FRANKLIN TEMPLETON INVESTMENTS

FRANKLIN

Small Cap Growth SMA

FRANKLIN SEPARATELY MANAGED ACCOUNTS — PORTFOLIO PROFILE

FOURTH QUARTER 2013

INVESTMENT MANAGEMENT TEAM[1]

Michael P. McCarthy, CFA
Senior Vice President
Director of Equity Research
Portfolio Manager
Years with Firm: 21
Years Industry Experience: 22

Brad Carris, CFA
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Portfolio Manager/Research Analyst
Years with Firm: 12
Years Industry Experience: 12

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Portfolio Manager/Research Analyst
Years with Firm: 10
Years Industry Experience: 10

For more information, please contact your Franklin Templeton separately managed account sales team at (800) 822-8464.

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INVESTMENT PHILOSOPHY

Our[1] philosophy holds that companies with the potential for long-term sustainable growth can provide significant opportunities for investors. Market participants can have a short-term perspective and may underappreciate the potential for value created by sustainable growth. We believe that we have the potential to deliver superior risk-adjusted returns by identifying companies with potential for sustainable growth which we believe is not reflected in current prices.

INVESTMENT PROCESS

Within a collaborative environment, our team utilizes fundamental, bottom-up research to focus on companies that we believe have sustainable growth characteristics—meeting our criteria of Growth, Quality and Valuation.

Growth

- Focus on companies with potential to produce sustainable earnings and cash flow growth
- Evaluate the long-term market opportunity and competitive structure of the industry seeking to identify target leaders and emerging leaders

Quality

- Seek companies with strong and improving competitive positions in attractive markets
- Identify experienced and talented management teams as well as financial strength reflected in the capital structure, gross and operating margins, free cash flow generation, and returns on capital

Valuation

- Consider a range of potential outcomes based on an assessment of multiple scenarios
- Evaluate whether, in our view, security prices fully reflect the balance of the sustainable growth opportunities relative to the business and financial risks

BENCHMARK

Primary: Russell 2000® Growth Index

MODEL PORTFOLIO CHARACTERISTICS[2]

	Small Cap Growth SMA	Russell 2000 Growth Index	Russell 2000 Index
Number of Stock Holdings	92	1,174	2,000
Weighted Average Dividend Yield (gross)[3]	0.2%	0.7%	1.3%
Weighted Average Market Cap (US$m)[3]	1,776.30	2,024.90	1,778.50
Weighted Average Current Price to Earnings[3]	27.3x	25.3x	19.9x
Weighted Average Forward Price to Earnings[3]	23.8x	21.7x	19.2x
Weighted Average Price to Book[3]	3.2x	4.1x	2.3x
Weighted Average Price to Sales[3]	1.7x	1.6x	1.3x
Weighted Average Debt to Capital	24.0%	28.7%	30.3%
Weighted Average Estimated 3–5 Year Long-Term Earnings Growth	20.1%	19.4%	16.2%
Trailing 12 Months Turnover	34.8%	—	—
Expected Annual Turnover Range	30%–90%	—	—

Not FDIC Insured | May Lose Value | No Bank Guarantee

Please refer to back page for important compliance information.

COMPOSITE PERFORMANCE SUMMARY (USD) Period Ending December 31, 2013[4]

Total Returns (%)[5]

	1-Quarter	1-Year	3-Year	5-Year	10-Year	Since Inception
Small Cap Growth SMA Composite–"Pure" Gross	9.7	51.6	17.8	27.7	12.5	11.5
Small Cap Growth SMA Composite–Net	9.4	49.6	16.3	26.0	11.0	9.8
Russell 2000 Growth Index	8.2	43.3	16.8	22.6	9.4	6.1

Historical Performance (%)

	YEAR ENDING DECEMBER 31,											
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Small Cap Growth SMA–"Pure" Gross	-25.8	42.2	19.8	4.7	11.0	3.5	-33.3	45.7	42.4	-2.8	11.0	51.6
Small Cap Growth SMA–Net	-27.0	40.0	18.0	3.2	9.3	2.1	-34.3	43.5	40.5	-4.0	9.5	49.6
Russell 2000 Growth Index	-30.3	48.5	14.3	4.2	13.4	7.1	-38.5	34.5	29.1	-2.9	14.6	43.3

Risk Statistics (USD)[6]

	1-YEAR		3-YEAR		5-YEAR		10-YEAR	
	Small Cap Growth SMA	Russell 2000 Growth	Small Cap Growth SMA	Russell 2000 Growth	Small Cap Growth SMA	Russell 2000 Growth	Small Cap Growth SMA	Russell 2000 Growth
Annualized Standard Deviation	9.07	7.72	20.58	19.98	24.56	21.36	21.92	20.99
Beta	1.12	—	1.01	—	1.10	—	1.00	—
R-Squared	91.59	—	95.35	—	92.17	—	91.27	—
Annualized Tracking Error	2.80	—	4.44	—	7.22	—	6.48	—
Annualized Alpha	1.56	—	0.84	—	2.49	—	3.03	—
Annualized Information Ratio	2.95	—	0.23	—	0.71	—	0.48	—
Upside Capture (%)	119.07	—	106.00	—	125.86	—	109.01	—
Downside Capture (%)	N/A	—	101.72	—	96.87	—	91.17	—

Franklin Separately Managed Accounts claims compliance with the Global Investment Performance Standards (GIPS®) from January 1, 2004 to present. Any performance presented prior to that date is not in compliance. Please refer to back page for important compliance information. **Past performance does not guarantee future results and results may differ over future time periods.**

MODEL PORTFOLIO TOP 10 HOLDINGS (% of Total)[2]

	Weight	Sector
Shutterfly, Inc.	2.0	Consumer Discretionary
Faro Technologies, Inc.	1.8	Information Technology
Yelp!, Inc.	1.8	Information Technology
The Advisory Board Co.	1.5	Industrials
BroadSoft, Inc.	1.5	Information Technology
Demandware, Inc.	1.5	Information Technology
Echo Global Logistics, Inc.	1.5	Industrials
Bottomline Technologies, Inc.	1.5	Information Technology
Greatbatch, Inc.	1.5	Health Care
IMAX Corp.	1.5	Consumer Discretionary

MODEL PORTFOLIO SECTOR BREAKDOWN (% of Total)[2]

	Small Cap Growth SMA	Russell 2000 Growth Index	Russell 2000 Index
Information Technology	26.3	24.6	17.8
Consumer Discretionary	21.7	16.7	13.8
Industrials	17.0	15.4	14.5
Health Care	14.0	21.3	13.2
Energy	6.0	3.8	5.5
Financials	4.3	7.3	22.8
Consumer Staples	3.5	4.8	3.8
Materials	1.8	5.1	4.9
Telecommunication Services	1.3	0.9	0.8
Utilities	0.0	0.1	3.0
Cash and Equivalents	4.4	0.0	0.0

EXPLANATORY NOTES

The information and opinions stated are as of December 31, 2013, and are based on the composite, unless otherwise indicated, and do not represent a complete analysis of every material fact concerning any industry, security or investment. Statements of fact have been obtained from sources deemed reliable, but no representation is made as to their completeness or accuracy. The opinions expressed are not intended as individual investment advice or as a recommendation of any particular security, strategy or investment product.

Information provided is not a recommendation to purchase, sell or hold any particular security. The securities identified do not represent an account's entire holdings and in the aggregate may represent only a small percentage of such holdings. There is no assurance that securities purchased will remain in an account's portfolio, or that securities sold will not be repurchased. In addition, it should not be assumed that any securities transactions discussed were or will prove to be profitable.

1. Franklin Separately Managed Accounts and Franklin are defined as separate firms within the broader Franklin organization for the purpose of GIPS® compliance. Franklin Equity Group, an investment unit of the broader organization, manages wrap fee and unbundled fee portfolios for the firm Franklin Separately Managed Accounts and pooled investment products and institutional accounts for the firm Franklin. Mike McCarthy and the Small Cap Growth Investment Team within Franklin Advisers, Inc., assumed responsibility for Franklin Separately Managed Accounts' small cap strategy accounts, including those in the Franklin Small Cap Growth SMA Composite. Franklin Advisers, Inc. is a sub advisor to Franklin Separately Managed Accounts.

2. Figures may not add up to 100% due to rounding. Portfolio characteristics, top 10 holdings and sector breakdown are based on the Franklin Small Cap Growth SMA Composite model portfolio, representative of the investment strategy. The model portfolio represents the allocation that would be used for new accounts coming in, updated as of the end of each quarter. The allocation of existing accounts may differ from the allocation used for new accounts due to differences in the timing of purchases and sales, changes in the purchase and sell list during the course of a quarter, general market conditions and other factors specific to each existing account due to client considerations. Information is supplemental to the historical performance of the Franklin Small Cap Growth SMA Composite.

3. For the portfolio, P/B and P/S calculations for the weighted average use harmonic means. Values less than 0.01 (i.e., negative values) are excluded and values in excess of 200 are capped at 200. P/E calculations for the weighted average use harmonic means. P/S calculations for the weighted average exclude values less than 0.01 and values in excess of 200 are capped at 200. Yields above 100% are also excluded. For the benchmark, no limits are applied to these ratios. Market capitalization statistics are indicated in the base currency for the strategy presented.

4. Inception: 12/31/97.

5. Returns over one year are annualized. "Pure" gross does not reflect the deduction of any expenses, including trading costs, and is provided as supplemental information.

6. Information is supplemental to the historical performance of the Franklin Small Cap Growth SMA, comprising the portfolios of all sponsors following that mandate, and is based on "pure" gross-of-fees performance for that composite. "Pure" gross does not reflect the deduction of any expenses, including trading costs, and is provided as supplemental information.

GAIN FROM OUR PERSPECTIVE®

Franklin Templeton offers true diversification through the specialized expertise of three world-class investment management groups—Franklin, Templeton and Fiduciary Trust International.

Franklin. Founded in 1947, Franklin is a leader in tax-free investing and a driving force in fixed income investing around the globe. They also bring expertise in growth- and value-style U.S. equity investing.

Templeton. Founded in 1940, Templeton pioneered international investing and, today, manages portfolios for individual and institutional investors based on a global perspective.

Fiduciary Trust. Since 1931, Fiduciary Trust International has been helping individuals achieve their investment goals through an investment process that combines fundamental research and individual issue selection with macroeconomic and sector strategy.

COMPLIANCE STATEMENT

Franklin Separately Managed Accounts claims compliance with the Global Investment Performance Standards (GIPS®).

Franklin Separately Managed Accounts (the "firm") manages domestic equity and fixed income portfolios for high net worth individuals and institutional clients, applying a bottom-up, research-oriented process that utilizes proprietary screening models and top-down risk controls in managing its portfolios. Franklin Separately Managed Accounts is a division of Franklin Templeton Portfolio Advisors, Inc. ("FTPA"), a subsidiary of Franklin Resources, Inc. ("FRI") and is a unit of the broader Franklin organization. At Franklin Separately Managed Accounts, brokerage, administrative, custodial and investment management fees are charged together as a percentage of the portfolios' assets (comprehensive fee or "wrap fee") or may in some instances be charged separately (unbundled fee). Retail and Institutional separate accounts managed by affiliated Franklin entities are not included in the firm definition. Franklin Separately Managed Accounts was previously known as Franklin Portfolio Advisors prior to June 30, 2012. Franklin Portfolio Advisors was previously known as the Franklin Private Client Group prior to October 1, 2004.

Franklin Small Cap Growth SMA Composite consists of all fully discretionary accounts with a small cap growth investment objective and for which the brokerage (including trading expenses), administrative, custodial, and investment management fees are charged together as a percentage of the portfolios' assets ("wrap fee"). All accounts in the composite have a wrap fee (also known as a bundled or "comprehensive" fee) for all time periods presented. Smaller-company stocks have historically exhibited greater price volatility than larger-company stocks, particularly over the short-term. Between June 30, 2012 and December 31, 2012, the composite name was Franklin Small Cap Growth SMA Wrap Fee Composite. Prior to June 30, 2012, the composite name was Franklin Portfolio Advisors Small Cap Growth Composite–Wrap Fee. Effective April 2, 2012, Franklin Advisers, Inc., assumed responsibility for Franklin Separately Managed Accounts' small cap strategy accounts, including those in the Franklin Small Cap Growth SMA Composite. Franklin Advisers, Inc. is a sub adviser to Franklin Separately Managed Accounts.

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All returns are presented in U.S. dollars and have been calculated using time-weighted total rates of return. Net-of-fees returns have been reduced by the total "wrap fee" which includes brokerage fees (including trading expenses), administrative, custodial and investment management fees. Gross performance returns presented are "pure" gross-of-fees returns, which are before wrap fees, including brokerage fees related to trading expenses for transactions executed through the sponsor. "Pure" gross-of-fees returns are presented as supplemental information only. Both net- and "pure" gross-of-fees returns assume the reinvestment of dividends, interest, and realized and unrealized capital gains and losses. **Past performance does not guarantee future results and results may differ over future time periods.**

The primary benchmark for this composite is the Russell 2000® Growth Index, which is a float-adjusted market capitalization weighted equity index comprised of securities of small-cap U.S. companies with high price-to-book ratios and high forecasted growth values. The Russell 2000® Growth Index is an unmanaged index representing the investment environment existing during the time periods shown. It is presented for comparison purposes only and cannot accommodate direct investment. Information for the Russell 2000® Index is provided as supplementary information.

Risk Statistic Definitions:

Annualized Standard Deviation: A statistical measure of the degree to which an individual value in a probability distribution tends to vary from the mean of the distribution.

Beta: Beta is a measure of volatility; it measures the systematic risk of a security or a portfolio. It describes the sensitivity of a portfolio to the market, the tendency of a portfolio or a security to move relative to the market.

R-Squared: R-Squared is the correlation squared. It is used in style analysis to determine how much information about a return series the style benchmark has been able to capture.

Annualized Tracking Error: The active risk of the portfolio that measures the dispersion of the portfolio's return minus the benchmark's annualized return.

Annualized Alpha: Alpha is a risk (beta-adjusted) return measurement. If two managers had the same return, but one had a lower beta, that manager would have a higher alpha.

Annualized Information Ratio: A measure of consistency in excess return. The annualized excess return over a benchmark divided by the annualized standard deviation of excess return.

Additional information regarding the firm's policies and procedures for calculating and reporting performance results is available upon request. To receive a complete list of composite descriptions and/or a presentation that adheres to the GIPS® standards for any composite, contact your Franklin Templeton separately managed account sales team at (800) 822-8464 or visit www.franklintempleton.com.

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