-2301.

A WORD ABOUT RISK

All mutual funds are subject to certain risks. Generally, investments offering the potential for higher returns are accompanied by a higher degree of risk. Stocks and other equities, representing an ownership interest in a corporation, historically have outperformed other asset classes over the long term but tend to fluctuate more dramatically over the short term. Bonds and other debt obligations are affected by changes in interest rates and the creditworthiness of their issuers. Bond prices generally move in the opposite direction of interest rates. Thus, as the prices of bonds in a fund adjust to a rise in interest rates, the fund's share price may decline. High-yield, lower-rated ("junk") bonds generally have greater price swings and higher default risks. Foreign investing, especially in developing markets, has additional risks such as currency and market volatility, and political or social instability. These and other risks pertaining to specific funds, such as those involving specialized industry sectors, or use of complex securities, are discussed in each fund's prospectus.

Franklin Templeton Investments

Gain From Our Perspective®

Franklin Templeton's distinct multi-manager structure combines the specialized expertise of three world-class investment management groups—Franklin, Templeton and Mutual Series.

Specialized Expertise

Each of our portfolio management groups operates autonomously, relying on its own research and staying true to the unique investment disciplines that underlie its success.

Franklin. Founded in 1947, Franklin is a recognized leader in fixed income investing and also brings expertise in growth- and value-style U.S. equity investing.

Templeton. Founded in 1940, Templeton pioneered international investing and, in 1954, launched what has become the industry's oldest global fund. Today, with offices in over 25 countries, Templeton offers investors a truly global perspective.

Mutual Series. Founded in 1949, Mutual Series is dedicated to a unique style of value investing, searching aggressively for opportunity among what it believes are undervalued stocks, as well as arbitrage situations and distressed securities.

True Diversification

Because our management groups work independently and adhere to different investment approaches, Franklin, Templeton and Mutual Series funds typically have distinct portfolios. That's why our funds can be used to build truly diversified allocation plans covering every major asset class.



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A FINANCIAL ADVISOR CAN HELP

With the variety of investment options available today, we suggest that you seek the guidance of a financial professional. Why? First, consider that there are more mutual funds than there are stocks listed on the New York Stock Exchange. While many of these funds share similar goals, no two are exactly alike. Second, nearly every investment entails special risks that should be discussed with an experienced professional. Your investment goals are unique, and a financial advisor can help you find the right fund for your needs.

Investors should carefully consider a fund's investment goals, risks, charges and expenses before investing. To obtain a prospectus, which contains this and other information, call us at **(800) DIAL BEN/342-5236** or visit **franklintempleton.com**. Please read the prospectus carefully before investing.